

# FRANCHISE DISCLOSURE DOCUMENT



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As a NaturalLawn of America franchisee, you will conduct a lawn care service business that primarily uses organic-based treatments.

The initial investment necessary to begin operation of a NaturalLawn® of America franchised business ranges from \$57,500 to \$122,650. This includes \$29,500 that must be paid to the franchisor, and up to \$15,000 that may be paid to the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Philip Catron, 1 East Church Street, Frederick, Maryland 21701, (301) 694-5440, support@naturalawn.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

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## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Exhibit A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only NaturaLawn of America business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be an NaturaLawn of America franchisee?</b>	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

**Some States Require Registration.** Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit [C].

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Maryland. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Maryland than in your own state.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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**Item   Heading**

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**EXHIBITS**

- A     FINANCIAL STATEMENTS
- B     FRANCHISE AGREEMENT, WITH ATTACHMENTS AND STATE-SPECIFIC ADDENDA
- C     AGENCIES & AGENTS FOR SERVICE OF PROCESS
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- E     RECEIPTS

## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

#### The Franchisor

NaturaLawn of America, Inc. ("we" or "us") was incorporated on January 18, 1991, in the State of Maryland and maintains its principal place of business at 1 East Church Street, Frederick, MD 21701. We may establish regional support offices, as we consider necessary. We are currently doing business under the name of NaturaLawn of America, Inc. and we do not do business under any other name. We have conducted a business of the type to be operated by you since our incorporation. In this disclosure document, we refer to the person or legal entity that will sign the Franchise Agreement described below as "you" or "your."

Since our incorporation, we have awarded franchises to individuals and entities throughout the United States granting the right to adopt and use the "NaturaLawn of America System," its techniques, advertising, trade names and service marks in the operation of NaturaLawn of America Franchised Businesses. The NaturaLawn of America System is a comprehensive system of organic-based lawn care and pest control services. We have not offered franchises in any other line of business. In addition to awarding franchises, we engage, or are planning to engage, in the sale of products and services such as golf course supplies, pre-packaged cleaners, maintenance supplies, do-it-yourself products, safety products, composting products, biological pest control products and organic-based fertilizers. We may use a web site, storefronts, sales people or any other source to promote and make such sales.

Our agents for service of process are listed in Exhibit C.

#### Parents

We have no parents.

#### Predecessors and Affiliates

Our predecessor, NaturaLawn, Inc. ("NLI"), a Maryland corporation, was organized in 1987 by Philip Catron and Beecher Smith to own and operate a lawn care company specializing in organic-based treatments in Damascus, Maryland. NLI still owns and operates the NaturaLawn of America business in Damascus, Maryland, as well as a franchise in Manassas, Virginia.

In July 1989, NLI began offering franchises for NaturaLawn of America Franchised Businesses. NLI did not offer franchises in any other line of business. NLI transferred its franchise system assets to us on January 18, 1991, and has not offered franchises in any line of business since that time.

In February 1990, NLI began operating a NaturaLawn of America business in Virginia Beach, Virginia. On January 17, 1991, NLI transferred the assets of that business to SC Ventures, Inc. ("SCV"), a Virginia corporation owned by Philip Catron. SCV currently owns and operates the NaturaLawn of America business in Virginia Beach, Virginia servicing both the Virginia Beach and Tidewater areas of Virginia.

In December 2008, Philip Catron created J.T. Ventures, Inc., a Virginia corporation, and purchased the assets of a franchisee in Richmond, Virginia. J.T. Ventures, Inc. now operates a NaturaLawn of America business in Richmond, Virginia.

In January 2019, Philip Catron created MORCO Ventures, Inc., a New Jersey corporation, and purchased the assets of a franchisee in Fairfield, NJ. MORCO Ventures, Inc. now operates a NaturaLawn of America business in Fairfield, New Jersey.

In January 2019, Philip Catron created GSC Ventures, Inc., a Maryland corporation, and purchased the assets of a franchisee in Greenville, South Carolina. GSC Ventures, Inc. now operates a NaturaLawn of America business in Greenville, South Carolina.

In April 2021, Philip Catron created Bethel Ventures, Inc., a Virginia corporation, that now operates a NaturaLawn of America business in Fredericksburg, Virginia.

In July 2021, Philip Catron created Newport News Ventures, Inc., a Virginia corporation, and purchased the assets of a franchisee in Williamsburg, Virginia. Newport News Ventures, Inc. now operates a NaturaLawn of America business in Newport News, Virginia.

In August 2012, Philip Catron created Natural Alternative, Inc. ("NAI"), a Maryland corporation based in Frederick, MD. In February 2013, NaturaLawn of America, Inc. (NLA) transferred the retail assets and operations previously done by the Franchisor into this new corporation and licensed NAI to use and sublicense certain trademarks, patents, copyrights, Domain Names and other intellectual property which related to the retail business. NLA and NAI are affiliated companies and have common officers, owners and business locations.

In August 2012, Philip Catron created Signum, LLC, a Maryland limited liability company. In February 2013, NLA assigned all the rights to its trademarks, patents, copyrights, Domain Names and other intellectual property, including its license with NAI, to Signum. Signum licensed back to NLA, with the right for NLA to sublicense, certain trademarks, patents, copyrights, Domain Names and other intellectual property relating to the services offered by NLA and its franchisees.

Other than as described in this Item 1, we do not have any affiliates.

### Franchise Offered

We will award individuals, partnerships, corporations or other legal entities ("you") a franchise license ("Franchise Agreement"), which grants you the right to establish and operate 1 NaturaLawn of America Franchised Business ("Franchised Business") within a licensed territory approved by us ("Licensed Territory"). You may operate from a location we approve ("Approved Location"). The initial license fee may be reduced if you already have a qualified lawn care business.

The Franchised Business will be a lawn care service business that primarily uses organic-based/biological treatments, instead of high soluble salt fertilizers and synthetic pesticides. Your primary services will be diagnosis of lawn problems and application of organic-based fertilization and biological weed, disease and insect controls, as well as aeration and seeding to the lawns of residential, commercial and government-owned properties 5 to 8 or more times a year, depending on the region of the country.

The market for these services includes all residential and commercial lawns in your Licensed Territory. Generally, your operating season will be from February 1 through December 20, depending on the climate in your geographic area. You will compete with all other businesses providing traditional lawn care services in the Licensed Territory served by your Approved Location. The services provided by our franchisees reduce the lawn care customer's workload



and time commitment in addition to providing a more comprehensive and professional lawn treatment that is environmentally sensible.

You and certain of your principals (“Franchisee’s Principals”) may be designated as “Controlling Principals.” We require Controlling Principals to sign the Franchise Agreement. Controlling Principals include, collectively or individually, any Principal whom we designate as a Controlling Principal under the Franchise Agreement. By signing the Franchise Agreement, each of your Controlling Principals agrees to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement.

#### Industry-Specific Regulations

You must comply with all federal, state and local laws, rules and regulations that apply to businesses generally. Most states require a Pesticide Business License to operate this type of lawn care business. Most states require at least 1 person in the business to be a licensed Pesticide Control Operator (“PCO”). Most states also require re-certification training (every 1 to 5 years). Most states require insurance coverage for accidental spillage of pesticides, in addition to general liability insurance and worker’s compensation insurance coverage for the operation of this type of business.

There may be other laws, rules and regulations that apply specifically to your lawn care business. For example, in California, the California Department of Pesticide Regulation follows the federal standards for certification of commercial applicators as stated in the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) in Title 40 of the Code of Federal Regulations. You should investigate these other laws.

## **ITEM 2 BUSINESS EXPERIENCE**

### Philip Catron, President & Treasurer, Director

Philip Catron is our founder, and has been our President, Treasurer and a member of our board of directors in Frederick, MD since our incorporation in January 1991. He is a board-certified agronomist and has over 4 decades of technical lawn care training experience, including more than 3 decades with us and our predecessor, NaturaLawn, Inc.

### Jesse Catron, Vice President

Jesse Catron has been our Vice President in Frederick, MD since February 2020. He has over a dozen years of lawn care industry experience, including four years of combined field experience with our predecessor, NaturaLawn, Inc.

### Theresa Smith, Vice President

Theresa Smith has been our Vice President in Frederick, MD since February 2020. She also oversees the Marketing Department and has over 18 years of experience in the lawn care industry with us and our predecessor, NLI.

### Blaine R. Young, Franchise Sales and Development

Blaine Young has been in charge of Franchise Sales and Development since February 2015 and from 1995 to 2015 he co-owned Yellow Cab of Frederick, MD.

John Steiner, Regional Operations Manager

John Steiner has been a Regional Operations Manager in Frederick, MD since October 2002. He is a lawn care professional with over 3 decades of experience in opening and managing lawn care operations throughout the United States.

Paul Adams, Regional Operations Manager

Paul Adams has been a Regional Operations Manager in Frederick, MD since March of 2018, and has over 19 years of experience in the green industry. This includes over 10 years with managing and operating a NaturalLawn of America franchise business.

Kevin Rutledge, Regional Operations Manager

Kevin Rutledge has been a Regional Operations Manager in Frederick, MD since July 2019, and has over 3 decades of experience in managing operations and training within the green industry.

Elvin Wolfe, Regional Operations Manager

Elvin Wolfe has been a Regional Operations Manager in Frederick, MD since July 2019, and has over 2 decades of experience in the green industry.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

RESERVATION FEE

If you want to reserve a Licensed Territory, you must pay us a \$2,950 reservation fee when you sign a Territory Reservation Agreement (see Exhibit D). The reservation fee is uniform and not refundable. If you sign the Franchise Agreement at least 6 weeks before our next new franchisee initial training class, the reservation fee will be applied towards your initial license fee under the Franchise Agreement (described below). If you do not sign the Franchise Agreement at least 6 weeks before our next new franchisee initial training class, the reservation fee is forfeited.

INITIAL LICENSE FEE

You must pay us an initial license fee in full when you sign the Franchise Agreement. Currently, the minimum initial license fee is \$29,500 for a standard Licensed Territory. The initial license fee is uniform for all new Franchised Businesses, but may be reduced or increased as specified below. The initial license fee is not refundable under any circumstances.

If the Licensed Territory exceeds our demographic guidelines for a standard Licensed Territory (which is defined to have at least 40,000 single-family households with median household

incomes of over \$55,000), we may charge and you must pay an additional initial license fee of \$0.55 per single-family household in excess of 40,000 with annual median household income of over \$55,000 in the Licensed Territory.

We may reduce the initial license fee if you already operate a lawn care business similar to a NaturaLawn of America Franchised Business. In order to qualify for a reduced initial license fee, your lawn care business must consist of application work such as fertilization, weed and disease & insect control as well as aeration and seeding. Services such as mowing, landscaping, irrigation or any other non-application services do not count as revenues for the reduced initial license fee. The annual revenues of your current application business, as outlined in the 1<sup>st</sup> column and subject to our verification by audit, will determine the amount the initial license fee will be discounted, as detailed in the 2<sup>nd</sup> column:

Annual Revenues	Initial License Fee Will Be Discounted By:
\$ 25,000 - \$ 49,999	\$ 2,500
\$ 50,000 - \$ 99,999	\$ 5,000
\$100,000 - \$149,999	\$ 7,500
\$150,000 - \$199,999	\$10,000
\$200,000 - \$249,999	\$12,500
\$250,000 - \$299,999	\$15,000
\$300,000 - \$349,999	\$17,500
\$350,000 or more	\$20,000

### Opening Inventory

Before you open, you may choose to purchase additional supplies (including, for example, uniforms, promotional materials and forms) and equipment beyond what we provide to you as part of the initial license fee. If we have these items in stock, you must purchase the supplies and equipment from us, at an estimated initial cost of \$7,250 to \$15,000. This fee is nonrefundable and is due at the time of purchase. You must purchase these supplies and equipment from approved suppliers through our purchasing department if we do not have certain supplies or equipment in stock.

### **ITEM 6 OTHER FEES**

Fee	Amount	Due Date	Remarks
Service Fee (see Note 1)	9% of Gross Sales; after renewal, 7% or 9% of Gross Sales 15% Gross Sales	Payable in weekly installments, by electronic transfer of funds	Gross Sales means any and all collected payments, including prepayments related to the Franchised Business, except for taxes paid to the government or amounts refunded to customers.
Advertising Fee	1% Advertising fee based on Gross Sales	Payable in weekly installments, by electronic transfer of funds	A one (1%) percent advertising fee is collected based on all Gross Sales of the franchised business.
Supplies and Equipment (see Note 2)	Prices we or suppliers charge	On demand, by electronic transfer of funds, or by a pre-approved credit card	You must purchase certain designated supplies and equipment from us or approved suppliers through our purchasing department.

Fee	Amount	Due Date	Remarks
Interest (see Note 3)	1.8% per month or 21.6% per year on amounts past due	On demand	Payable on overdue amounts.
Delinquent Service Fee	\$100 per week	If the service fee is over 1 week past due	If the service fee is not received within 7 days after the prior week's end, you must pay \$100 per week for every week the service fee is past due.
Non- Attendance at Mandatory Meeting Fees	\$1,500 first year and increased Service Fees after third	ACH on or before June 30th of current year	If service fees are currently below 9%, they may increase to 9% level for the remaining term of the franchisee's license agreement.
Indemnification	Costs & expenses	On demand	If there is claim or action against us from your operation of the Franchised Business, you must indemnify us for all costs and expenses we incur.
Inspection & Audit (see Note 4)	Expense of inspection and audit	30 days after receipt of our bill	Applicable if you understate Gross Sales by more than 4%.
Attorney's Fees & Costs	Actual costs & expenses	As incurred	If a party is successful in any action to enforce the Franchise Agreement, in addition to any judgment entered in its favor, the party is entitled to recover reasonable attorney's fees together with court costs and expenses of the litigation.
Extra Training or Support at Your Location	Actual reasonable travel & living expenses	As incurred	If you request training or support at your location, you must pay our reasonable travel and living expenses for our employee(s) providing training or support. This training or support is not mandatory.
Transfer	\$10,000	Before transfer	No fee imposed for transfers to legal entities formed by you or transfers to your immediate family resulting from your death or incapacity. At our option, this fee may be adjusted annually to reflect changes in the Consumer Price Index.

Notes:

1. All fees are imposed by us and payable to us, and are non-refundable. You must pay service fees due and amounts overdue for services from us by a pre-authorized electronic transfer of funds from an account you designate. If there are insufficient funds for a transfer in the account you designate, we will charge the amount due, plus a 5% administrative fee, to a credit card you designate (see Attachment F to the Franchise Agreement).

Initially, the service fee will be 9% of your Gross Sales. If your Gross Sales for the Licensed Territory are at least \$500,000 **in the last full calendar year before renewal**, and if your license is renewed, the service fee will be reduced to 7% of Gross Sales during the renewal term, so long as your Gross Sales are at least \$500,000 for the Licensed Territory in each calendar year after renewal and do not decrease by 10% or more in any calendar year after renewal. If, after renewal, your Gross Sales decrease to less than \$500,000 or by 10% or

more in any calendar year, the service fee will automatically revert to 9% of Gross Sales in the next calendar year and from then on during the renewal term.

You may not offer or sell NaturaLawn of America products or services outside your Licensed Territory without our written consent. Service fees of 15% of Gross Sales will be assessed on all revenue derived from sources outside of your Licensed Territory.

2. You must purchase certain designated supplies and equipment from us or approved suppliers through our purchasing department. You must pay us by ACH debit accounts or if acceptable by us, a pre-authorized charge to a credit card you designate before shipping.
3. The interest rate charged will not exceed the highest rate allowed by law.
4. We may access your computer system at any time, and for any reason, remotely through the Internet, or any other physical or electronic means available, to review, monitor, inspect, download and/or copy any or all of the data and/or records on your computer system including, but not limited to, your financial data on your QuickBooks Premier software. If your Gross Sales are understated by more than 4%, you must pay for our inspection and audit expenses. Our inspection and audit expenses are not uniform among all Franchised Businesses.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial License Fee (see Note 1)	\$9,500 - \$29,500	Lump Sum	Execution	Us
Opening Inventory (see Note 2)	\$0 - \$5,000	As Arranged	As Incurred	Suppliers & Us
Real Estate Improvements (see Note 3)	See Note 3	As Arranged	As Incurred	Suppliers
Lawn Care Equipment Purchases	\$1,500 - \$4,000	Varies	As Incurred	Suppliers
Vehicle (purchase or lease cost for 6 months)	\$0 - \$3,000	As Arranged	As Incurred	Suppliers
Office Furniture & Equipment	\$0 - \$5,000	As Arranged	As Incurred	Suppliers
Training Expenses (see Note 4)	\$0 - \$1,150	As Arranged	As Incurred	Suppliers
Computer & Technology Expenses (see Note 5)	\$0 - \$1,000	As Arranged	As Incurred	Suppliers & Us
Initial Annual Advertising and Marketing (see Note 6)	\$40,000 - \$60,000	As Arranged	As Incurred	Suppliers
Licenses	\$250 - \$500	As Arranged	As Incurred	State
Professional Fees (accounting, legal, etc.)	\$1,250 - \$2,000	As Arranged	As Incurred	Lawyers & Accountants
Lease Deposits (rent, utilities, etc.)	\$2,000 - \$3,500	As Arranged	As Incurred	Suppliers
Insurance Deposit	\$1,500 - \$3,500	As Arranged	As Incurred	Insurers
Additional Funds (6 months or more) (see Note 7)	\$1,500 - \$4,500	Varies	Varies	Varies
<b>Total</b>	<b>\$57,500 - \$122,650, plus access to a \$100,000 - \$150,000 line of credit (does not include real estate costs or increase in initial license fee for larger territory)</b>			

Notes:

1. The initial license fee is generally \$29,500, but may be as low as \$9,500 if you already operate a lawn care business, and may be higher if your territory exceeds our guidelines for a standard territory. You pay us the initial license fee in a lump sum when you sign the Franchise Agreement. The initial license fee is not refundable under any circumstances.
2. You may choose to purchase certain additional supplies (including for example, uniforms, promotional materials, and forms) and equipment beyond what we provide to you as part of the initial license fee. If we have those items in stock, you must purchase the items from us. If we do not have the items in stock, you must purchase them from approved suppliers through our purchasing department.
3. We do not recommend the purchase of real estate for your Franchised Business. Due to the various methods of acquiring the real property and the variable cost of this property based on its location, it is impossible to estimate what expenditures might be necessary to acquire real estate. It is expected that the Franchised Business office and warehouse will have between 1,500 and 2,500 total square feet and be located in an industrial or commercial area.
4. You must pay for you and your manager's or other principal owner's transportation to the initial training programs, and for you and your manager's or other principal owner's living expenses while attending 1 week of training at our home office and 2 weeks of additional training at 1 of our company locations. The cost for transportation will vary depending on your proximity to our home office and company locations. Your lodging will cost about \$100 per day per person, and food expenses will be about \$50 per day per person.
5. We will supply you with a computer and certain pre-installed software as part of the initial license fee. You must purchase additional technology, computer hardware and software in accordance with our specifications. You are required to use the cloud-based, Real Green, Service Assistant 5 program. The program cost is per user/per month, with the first user costing \$125, users 2-5 are \$70, users 6-9 are \$65, and users 10+ are \$55 per user.
6. Advertising and marketing investments will vary from year to year. In order to grow any business, money needs to be directed for the acquisition of new customers. We will help you develop a budget and marketing plan designed to meet the growth needs of the business to secure a customer base which in turn will provide a source of reoccurring revenue to your business.

The amount of money you will spend to acquire new customers is based on many factors, one of which is our 3 plus decades of experience growing similar lawn care franchise operations. You should anticipate spending between \$40,000 and \$60,000 a year on approved marketing and advertising pieces and campaigns.

7. Certain expenses (e.g., licenses, office or lawn care equipment) may be less if you already own a qualified lawn care company. The initial license fee may be more or less than the amount stated, as specified in Note 1. The amounts on this chart cover about a 12-month period after you sign the Franchise Agreement and certain start-up costs are "one time" only and will not be incurred in subsequent years. Due to the seasonal nature of the lawn care business, the initial phase of your business may be 6 months or more.

Other than the initial license fee, certain opening inventory and certain computer hardware and software, all fees and expenses noted above are paid to the individual suppliers of each item as noted. You may negotiate the method and terms of payment for each of the listed items with each particular supplier. In most instances, however, we project that expenses will be due as incurred and will not be refundable.

We relied on our more than 3 plus decades of experience in the industry when preparing these figures. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You may be eligible for financing through 3<sup>rd</sup> party sources, if you are qualified.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

In order to maintain the high quality of operations, you must purchase all products, equipment, inventory and services used in the Franchised Business from us or other approved suppliers, or according to our standards, specifications and requirements as described in the NaturaLawn of America Manual ("Manual"). You must process all orders for these items through our centralized purchasing department. If we have items in stock, you must purchase them from us. If we do not have items in stock, you may purchase them from approved suppliers through our purchasing department. There are no approved suppliers (other than us) in which any of our officers owns an interest.

We have invested a significant amount of time and effort in the development of the NaturaLawn of America System, marketing program and brand. You must use only pre-approved marketing and advertising materials in the marketing, promotion and advertising of your NaturaLawn of America business.

You will be provided a computer system that meets our specifications. You will be required to purchase or acquire the following additional computer hardware: (1) bar code scanner (about \$200) and an HP LaserJet Printer series (about \$500) or higher series printer. In addition, you will be required to purchase the following software related items: an antivirus program at about \$30 a year, and an antimalware program around \$30 a year, and the annual support plan from Intuit for the QuickBooks Premier program which currently costs \$ 500 a year.

There is no restriction on the source of insurance, but the minimum liability coverage must be at least \$1,000,000 or your state's required minimum, whichever is greater.

Except for items that we have in stock, and except for forms and other materials bearing our marks and logos, neither we nor any of our affiliates are the only approved supplier of any item. In the future, we may be an exclusive or non-exclusive approved supplier of 1 or more products or services.

We estimate that required purchases and leases represent 80% to 90% of all purchases and leases to be made by you in establishing the Franchised Business and less than 5% as you are operating the Franchised Business. These figures may vary depending on the costs of real estate in your territory if you decide to buy rather than lease property.

Our specifications and requirements for supplies and services, including "designated products, equipment and services," may be modified or changed by us, in our sole discretion. You must purchase such designated products, equipment and services, and, at your expense, comply with any changes in the specifications and requirements. You may propose additional or different

specifications or suppliers for any products or services by submitting a written request to us. The decision to adopt the proposed additional or different specifications or suppliers for the products or services will be made by us, in our sole discretion, after conducting the investigations and inspections we think necessary to determine whether the proposal is consistent with the standards and procedures of the NaturaLawn of America System. We will notify you in writing of our approval or disapproval of the proposed additional or different specifications or suppliers within 30 days after our receipt of your proposal.

If you desire to use a particular supplier and if that supplier meets our specifications and requirements, then that supplier may become an approved supplier for specific products. You may submit a written request to us for acceptance of a particular supplier as an approved supplier or to determine whether a particular product meets specifications. We do not charge a fee for approval or disapproval of a supplier or a product. We will apply the following general criteria in deciding whether to approve that supplier or the product:

1. Ability to make the manufactured product to our specifications and in packages bearing our trademarks as we may designate;
2. Willingness to protect the secrets behind the uniqueness of our product from dissemination to others;
3. Production and capability to meet supply commitment and delivery schedules;
4. Integrity of ownership in order to protect our and your goodwill;
5. Competitive price with other approved suppliers;
6. Financially sound condition;
7. Uses our reporting procedures;
8. Provides required warranties;
9. Joins the System's marketing programs, if applicable;
10. Meets our packaging specifications; and
11. Willingness to enter into a Rebate/Remuneration Agreement with us based on amount of products you purchase.

If at any time an approved supplier fails to continue to meet our specifications and requirements, then we may revoke the approved status of that supplier. You will be notified in writing by us of the approval, disapproval and revocation of approval of suppliers. Once notified, you must immediately discontinue using any disapproved supplier, product or service.

During the fiscal year ending December 31, 2022, we derived \$1,507,740, or 21.3% of our total revenues of \$7,066,782, from the sale of products, supplies, equipment, paper and promotional materials and other inventory to our franchisees, as well as certain rebates/remunerations we received from our suppliers. This information was taken from our audited financial statements and our internal accounting records.

We derive income from purchases made by you from suppliers and manufacturers other than us. We also have certain arrangements with suppliers from whom we derive income based on purchases or leases from franchisees and company locations to partially offset the administrative costs incurred by us in the initial sourcing, approval or ongoing monitoring of compliance with our quality standards by these suppliers. These payments may be in the form of equipment or products provided to us, may be in the form of a percentage of franchisee and



company location purchases or lump sum payments for System purchases, and may be retained by us or used to offset the cost of promotional materials or System operating costs. We currently receive rebates/ remunerations from certain suppliers of equipment, products, promotional materials and paper products. Those rebates/remunerations from suppliers based on your and our purchases may range from 1% to 16% of the cost of the equipment, products, promotional materials or paper products.

We do not condition any material benefit to you based on the use of a designated or approved supplier. We are not obligated to negotiate purchase arrangements on behalf of franchisees, but we will negotiate with suppliers on behalf of the System.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

Obligation		Section in Franchise Agreement	Disclosure Document Item
a.	Site selection & acquisition/lease	3	8, 11
b.	Pre-opening purchases/leases	3, 12	5, 7, 8
c.	Site development & other pre-opening requirements	3	8, 11
d.	Initial & ongoing training	6	11
e.	Opening	3, 6	11
f.	Fees	8, 9, 15D	5, 6
g.	Compliance with standards and policies/ Manual	4 & 12	11, 14
h.	Trademarks & proprietary information	2A(3), 11D, 11E, 12I	13, 14
i.	Restrictions on products/services offered	12F	8, 11, 16
j.	Warranty & customer service requirements	12E	16
k.	Territorial development & sales quotas	13A	12
l.	Ongoing product/service purchases	12C	8
m.	Maintenance, appearance & remodeling requirements	12A & 12K	11
n.	Insurance	12B	7, 8
o.	Advertising	5	6, 7, 11
p.	Indemnification	24	6
q.	Owner's participation/management/staffing	13	15
r.	Records and reports	10, 12J	15
s.	Inspections and audits	10	6
t.	Transfer	15	6 & 17
u.	Renewal	2E	17
v.	Post-termination obligations	11B, 18, 19, 20	17
w.	Non-competition covenants	11A - C	17
x.	Dispute resolution	30	17
y.	Other obligations	11, 12	1
•	Obtain a credit line of \$75,000-\$125,000	12L	7
•	Must obtain any necessary license required by the state for our industry.	12H	8
•	Have business open 5 days a week through operating season	12D	Not Applicable

Obligation		Section in Franchise Agreement	Disclosure Document Item
•	No interference with employment relations of others	14	Not applicable
•	No authority to act as our agent	17	Not Applicable
•	Notices	22	Not Applicable

## ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

## ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

**Except as listed below, we are not required to provide you with any assistance.**

### Our Pre-Opening Obligations

Before you open your Franchised Business to the public, we will provide the following assistance to you:

1. If requested by you, we will advise you on the relevant considerations in site selection for the Franchised Business office. Our criteria for site selection are contained in the Manual. Our Operations Department must review and approve the proposed site **before you sign a lease or purchase property**. We are not responsible for negotiating the contract for sale or lease of the site selected, nor are we responsible for any deficiencies that may result from the selection of any site. (Franchise Agreement §3).
2. We will provide you with specifications for machinery, equipment, inventory and supplies required for the Franchised Business. (Franchise Agreement §3).
3. We will provide you with initial office paper supplies, uniforms and marketing materials needed to begin operation of the Franchised Business. (Franchise Agreement §3).
4. We will provide initial training in the NaturaLawn of America System to you, which is more fully described below. (Franchise Agreement § 6).
5. We will provide you with reasonable guidance in the development of the Business. (Franchise Agreement §3).
6. We will disclose confidential information to you relating to the Business. (Franchise Agreement §11).

The Franchise Agreement sets forth all of the supervision, assistance and services that we must provide to you before the opening of the Business.

### Our Obligations During Operation

During the operation of the Franchised Business, we will provide the following assistance to you:

1. We will advise and consult with you periodically about the operation of the Franchised Business and, on your request, at other reasonable times. We will communicate to you our know-how, new developments, techniques and improvements in the areas of management, marketing, operations and service, which are pertinent to operation of a lawn care business using the NaturaLawn of America System. The communications will be accompanied by

visits from Regional Operations Managers and various other Home Office personnel, when appropriate in our discretion, and by printed reports and other written communications. We may also make available to you additional services, products, facilities, rights and privileges that we make generally available to all our Franchised Businesses. (Franchise Agreement §3).

2. We will provide you with the Manual and supplemental business manuals prepared by us for use by all Franchised Businesses (see the below Table of Contents for Manual). The manuals contain information about operation of the Franchised Business, including: (a) specifications for machinery, equipment and organic-based lawn care treatments; (b) methods of inventory control; (c) bookkeeping and accounting procedures; (d) business practices and policies, including planning and budgeting; (e) methods of market analysis; (f) required and recommended insurance coverages; (g) other management, advertising and personnel policies; (h) public relations; (i) purchasing; and (j) agronomic safety. These manuals are on loan to you and may not be copied without our written consent. You must return the manuals to us when you no longer have ownership in the Business. (Franchise Agreement §4 and §6).

#### **TABLE OF CONTENTS FOR MANUAL**

<b>Section</b>	<b>Part</b>	<b>Title &amp; Pages</b>	<b>Total Pages</b>
<b>1</b>		<b>Company Information</b>	
		Introduction – Pages 1 - 3	3
	1	Organization & Philosophy – Page 4	1
	2	Company Image – Pages 5 - 9	4
	3	Standards of Operation – Pages 9 - 10	2
<b>2</b>		<b>Lawn Care Program</b>	
	1	Program Philosophies – Pages 1 - 2	2
	2	IPM In Commercial Lawn Care – Pages 2 - 4	2
	3	Basic Materials Used In The Naturalawn of America Program – Pages 4 - 6	2
	4	Weed Suppressants (Herbicides) – Page 7	1
	5	Insect Suppression (Insecticides) – Pages 8 - 9	1
	6	Disease Suppression (Fungicides) – Page 9	1
	7	Soil / The Program's Foundation – Page 10	1
	8	A Year In Lawn Care – Page 11	1
<b>3</b>		<b>Finances &amp; The Business Plan</b>	
	1	Starting Your Business – Pages 1 - 3	3
	2	Writing Your Business Plan – Pages 3 - 4	2
	3	The Business Plan – Pages 5 - 13	8
<b>4</b>		<b>Marketing 101</b>	
	1	Introduction to Marketing – Pages 1 - 25	25
<b>5</b>		<b>Finances &amp; The Business Plan</b>	
	1	Making A Profit – Pages 1 - 2	2
	2	Budgeting – Pages 2 - 4	2
	3	Income Statement, Balance Sheet & Cash Flow – Pages 5 - 9	4
	4	Cash or Accrual Basis – Page 9	1
<b>6</b>		<b>Financial Management</b>	
	1	Your Financial Management – Pages 1 - 5	5
	2	What You Can Expect & What We Can Expect – Pages 6 - 7	2
		Sample Forms – Pages 8 - 9	2
<b>7</b>		<b>Purchasing</b>	
	1	Account Setup – Page 1	1

Section	Part	Title & Pages	Total Pages
	2	Purchasing Guidelines – Pages 1 - 2	2
		Purchasing Forms – Pages 3 - 13	10
<b>8</b>		<b>Employee Relations</b>	
	1	Personnel – Pages 1 - 2	2
	2	Recruiting – Page 3	1
	3	Compensation – Page 3	1
	4	Training – Page 3	1
		Sample Flow Chart – Page 4	1
		NaturalLawn of America Policy & Procedure Manual – Pages 5 - 16	11
		Employee Forms – Pages 17 - 33	16
		<b>Total Pages</b>	<b>123</b>

3. We will hold 1 to 2 franchise owner meetings and 1 to 4 training and discussion meetings per year. **You must attend all franchise owner meetings.** You, and your managers, technicians and office staff, must attend all of the training and discussion meetings. (Franchise Agreement §6).

We, at our discretion, may provide additional supervision, assistance or services during your operation of the Franchised Business, including: (a) development of new advertising, marketing and public relations programs; (b) new products and services; (c) financial business analysis; (d) developing insurance options; and (e) productivity.

#### Methods For Selecting Your Location

The franchise is granted for a specific geographic territory and for that area only. You may select the site(s) for the Franchised Business office(s) only within your Licensed Territory. You need our approval for the site(s). If you request, we may elect to assist you in locating a site for your Franchised Business office by advising you in methods of ascertaining single family dwelling density, income levels, traffic patterns, competition, cost of obtaining the site and other factors. If you and we cannot agree on a site within 9 months after the date you sign the Franchise Agreement, we may terminate the franchise.

#### Our Training Program

We will provide you with initial training as we consider necessary to enable you to properly conduct the Franchised Business. Training is mandatory for you and also for certain of your employees, including managers and turf technicians and other employees, who in our opinion, require specialized skills in order to properly perform their jobs. You generally will attend each training session. You and any of your employees who are required to engage in training must complete the training to our satisfaction.

Initial owner training for you and, if applicable, your manager or other principal owner, is typically conducted for 1 week at our home office in Frederick, Maryland, and for 2 additional weeks at one of our company locations in Maryland or Virginia, before the opening of the Franchised Business. Training for turf technicians and other employees is conducted at your location, at a regional site, at one of our designated company locations or at our home office. If we determine that your employees should begin training before your location is properly equipped, then we may choose another location in which to provide training.

We currently hold the initial training for new franchise owners once a year. The seasonality of the lawn care business impacts the time of year for training. Initial classroom training for you and your manager or other principal owner is typically conducted for 1 week at our home office

in Frederick, Maryland, and includes orientation, business start-up, budget, business planning, customer service, accounting, agronomic, sales/marketing, and Service Assistant 5 training. Additional field, agronomic, software, office set-up and equipment training are conducted for about 2 to 4 days at your location. After this initial training, we will also require you and your manager or other principal owner to attend another 2 weeks of operations training at a designated company location to learn the hands-on aspects of our business. This additional training is usually scheduled before the opening of your business. You must pay any expenses that you or your manager or other principal owner incur to attend this training, and you and your manager or other principal owner must successfully complete this training before opening your business.

The Manual, which includes instructional materials for all areas covered during initial training, is provided to you without additional charge. Philip Catron, Jesse Catron, Theresa Smith, Blaine Young, John Steiner, and Paul Adams or other qualified individuals currently employed or whom we may employ in the future will conduct the initial training. Jesse Catron is in charge of our training program. Philip Catron is our founder and developed our franchise program. He is a board-certified agronomist. He has over 4 plus decades of technical lawn care training experience, including 3 plus decades with us. Jesse Catron, Theresa Smith, Blaine Young, John Steiner and Paul Adams are lawn care professionals with over 3 plus decades of experience in how to open and manage lawn care businesses, including 2 plus decades with us managing and operating a NaturaLawn of America business.

The subjects currently covered in the initial new owner training program are described below:

### TRAINING PROGRAM

Subject	Hours of Training		Location
	Classroom	On the Job	
Management & Operation of the Business	6-10	12-20	Our Home Office & A Company Location
Marketing & Sales	6-10	15-30	Our Home Office & A Company Location
Weed, Insect, & Disease Identification	6-10	12-20	Our Home Office, A Company Location & Your Location
Safe Use of Fertilizers & Pesticides	6-10	12-20	Our Home Office, A Company Location & Your Location
Total	24-40	51-90	

During your initial owner training sessions, we will provide all training and support services without charge. You will pay the food and lodging expenses for you and your manager or other principal owner. You must pay for all travel expenses and all living expenses incurred by you and your employees in connection with training. We do not pay any compensation to you or your employees while they are in training. We do not pay travel costs. If we, at your request, provide training or support services at your location, you must pay for all reasonable travel and living expenses incurred by us and our employees for these services.

We will hold 1 or 2 annual owner training programs that **you must attend** after your business is opened to the public. These meetings will be conducted in various locations and will normally include training in marketing and sales techniques and promotional plans, as well as technical updates and idea exchanges among Franchised Businesses. We will also be available to provide assistance to you after the opening of your business, when required, on a reasonable

basis. In addition, we may hold periodic mandatory training and discussion meetings for all Franchised Businesses and their managers. After the opening of your business, when we develop new procedures or techniques which we believe require additional training, we will provide this training to you.

Other than the training discussed above, we do not provide any additional training to assist you or your employees to pass any state licensing or certification examination that may exist in your state.

### Computer Systems

You must install and maintain computer hardware, software and other technology in accordance with our standards and specifications to operate the NaturaLawn of America Franchised Business as specified in the Manuals. We may (but are not required to) upgrade our minimum standards and specifications at any time in order to keep pace with technology and improve the efficiency and operation of the Franchised Business. We will advise you in writing of any required upgrades and give you a reasonable time to comply. **You may not install or use any unauthorized software onto the computer system being used to run the NaturaLawn of America Franchised Business; nor may any other business be run with the hardware (computers) or software (programs) used for the Franchised Business.**

We own all of the customer data and information that pertains to the Franchise Business, and we will have independent access to electronically access, inspect, monitor and retrieve information stored on your computer system related to the operations of the Franchised Business. There are no contractual limitations on our rights to this information.

We will provide you, without charge and as part of the initial license fee, some of the computer hardware and software that you need to operate the NaturaLawn of America Franchised Business, in accordance with our specifications. After you successfully complete initial training, we will supply you with a computer capable of running the hardware and software listed below; which you must use for running the Franchised Business. You may not use this hardware or software to run any other business entities or enterprises, including non-profits.

1. **Dell OptiPlex Computer:** A Dell OptiPlex workstation computer will be provided for you with 8 GIGs of RAM and an Intel® i5 processor or better. We have used and recommended the use of Dell OptiPlex workstation computers for more than a dozen plus years.
2. **Windows 10 Professional Operating System:** Windows 10 Professional operating system by Microsoft Corporation will be installed on the Dell OptiPlex workstation. If a newer Windows operating system has been released and approved, we may at our sole discretion opt to substitute it. We have used and recommended the use of Windows operating systems for more than a dozen plus years.
3. **Real Green Service Assistant 5:** We use the cloud-based Service Assistant 5 software program by Real Green Systems, Inc., 8601 Boulder Court, Walled Lake, Michigan 48390 (Phone: 800-422-7478). You will use this software for database management, marketing, financial management, reporting data, and other business functions to run the Franchised Business. We will save to your browser the URL needed to reach your Service Assistant 5 program. All data on the Service Assistant 5 program will remain the property of NaturaLawn of America, Inc.

4. **Intuit QuickBooks Premier Software:** QuickBooks Premier software is an accounting and payroll service program. You may not substitute a comparable software package for these functions. This program will be set up to conform with the NaturaLawn of America franchise accounting system. All data on the QuickBooks Premier program will remain the property of NaturaLawn of America, Inc. We have used and recommended the use of QuickBooks Premier software for more than a dozen plus years.
5. **Microsoft Office Professional:** Microsoft Office Professional by Microsoft Corporation is for office automation. If a newer Microsoft Office package has been released and approved, we may at our sole discretion opt to substitute it. Other software packages may provide the same or similar functions, but you may not substitute a comparable software package for these functions. We have used or recommended the use of Microsoft Office for more than a dozen plus years.
6. **Antivirus and Antimalware Software:** It is vital to purchase and maintain antivirus and antimalware protection for all computers used for the Franchised Business. We will install a trial version of both antivirus and antimalware protection on your computer system to insure it is virus and malware free when you take possession.
7. **NaturaLawn of America Email Address:** You must obtain a personal business email address and it cannot include the word “naturalawn” or any other trademark licensed by NaturaLawn of America, Inc. in the address name. We will then assign you an alias NaturaLawn of America email address (@naturalawn.com) and auto-forward all @naturalawn.com emails received to your personal email address. This @naturalawn.com address is to be used exclusively in your Franchised Business. This email will be used on our website, your business cards, and any printed marketing materials for customers or potential customers you may market to.

Monthly and annual expenses to run your computer hardware and software will be at your expense, as well as additional hardware and software you choose to add to your Franchised Business.

1. **Dell OptiPlex Computer:** We suggest any additional computers purchased would be Dell OptiPlex workstations with at least 8 GIGs of RAM, and at least an i5 processor. You may substitute other hardware as long as it has at least 8 GIG of RAM and at least an i5 processor. We have used and recommended the use of Dell OptiPlex workstation computers for more than a dozen plus years.
2. **Windows 10 Professional Operating System:** All additional computers must use the Windows 10 Professional operating system by Microsoft Corporation. If a newer Windows operating system has been released and approved, you may substitute it. We have used and recommended the use of Windows operating systems for more than a dozen plus years.
3. **Real Green Service Assistant 5:** We will incur any cost for the setup of your cloud-based Service Assistant 5 program, but you will incur the cost of monthly users. User pricing is based on a per user/per month basis. The first user costs \$125; users 2-5 are \$70, users 6-9 are \$65, and users 10+ are \$55 per user. You may not substitute a comparable software program. We have used and recommended the use of Service Assistant 5 software for more than a dozen plus years.
4. **Intuit QuickBooks Premier Software:** Whereas we purchase and install your QuickBooks Premier software by Intuit, you are responsible to maintain annual technical support which

currently costs about \$500 a year. At this time their annual maintenance includes 24/7 technical support, automatic backups and version upgrades.

5. **Microsoft Office Professional:** If additional hardware is purchased, Microsoft Office Professional by Microsoft Corporation for office automation is required. If a newer Microsoft Office package has been released and approved, you may substitute it.
6. **Antivirus and Antimalware:** Whereas we load trial programs for antivirus and anti-malware, you will need to purchase reputable antivirus and antimalware programs when you take possession of your computer. The cost can vary greatly depending on how strong the program is, but an estimated annual service cost is about \$30 a year. You must also keep your antivirus and antimalware definitions up-to-date daily to avoid system problems and/or data loss. If you are looking for reputable programs, we have used or recommended the Vipre Antivirus and the Malwarebytes programs for more than a dozen plus years.
7. **NaturaLawn of America Email Address:** Whereas you are provided a @naturalawn.com email address that auto-forwards to your personal email address, you may also choose to rent one or more physical email address/boxes from us that you can reply directly back and forth to your customers from. We will provide you a username(s) and a password(s) to download these email accounts directly to your Microsoft Professional Outlook program, as well as to your mobile phone. The cost is \$5 a month, per email address/box.
8. **Bar Code Scanner:** A bar code scanner can be used in conjunction with your Service Assistant 5 program to scan information directly into Service Assistant 5 and eliminate some data entry and rekeying mistakes. The cost is about \$200.
9. **Hewlett-Packard Printer:** An HP LaserJet Printer to use in conjunction with your Service Assistant 5 program and other software. It will be used to print invoices, letters, and other documents needed to run your Franchised Business. The cost is about \$500.

Currently, for each computer used in the Franchised Business, you must have the following in reference to Internet access, browsers, and backup procedures:

1. **Internet Service:** You may choose an independent Internet Service Provider (ISP) of your choice that meets our standards and specifications: high speed Fios, high-speed DSL, or high-speed cable. The higher the bandwidth the better, since you will access your cloud-based Service Assistant 5 program via the internet. **If your license expires or is terminated, you must appoint us your attorney-in-fact for your Internet account related to the Franchised Business. You must sign any other documents we require to give us that authority.**
2. **Browsers:** There are two approved browsers: Edge by Microsoft or Chrome by Google. Real Green suggests using Chrome for accessing the Service Assistant 5 Program, but any browser that works is approved.
3. **Backup Procedures:** Two programs require daily backup: Service Assistant 5 and your QuickBooks Premier program. Your Service Assistant 5 backup is taken care of by Real Green each night, and also weekly by the NaturaLawn of America Corporate IT Department. You are responsible for your QuickBooks Premier backup. You may choose to use Intuit's offsite backup service, which may incur a fee, or you must take a daily backup offsite using the thumb drive we provide. Backing up these two vital programs will include the day-to-day



information of your Franchised Business, and in the event of a computer crash, theft, or fire, it will allow you to reconstruct your files.

You must provide us monthly reports, including a statement of Gross Sales, a profit and loss statement, balance sheet, and inventory statement for the immediately preceding month. These are to be ready by the 10<sup>th</sup> of each month covering the preceding month. You must provide us quarterly reports, including schedules of cash on hand, accounts receivable, and payroll taxes withheld for the immediately preceding fiscal quarter. You must provide us with an annual financial statement covering the balance sheet, statement of income and expense (profit/loss) and the statement of cashflow You must have your annual figures compiled by a certified public accountant at your expense. You must provide a copy of this annual financial statement to us by Mach 15<sup>th</sup> of the calendar year following the close of the prior calendar year.

### Advertising Program

As a service to you, we provide advertising, promotional, and public relations assistance to increase the overall awareness of our lawn care and other services. Advertising pieces created for us by professional advertising agencies and other suppliers may include ads for television, radio, yellow pages, direct mail, door hangers, as well as promotional materials to market other lawn care services our franchisees provide. We have used focus groups to assist us in the development of our advertising programs in order to more accurately target lawn care end-users. We periodically conduct public relations training to demonstrate effective techniques in the development of a sound public relations campaign to increase the awareness of Naturalawn of America in your market. This includes 3<sup>rd</sup> party endorsements, press release, and special events planning such as grand openings. At this time, we do not use any public figures to promote our franchise, but we may do so.

You may only use materials developed or approved by us. Any advertising materials you may wish to develop must be submitted to us for approval before you use them. If the materials are unacceptable, we will notify you within 15 business days (Franchise Agreement §5).

With our assistance each year, you must prepare an advertising/marketing plan showing how, when and where advertising/marketing monies will be spent for your Franchised Business. Based on our 3 plus decades of franchise experience, you must spend an overall advertising and marketing expense of up to \$40,000 - \$60,000 in your first year in operation on approved direct advertising, promotion and marketing for your Franchised Business (see Franchise Agreement §5). This includes, but is not limited to, our approved print ads, radio ads, TV ads, Internet ads, publicity and trade shows. This is a mandatory first year expense and will vary based on marketing plans. A minimum of \$40,000 must be directed towards the marketing and advertising of the business during each of the next four years. Once the annual Gross Sales of your Franchises Licensed Territory reaches at least \$500,000, you must continue to invest in the advertising and marketing of your Franchised Business. In addition to collecting service fees, we also collect a separate one (1%) percent advertising fee based on all Gross Sales of the franchised business. This fee is collected weekly by ACH. Based on your annual Gross Sales below are the minimal amounts you must spend in marketing and advertising each year:

ANNUAL GROSS SALES	% OF GROSS SALES TO BE SPENT ON ADVERTISING AND MARKETING
\$500,000 to \$600,000	9%
\$600,000 to \$750,000	8%
\$750,000 to \$1,000,000	7%
\$1,000,000 to \$1,500,000	6%
\$1,500,000 to \$2,000,000	5%
\$2,000,000 and over	5%

Failure to invest in the growth of the franchise business by not spending the amount of Marketing and Advertising monies, as set forth above, will be cause for service fees to remain at nine (9%) percent, and if currently service fees are at seven (7%) percent, they would increase to nine (9%) percent for the remainder of the license term.

We registered the domain name [www.naturalawn.com](http://www.naturalawn.com). We currently maintain a web site to advertise and promote the franchise system, and services and products marketed by you and us. At no cost to you, we may develop an individual web page for your Franchised Business. You are able to also participate in our Intranet, which we use as a communication link among our franchisees (see Attachment E to the Franchise Agreement). You may not establish any domain name registrations, web sites, advertising or listings on the Internet for the franchise using our names, service marks or trademarks without our written consent.

The typical length of time between the signing of a Franchise Agreement and the opening of a Franchised Business is usually within 2 to 3 months after you attend training, but will vary depending on our training schedule, your availability to attend training, the seasonality of the business and your efforts to secure any necessary financing and business permits and licenses. Currently, we provide training one time a year for new franchise owners.

## **ITEM 12 TERRITORY**

We grant you authority to use the NaturaLawn of America System, its names, certain service marks, certain trademarks, and operating procedures in a specific geographic territory approved by us ("Licensed Territory"). The Licensed Territory will be determined before you sign the Franchise Agreement. The Licensed Territory will vary in size depending on the demographic profile of the area. However, it generally includes at least 40,000 single-family households. We may charge an additional initial license fee for territories that exceed our demographic guidelines for a standard Licensed Territory. You may not relocate to a different territory during the term of your license.

Should you want to reserve a Licensed Territory, you must sign a Territory Reservation Agreement (see Exhibit D) and pay us a \$2,950 reservation fee. During the period specified in the Territory Reservation Agreement, we will refrain from awarding a NaturaLawn of America franchise for the territory specified in the Territory Reservation Agreement. If you sign the Franchise Agreement at least 6 weeks before our next new franchisee initial training class, the reservation fee is applied to your initial license fee. Should you not sign the Franchise Agreement at least 6 weeks before our new franchisee initial training class, the reservation fee is forfeited and we will have the right to award the territory to someone else.

Except as provided in the Franchise Agreement, and subject to your full compliance with the Franchise Agreement, and with any other agreements between you and any of your affiliates and us or any of our affiliates, you are granted an exclusive territory that neither we nor any affiliate of ours will establish or authorize any person or entity, other than you, to establish a NaturaLawn of America lawn care service Franchised Business in the Licensed Territory during the term of your license. However, we, and our affiliates, may conduct, or may authorize 3<sup>rd</sup> parties to conduct, the following activities:

1. advertise and promote the System in the Licensed Territory;
2. offer and sell products, including lawn care-related products, inside and outside of the Licensed Territory. These products may include, among other products, golf course supplies, pre-packaged cleaners, maintenance supplies, do-it-yourself lawn care products,

ice melt products, safety products, composting products, biological pest control products and organic-based fertilizers. These products may be marketed under the NaturaLawn of America mark or under other names or marks, inside and outside of the Licensed Territory, including on our web site, and we are not required to compensate you for any such sales;

3. offer and sell different products and services inside and outside of the Licensed Territory, under different names and marks;
4. establish and operate NaturaLawn of America businesses anywhere outside of the Licensed Territory, regardless of the proximity of their licensed territories to the Licensed Territory; and
5. solicit and accept orders within your territory without paying you any compensation.

You may not offer or sell NaturaLawn of America products or services outside your Licensed Territory without our written consent. If you do, all monies collected from those services or products are subject to a 15% service fee. If we consent, you may sell NaturaLawn of America lawn care products or services to residential and commercial customers outside your Licensed Territory, but not within the licensed territory of any other NaturaLawn of America franchised or company business. If the area in which these customers are located becomes part of the licensed territory of another NaturaLawn of America franchised or company Business, you must sell these customers' accounts to the new Franchised Business on the following terms: Each residential customer's account must be sold to the new Franchised Business at the end of the then-current calendar year for a price of no more than \$150 per account. Each commercial customer's account must be sold to the new Franchised Business at the end of the then-current contract year for a price of no more than 15% of the annual contract price, payable when the Franchised Business receives payment from this customer for the 1<sup>st</sup> lawn care treatment performed by the new Franchised Business for this customer. If the new Franchised Business cannot adequately service this customer during its 1<sup>st</sup> year of operation, it may give you permission to continue servicing this customer for an additional year, and may purchase the account at the end of that year. You cannot use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing to make sales outside your territory.

We do not grant you a first right of refusal on additional territories. Should you wish to purchase an additional Licensed Territory, you must pay us a fee based on the demographic profile of the additional territory and you must have already achieved at least annual Gross Sales of \$750,000 in your existing Licensed Territory.

You must achieve annual Gross Sales of at least \$500,000 (or an adjusted dollar amount based on changes in the Consumer Price Index) by the end of your 5<sup>th</sup> year in business, and must maintain that minimum level of Gross Sales from then on, in order to maintain your license and your Licensed Territory. If you do not achieve and maintain the stated minimum annual Gross Sales, we may refuse to renew your license, terminate your license or reduce the size of your Licensed Territory.

Except as described above, we have not established any franchises, other outlets or other channels of distributions selling or leasing different products or services under different names or marks, but we may do so.

**ITEM 13**  
**TRADEMARKS**

We grant you the non-exclusive right and obligation to use only the trademarks, service marks and trade names “NaturaLawn of America”, “NaturaLawn”, “NaturLawn”, “Nature’sLawn”, “Tick Ranger”, “Mosquito Ranger”, “Alternative” and “Natural Alternative”, “Organic Alternative”, and other trademarks, service marks, trade names, logos, trade dresses and commercial symbols (“Marks”) that we make available to you, in providing services and products under the “NaturaLawn of America” system in your Licensed Territory. You may not use our trademarks in the sale of unauthorized products or services or in any manner we have not authorized in writing. All rights in and good will from the use of our Marks accrue solely to us.

Federal Registrations & Applications

We registered the following Marks on the Principal Register of the United States Patent and Trademark Office (“PTO”):

<b>Mark</b>	<b>Registration No.</b>	<b>Registration Date</b>
Naturlawn	1,414,588	October 21, 1986
Tick Ranger	2,176,667	July 28, 1998
Alternative	2,511,749	November 27, 2001
Tick Ranger & Design	2,540,264	February 19, 2002
NaturaLawn	2,543,921	March 5, 2002
Natural Alternative	2,548,940	March 19, 2002
NaturaLawn of America & Design	2,575,105	June 4, 2002
Protolizer	3,508,043	September 30, 2008
Organic Alternative	3,522,172	October 21, 2008
Cytolizer	3,602,063	April 7, 2009
The Leader in Organic Based Lawn Care	3,960,848	May 17, 2011
Mosquito Ranger	4,261,492	December 18, 2012
Natural Alternative It’s An Easy Choice & Design	4,168,502	July 3, 2012
Natural Alternative It’s An Easy Choice & Design	4,174,441	July 17, 2012
Mosquito Design	4,564,200	July 1, 2014
Mosquito Ranger Safer Effective Affordable	4,548,263	June 10, 2014
Mosquito Ranger Safer Effective Affordable	4,355,472	June 18, 2014
Probiolizer	4,857,510	November 24, 2015
Nature’sLawn	5,055,347	October 4, 2016

We have filed all required affidavits for the Marks. We have filed a renewal for "Naturlawn" and intend to file all other renewal applications for the Marks when due.

Determinations

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board (“TTAB”), or the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks that are relevant to their use by our franchisees.

There have been no decided infringement, cancellation or opposition proceedings in which we unsuccessfully fought to prevent registration of trademarks in order to protect the Marks.

Superior Prior Rights Or Infringing Uses

There are no names or Mark uses actually known to us at this time which could materially affect your use of our Marks in any state in which the Franchise Business is to be located. There are

no agreements currently in effect that significantly limit the rights of us to use or license the use of the principal trademarks that are material to the franchise.

Your use of the NaturaLawn of America trade name in a state in which a substantially similar name is registered as a service mark may be challenged as service mark infringement under state or federal law by the holder of this mark. If you operate in the locale of another business with a substantially similar name, you may have your use of the NaturaLawn of America name challenged by the owner of this business under state or federal law.

Except as described above, we do not know of any potential superior prior rights or infringing uses that could materially affect your use of the Marks.

#### Protection of Rights

If there is any infringement of, or challenge to, your use of any name or Mark, you must immediately notify us, and we will have sole discretion to take action as we deem appropriate. We have no obligation to protect your rights to use any name or Mark, or to protect you against claims of infringement or unfair competition with the same, or to indemnify you against any loss from claims of infringement or from infringing uses by other parties.

You must modify or discontinue use of any name or Mark and/or use 1 or more additional or substitute names or Marks, if it becomes advisable at any time in our sole discretion to do so.

### **ITEM 14**

#### **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We do not own any patents or copyrights material to the franchise. However, we do claim certain proprietary rights over our business practices, manuals, packaging, label designs, website design, products and processes, the use of which are licensed to you. For example, we claim proprietary rights over our formulas for our fertilizers, pest control materials and special additives to our products.

You must acknowledge that all practices, products, techniques, processes, know-how and other proprietary information disclosed to you by us under the license are our confidential trade secrets. You, your employees, agents, and assignees must: (1) adhere to all of our guidelines for maintaining the secrecy of this information; (2) disclose this information to your employees only to the extent necessary to operate the Franchised Business in accordance with the Franchise Agreement and the NaturaLawn of America System; (3) not use this information in any other business or in any manner not specifically authorized or approved in writing by us; and (4) exercise the highest degree of care and make every effort to maintain the confidentiality of all proprietary information during and after the term of your license.

### **ITEM 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

Your Franchised Business must at all times be under your direct on-premises supervision or that of a manager acceptable to us. The qualifications for an acceptable manager are contained in the Manual and are subject to change by us, at our sole discretion. There are no other limitations on whom you may hire as a manager. A manager need not have any equity interest in the franchise, regardless of whether you are a business entity or an individual. However, a manager is bound by the same non-disclosure, trade secret and non-compete provisions as the franchise owner. The manager must complete our training program. You or your manager must work full-time and personally devote your full attention and energy to managing and operating the business and to supervising employees. You must own the majority interest (more than 50%) in the franchise. You or your manager may not engage in, or acquire any financial or beneficial

interest in any lawn care, lawn maintenance, or landscaping business, which is similar to a NaturaLawn of America business. **You or your manager also may not seek to employ any person who is employed by us or any Franchised Business without our prior written permission.**

The term "Franchisee's Principals" includes, collectively and individually, your spouse, if you are an individual, all of your officers and directors if you are a form of legal entity (including the officers and directors of any general partner of franchisee) whom we designate as Franchisee's Principals, all holders of an ownership interest in you and in any entity directly or indirectly controlling you, and any other person or entity controlling, controlled by, or under common control with you. The initial Franchisee's Principals must be listed on Attachment A to the Franchise Agreement. The term "Controlling Principal" includes, collectively and individually, any Franchisee's Principal who has been designated by us as a Controlling Principal. All Controlling Principals must sign the Franchise Agreement, agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality, trade secrets and non-competition, and to personally guarantee your performance under the Franchise Agreement. All Franchisee's Principals that we require must sign agreements relating to confidentiality, trade secrets and non-competition.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

The NaturaLawn of America System is a comprehensive system for the offer and sale of organic-based lawn care products and services, and related products and services, in a uniform manner, with changes and improvements we adopt. You may offer and sell only products and services that we approve.

If you currently own and operate a related Green Industry business, you may only continue to do so with the following guidelines: all products and/or services sold or produced by, through and with the use of the NaturaLawn of America mark or any of our other trade names or marks, the use of our hardware or software or the customer base of your Franchised Business, or the use of any related identifiable materials (i.e., truck, uniforms, brochures, etc.), are subject to service fees, and must be products and/or services we approve. This is inclusive of any Franchised Business products sold with Franchised Business services.

You may offer and sell products and services we have approved to customers in your Licensed Territory. **You may not solicit customers for any other purpose without our prior written consent.** There are no other limitations on the customers to whom you may sell products or services, except those as may be provided by law or regulations of governmental authorities. We may change the types of approved products and services, and there are no limits on our right to make changes.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**  
**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements in Exhibit B in this disclosure document.**

	<b>Provision</b>	<b>Section In Franchise Agreement</b>	<b>Summary</b>
a	Length of the franchise term	2D	5 years.
b	Renewal or extension of the term	2E	3 additional terms, each for 5 years, each subject to contractual requirements.
c	Requirements for you to renew or extend	2E	Renewal means we offer you the opportunity to remain a franchisee for an additional period of time. Requirements: notice of 6 months, compliance with Franchise Agreement, meet minimum Gross Sales, machinery and equipment meet then-current standards, and sign new Franchise Agreement which may have materially different terms and conditions than your original Franchise Agreement.
d	Termination by you	18B & 18C	You may terminate if any material conditions of the Franchise Agreement have not been satisfied and if you provide us notice within 30 days of the breach, and we have not corrected our breach within 30 days after receiving the notice, or if we mutually agree. You may also terminate without cause if you give us 60 days' notice, pay your financial obligations and sign a release.
e	Termination by us without cause	Not Applicable	
f	Termination by us with cause	18D	We may terminate if you are in default.
g	"Cause" defined – curable defaults	18D3	30 days to cure if you fail to operate in compliance with our standards; you fail to pay service fees within 3 weeks after the due date; you knowingly engage in services not authorized by us; you fail to maintain required insurance; you do not allow us to inspect your business or records; you do not pay vendors or landlord; you fail to submit reports to us or you understate Gross Sales by 4% at least 2 times; you solicit or provide services in another franchisee's territory; you do not maintain any required licenses; you make material misrepresentations to us; or you otherwise fail to perform under the Franchise Agreement.

	<b>Provision</b>	<b>Section In Franchise Agreement</b>	<b>Summary</b>
h	"Cause" defined – non-curable defaults	18D1 & 2	You are insolvent or bankrupt; fail to open within 9 months; abandonment; conviction of felony, fraud, or crime of moral turpitude; threat to public health or safety not immediately corrected; transfer without authorization; violate covenant not to compete; fail to attend initial training; divulge confidential information or manuals; knowingly maintain false books or records, or submit false reports, or audit discovers understatement of Gross Sales by 10% or more; repeated defaults; improper cancellation of Authorization for Automatic Payments; you fail to achieve and maintain at least \$500,000 (or a dollar amount adjusted based on changes in the Consumer Price Index) in annual Gross Sales by the end of your 5 <sup>th</sup> year of operation and from then on.
i	Your obligations on termination, expiration or non-renewal	20	You must return all client records (digital as well as hard copy), manuals and our proprietary materials; cooperate to transfer telephone and Internet services to us; pay all service fees; pay all creditors; and assist in making a complete and effective transfer.
j	Assignment of agreement by us	Not Applicable	Not applicable
k	"Transfer" by you – defined	15	Includes your interest in the License, the assets of the Business or a legal entity.
l	Our approval of transfer by you	15	We have the right to approve all transfers, our consent not to be unreasonably withheld.
m	Conditions for our approval of transfer	15B & 15D	The transferee meets our qualifications, has a good reputation, a good credit rating and competent business qualifications; executes a new Franchise Agreement with us and undergoes our training program; your obligations are current, you are not in default and you sign a general release; and either you or the transferee pays us a transfer fee of \$10,000 (subject to cost of living adjustment).
n	Our right of first refusal to acquire your business	15C	We have 30 days in which to match an offer to sell business.
o	Our option to purchase your business	16	On expiration, termination or discontinuance, or if you desire to terminate, we can buy your Business on the conditions listed in Section 16.
p	Your death or disability	15A	Within 90 days of your death or permanent incapacity, your interest may be assigned to your spouse, heirs or immediate relatives without cost.
q	Non-competition covenants during the term of the franchise	11A	During the term of your license, you may not directly or indirectly engage in a business similar to the Franchised Business, including, without limitation, any business that offers products or services relating to lawn care, landscaping, disease, insect or pest control, such as the control of mosquitoes, fleas or ticks, as well as aeration and seeding.



Provision		Section In Franchise Agreement	Summary
r	Non-competition covenants after the franchise expires or is terminated	11B	For 24 months after termination, you may not engage in a business similar to your Franchised Business, including, without limitation, any business that offers products or services relating to lawn care, landscaping, disease, insect or pest control, such as the control of mosquitoes, fleas or ticks, as well as aeration and seeding within a 20-mile radius of the Licensed Territory or that of any franchised or company business.
s	Modification of the agreement	28	Must be in writing by both parties.
t	Integration/merger clause	28	Only terms of the Franchise Agreement, including its attachments are binding (subject to state law). Any representations or promises outside of this disclosure document and the Franchise Agreement may not be enforceable.
u	Dispute resolution by arbitration or mediation	30	Must first mediate, then arbitrate all matters related to Franchise Agreement and relationship, except those specified in Franchise Agreement.
v	Choice of forum	30D & J	All claims not subject to arbitration will be litigated in the federal or state courts located in the county, state or judicial district where our principal place of business is located (subject to state law).
w	Choice of law	25	Maryland law applies (subject to state law), except that dispute over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

### Reinstatements and Extensions

If any expiration or termination of the franchise would violate any applicable law, we may reinstate or extend the term for the purpose of complying with the laws.

### Termination on Bankruptcy

A provision in your franchise agreement that terminates the franchise on your bankruptcy may not be enforceable under Title 11, United States Code Section 101 et seq.

### Restrictions on our Post-Termination Rights

These and other states have laws that may limit our ability to restrict your activity after the franchise expires or has been terminated: CALIFORNIA [Bus. & Prof. Code Section 16,600], FLORIDA [Statutes Section 542.33], MICHIGAN [Compiled Laws Section 445.771 et seq.], MONTANA [Codes Section 30-14-201], NORTH DAKOTA [Century Code Section 9-08-06], OKLAHOMA [Statutes Section 15-217-19], and WASHINGTON [RCW Section 19.86.030].

## **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.

### **GROSS PROFIT MARGIN, ANNUAL GROSS REVENUE, CUSTOMER AND GROSS REVENUE PER CUSTOMER AVERAGES AND RANGES---2022**

As of December 31, 2022, there were 8 company owned locations (12 licenses) and 42 franchised locations operating. Of the franchised locations, 37 had been operating for 5 years or more, and 5 had been operating for less than 5 years.

We present the following information:

1. a 2022 gross profit margin analysis for the 7 company locations in operation for 5 years or more;
2. a 2022 annual gross revenue analysis for the 7 company locations in operation for 5 years or more;
3. 2022 customer analysis for the 7 company locations in operation for 5 years or more;
4. 2022 gross revenue per customer analysis for the 7 company locations in operation for 5 years or more;
5. a 2022 annual gross revenue analysis for the 37 franchised locations in operation for 5 years or more;
6. a 2022 customer analysis for the 37 franchised locations in operation for 5 years or more;
7. a 2022 gross revenue per customer analysis for the 37 franchised locations in operation for 5 years or more.

To the extent your proposed trade area comprises a trade area that is geographically different from the trade areas of the locations included in this analysis, it is likely that the operational results of your business will vary materially from the results of these locations. You should consider carefully the difference between the trade area in which you plan to locate your business and the trade areas of the locations from which the information in this Item 19 was gathered. Variables which differ from region to region, and which are likely to materially affect the gross revenue and costs of your business, may include, among others, general population of the trade areas, general economic conditions in the trade areas, recognition and patronage of the Marks, the products and services offered by your business, competition and price of competitive products and services in the trade areas, and your ability to generate repeat customers and create customer loyalty. Since most satisfied customers use the same lawn care service from year to year, the customer base of a lawn care business tends to be cumulative. Accordingly, the gross revenue of a lawn care business tends to be cumulative based on the number of years the business has been operating.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

The financial performance representation figures do not reflect all the cost of sales or operating expenses that should be deducted from the gross revenue or gross sales figures to obtain your net income or profit. The best source of cost and expense data may be from our franchisees or former franchisees.

The cost of goods, cost of direct labor, gross profit margin, annual gross revenue, customer average and gross revenue per customer figures stated in this Item 19 should not be considered as the actual or potential costs, gross profit margins, annual gross revenues, customer averages or gross revenues per customer that you will realize. The 7 company locations and 37 franchised locations in operation for 5 years or more have achieved the results stated in this Item 19. Your individual results may differ. There is no assurance that you will achieve the same results.

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

### **1. Gross Profit Margin Analysis**

The following gross profit margin analysis contains information solely from our 7 company locations that were open for the entire calendar year 2022. The 7 company locations are in Damascus, Maryland, Virginia Beach, Virginia, Newport News, Virginia, Richmond, Virginia, Manassas, Virginia, Greenville, South Carolina and Fairfield, New Jersey. Data concerning franchised businesses are not included, due to insufficient information from our franchisees. We do not know whether including such data, if available, would materially affect the gross profit margin analysis shown.

Revenue	100%
Cost of Goods	17.0%-29.7%
Cost of Direct Labor	19.4%-42.03%
Cost of Sales	38.5%-59.5%
Gross Profit Margin	40.4%-61.4%

The cost of goods as a percentage of revenues in 2022 ranged from 17.0%-29.7%. We attribute this variance primarily to factors such as the cost of materials purchased by location, pricing of our lawn care services, and variances in the efficiency of lawn care applications.

The cost of direct labor as a percentage of revenues in 2022 ranged from 19.4%-42.3%. These direct labor costs include only compensation (excluding payroll taxes and fringe benefits) for employees directly performing lawn care services. Compensation for administrative and/or office personnel is excluded. The variance in direct labor is primarily due to the economic climate of the location and may include different levels of compensation for locations employing more experienced personnel, rather than entry-level personnel.

The gross profit margins of our 7 company locations were 40.4%-61.4% in 2022. The gross profit margins were used to cover certain costs and expenses you may incur on a regular operating basis, such as: advertising, marketing, rent, utilities, insurance, debt service, service fees, and other miscellaneous expenses. Results will vary based on the amount of your readily available working capital, the amount of marketing and promotion you implement, and the size of your territory.

This analysis does not contain complete information concerning operating costs. Operating costs will vary substantially from business to business. You must consider the operating costs

for your proposed geographic area and your circumstances. Interest expense, interest income, depreciation, amortization and other income or expenses will also vary substantially from business to business, depending on the amount and kind of financing you obtain to establish the Business. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which the assets of the Business may be amortized or depreciated, as well as the effect, if any, of recent or proposed tax legislation.

## **2. Annual Gross Revenue Analysis**

The following table analyzes un-audited annual gross revenue information reported by the 7 company locations in operation for 5 years or more for the 12-month period ending December 31, 2022.

### **Annual Gross Sales Revenue Averages Company Owned Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Average Per Month	Median
7	3/43%	5 years or more	\$3,427,3474 \$249,550	\$1,382,504	\$115,209	\$898,195

## **3. Customer Analysis**

The following table analyzes un-audited customer information reported by the 7 company locations in operation for 5 years or more for the 12-month period ending December 31, 2022.

### **Average Number of Customers Company Owned Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Median
7	3/43%	5 years or more	4,559/478	1,959	1,214

## **4. Gross Revenue Per Customer Analysis**

The following table analyzes un-audited gross revenue per customer information reported by the 7 company locations in operation for 5 years or more for the 12-month period ending December 31, 2022.

### **Average Gross Sales Revenue Per Customer Company Owned Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Median
7	3/43%	5 years or more	881/618	\$762	\$751

## **5. Annual Gross Revenue Analysis**

The following table analyzes un-audited annual gross revenue information reported by the 37 franchised locations in operation for 5 years or more for the 12-month period ending December 31, 2022.

**Annual Gross Sales Revenue Averages  
Franchised Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Average Per Month	Median
37	10/27%	5 years or more	\$12,334,400/ \$210,508	\$2,134,234	\$177,853	\$956,879
36	10/27%	10 years or more	\$12,334,400/ \$210,508	\$2,188,120	\$182,343	\$957,009

**6. Customer Analysis**

The following table analyzes un-audited customer information reported by the 37 franchised locations in operation for 5 years or more for the 12-month period ending December 31, 2022.

**Average Number of Customers  
Franchised Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Median
37	10/27%	5 years or more	14,902/428	3.059	1,583
36	10/27%	10 years or more	14,902/428	3,151	1,604

**7. Gross Revenue Per Customer Analysis**

The following table analyzes un-audited gross revenue per customer information reported by the 37 franchised locations in operation for 5 years or more for the 12-month period ending December 31, 2022.

**Average Gross Sales Revenue Per Customer  
Franchised Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Median
37	11/32%	5 years or more	\$1,335/\$347	\$698	\$599
36	11/32%	10 years or more	\$1,335/\$347	\$698	\$596

Actual results vary from unit to unit, and we cannot estimate the results of any particular franchise. 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 Philip Catron at 1 East Church Street, Frederick, Maryland 21701, (301) 694-5440, support@naturalawn.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE #1**  
**SYSTEM WIDE OUTLET SUMMARY**  
**FOR YEARS 2020 TO 2022**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2020	80	79	-1
	2021	79	81	2
	2022	81	83	2
Company-Owned	2020	11	11	0
	2021	11	11	0
	2022	11	12	1
Total Outlets	2020	91	90	-1
	2021	90	92	2
	2022	92	95	3

**TABLE #2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR OR AN AFFILIATE)**  
**FOR YEARS 2020 TO 2022**

STATE	YEAR	NUMBER OF TRANSFER
Totals	2020	0
	2021	0
	2022	0

**TABLE #3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS 2020 TO 2022**

State	Year	Outlets at start of year	Outlets opened	Terminations	Non-renewals	Reacquired by franchisor	Ceased Operation other reasons	Outlets at end of the year
California	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Colorado	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Connecticut	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Delaware	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Illinois	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Indiana	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kentucky	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Massachusetts	2020	7	1	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	7	0	0	0	0	0	8
Maine	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2

State	Year	Outlets at start of year	Outlets opened	Terminations	Non-renewals	Reacquired by franchisor	Ceased Operation other reasons	Outlets at end of the year
	2022	2	0	0	0	0	0	2
Maryland	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Minnesota	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Mississippi	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
North Carolina	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
New Hampshire	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	12	0	0	0	0	0	12
	2021	12	0	0	0	0	0	12
	2022	12	0	0	0	0	0	12
New York	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Ohio	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Oklahoma	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Pennsylvania	2020	13	0	0	0	0	0	13
	2021	13	0	0	0	0	0	13
	2022	13	0	0	0	0	0	13
Rhode Island	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
South Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Texas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Virginia	2020	2	0	0	1	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Vermont	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
West Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Totals	2020	80	0	0	0	0	0	79
	2021	79	2	0	0	0	0	81
	2022	81	2	0	0	0	0	83

**TABLE #4  
STATUS OF COMPANY-OWNED OUTLETS**

**FOR YEARS 2020 TO 2022**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF YEAR
Maryland	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
New Jersey	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
South Carolina	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Virginia	2020	6	0	0	0	0	6
	2021	6	0	0	0	0	6
	2022	6	1	0	0	0	7
Total	2020	11	0	0	0	0	11
	2021	11	0	0	0	0	11
	2022	11	1	0	0	0	12

**TABLE #5  
PROJECTED OPENINGS AS OF DECEMBER 31, 2022**

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED AS OF DECEMBER 31, 2022	PROJECTED NEW FRANCHISED OUTLETS AS OF DECEMBER 31, 2023	PROJECTED NEW COMPANY-OWNED OUTLETS AS OF DECEMBER 31, 2023
California	0	0	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	0	0	0
Florida	0	0	0
Georgia	0	1	0
Illinois	0	1	0
Indiana	0	0	0
Iowa	1	0	0
Kansas	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	1	0	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	0	0
New Hampshire	0	0	0
New Jersey	0	1	0
New York	0	0	0
North Carolina	0	2	0
Ohio	0	1	0
Oklahoma	0	0	0
Pennsylvania	1	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
Texas	0	1	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	0	0



STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED AS OF DECEMBER 31, 2022	PROJECTED NEW FRANCHISED OUTLETS AS OF DECEMBER 31, 2023	PROJECTED NEW COMPANY-OWNED OUTLETS AS OF DECEMBER 31, 2023
Wisconsin	0	0	0
<b>Total</b>	<b>3</b>	<b>7</b>	<b>0</b>

The following is a list of the names, addresses and telephone numbers of all franchisees under Franchise Agreements with NaturaLawn of America, Inc. as of December 31, 2022.

Owner/ Manager	MAILING ADDRESS	Phone
<b>California</b>		
Michael Gabriel Linda Gabriel	8780 19 <sup>th</sup> St., #142 Rancho Cucamonga, CA 91701	(909)-980-7866
<b>Colorado</b>		
Steven Deits (3 franchises)	1677 S. Acoma St. Denver, CO 80223	(303) 777-7772
Jon Zwegardt Amber Zwegardt	1478 Sage Dr. Eaton, CO 80615	(970) 674-9885
<b>Connecticut</b>		
John Vollmer Heidi Vollmer (4 Franchises)	21 Commerce Rd. Newtown, CT 06470	(203) 245-9436
John Bunt	255 Hathaway Drive, Unit 2 Stratford CT 06615	(908) 890-4332
<b>Delaware</b>		
Rick Yates Kathi Yates	40 Germay Dr. Wilmington, DE 19804-1101	(302) 652-2000
Thomas DeEmedio	30996 Country Gardens Blvd, Suite R2 Dagsboro DE 19939	(302) 732-3133
<b>Illinois</b>		
Trent Foss Trevor Foss (3 franchises)	563 Commonwealth Dr. Suite 1700 East Dundee, IL 60118	(815) 344-4300
<b>Indiana</b>		
Donald Harvey Deborah Casey-Harvey (2 Franchises)	1324 S. Carroll Rd. Indianapolis, IN 46239	(317) 356-5296
<b>Kentucky</b>		
David McCulloch	3853 Real Quiet Lane Lexington KY 40509	(502) 530-4030
<b>Maine</b>		
Ben Goodall (2 franchises)	16 Meadow Rd. Extension Topsham, ME 04086	(207) 721-0600
<b>Maryland</b>		
Roy Good	9419 Myersville Rd. Myersville, MD 21773	(301) 473-4000
James Belt (3 franchises)	811 Shandy Brook Dr. Westminster, MD 21157	(410) 833-0080
Rick Yates Kathi Yates	40 Germay Dr. Wilmington, DE 19804-1101	(302) 652-2000
<b>Massachusetts</b>		
James Laramie Nicole Laramie (7 franchises)	93 George Leven Dr. North Attleboro, MA 02760	(508) 695-6060
Matthew Ottani Nicole Ottani	97 Hammer Mill Road Rock Hill, CT 06447	(203) 433-0218

<b>Owner/ Manager</b>	<b>MAILING ADDRESS</b>	<b>Phone</b>
<b>Minnesota</b>		
Patrick Braun (4 franchises)	12975 N. 16 <sup>th</sup> Ave. Plymouth, MN 55441	(763) 273-4779
<b>Mississippi</b>		
Justin Sapp Keri Jo Sapp	120 McGraph Cove Tupelo, MS 38866	(662) 269-3791
<b>New Hampshire</b>		
Diego Antonio Dania Antonio	47 Joshua Dr. Manchester, NH 03103	(603) 259-4449
<b>New Jersey</b>		
Dean Pilquist (7 franchises)	111 Corporate Dr. Montgomeryville, PA 18936	(215) 653-7979
Gayle Donnelly David Donnelly (3 franchises)	5010 Industrial Dr. Wall, NJ 07727	(732) 591-5200
Jeffrey Conover Marlene Conover (2 Franchises)	4 Carriage Lane Cape May Court House, NJ 08210	(609) 465-1405
<b>New York</b>		
Bruce Wellington (2 Licenses)	35 Patrick Lane Poughkeepsie, NY 12603	(845) 471-8308
John Bunt	255 Hathaway Dr., Unit 2 Stratford CT 06615	(908) 890-4332
<b>North Carolina</b>		
John Cannon April Cannon	616 E. Westinghouse Blvd. #103 Charlotte, NC 28273	(704) 583-6102
Marcel Goetz	1107 Copeland Oaks Dr. Morrisville, NC 27560	(919) 674-3150
William Atwell Shelia Atwell	104 Seth Thomas Lane, Suite 3 Swansboro, NC 28584	(252) 573-2600
<b>Ohio</b>		
Joyce Pelz Wolfgang Pelz	883-I Hampshire Rd. Stow, OH 44224	(330) 920-9182
<b>Oklahoma</b>		
Ronald Siegman, Jr.	6701 NW 178 <sup>th</sup> St, Bldg. B Edmonds, OK 73012	(405) 721-8112
<b>Pennsylvania</b>		
Dean Pilquist (5 franchises)	111 Corporate Dr. Montgomeryville, PA 18936	(215) 653-7979
James Belt (5 franchises)	619 Lucabaugh Mill Rd. Westminster, MD 21151	(410) 833-0080
Joseph Fornaro Kimberly Fornaro (1 franchise)	619 Lucabaugh Mill Rd. Westminster, MD 21151	(410) 833-0080
Michael Weiner	145 Lake Dr.; Ste. 103R Wexford, PA 15090-0789	(724) 933-5296
Jonathan Bennett	10 Mount Cobb Hwy., Suite 2 Lake Ariel PA 18436	(570) 575-0040
<b>Rhode Island</b>		
James Laramee Nicole Laramee (2 Franchises)	93 George Leven Dr. North Attleboro, MA 02760 (Location in Rhode Island)	(508) 695-6060
<b>South Carolina</b>		
John Cannon April Cannon	616 E. Westinghouse Blvd. #103 Charlotte, NC 28273	(704) 583-6102
<b>Texas</b>		
Bruce Granger Lynn Granger (2 Franchises)	6505 Sprigg St. Fulshear, TX 77441	(281) 392-2990

<b>Owner/ Manager</b>	<b>MAILING ADDRESS</b>	<b>Phone</b>
<b>Vermont</b>		
Lance Fournier Kelly Fournier	6895 US Rt. 7 N. Ferrisburgh, VT 05473	(802) 652-4063
<b>Virginia</b>		
Walter Hewartson Dana L. Hewartson	45915 Maries Rd., #188 Sterling, VA 20166	(703) 779-0172
<b>West Virginia</b>		
Walter Hewartson Dana L. Hewartson	45915 Maries Rd., #188 Sterling, VA 20166	(703) 779-0172
<b>Wisconsin</b>		
Todd Courtney Christine Courtney (2 Franchises)	N57 W13636 Carmen Ave., Unit #1 Menomonee Falls WI 53051	(262) 349-9078
Brian Burton Heidi Burton	202 Moravain Rd., Ste A Wauunakee, WI 53597	(414) 232-6006

The following is a list of the names, addresses (home addresses if known) and telephone numbers of every franchisee who had a license terminated, cancelled, not renewed in 2022 who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement in 2022, or who did not communicate with us within the 10 weeks preceding December 31, 2022:

NONE

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

We have not created and do not sponsor any franchisee association.

## **ITEM 21 FINANCIAL STATEMENTS**

Our audited balance sheets as of December 31, 2020, 2021 and 2022, and related statements of income and expense, stockholder's equity and cash flows for 2020, 2021 and 2022, are attached to this disclosure document as Exhibit A.

## **ITEM 22 CONTRACTS**

Exhibit B includes the Franchise Agreement, with attachments and state-specific addenda. The attachments include:

Attachment A	Statement of Ownership Interests and Franchisee's Principals
Attachment B	Licensed Territory
Attachment C	Telephone Listing Authorization Agreement
Attachment D	Confidentiality Agreement and Covenants Not To Compete for Employee and/or Non-Controlling Principal
Attachment E	Irrevocable Power of Attorney – Internet
Attachment F	Authorization for Automatic Payments
Attachment G	Equipment, Materials & Supplies List

Attachment H	Sample General Release
Attachment I	Franchisee and Controlling Principal Confidentiality Agreement and Covenants Not To Compete
Attachment J	Social Media Policy

**ITEM 23  
RECEIPTS**

2 copies of your receipt of this disclosure document appear as Exhibit E. Please sign and return 1 copy to us and retain the other for your records. The following are authorized sellers of NaturaLawn of America, Inc. franchises:

Philip Catron 1 East Church Street Frederick, MD 21701 (301) 694-5440	Blaine Young 1 East Church Street Frederick, MD 21701 (301) 694-5440
Jesse Catron 1 East Church Street Frederick, MD 21701 (301) 694-5440	Theresa Smith 1 East Church Street Frederick, MD 21701 (301) 694-5440

Other than listed above there are no other authorized franchise sellers offering NaturaLawn of America franchises.

**ADDENDUM TO DISCLOSURE DOCUMENT FOR  
NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF CALIFORNIA**

Item 1 of this disclosure document is modified to include the following paragraphs:

State Law

California reference 40CFR § 171.4(c)(2) – The California Department of Pesticide Regulation, in accordance with the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), follows the federal standards for certification of commercial applicators as stated in the Title 40, Code of Federal Regulations.

Item 17 of this disclosure document is modified to include the following paragraphs:

State Law

Restrictions on Termination or Non-Renewal Under State Laws

These and other states have laws that may supersede the franchise agreement and related agreements in your relationship with us, including the areas of termination and renewal of your license: ARKANSAS [Stat. Section 4-72-201 et seq.], **CALIFORNIA [Bus. & Prof. Code Sections 20,000-20,043; Rule 310.114.1(c)(5)(A)&(B)]**, (California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control. i. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.). ii. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. iii. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. iv. The franchise agreement requires binding arbitration. The arbitration will occur at (indicate site) with the costs being borne by (explanation). Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement, restricting venue to a forum outside the State of California. v. The franchise agreement requires application of the laws of (indicate jurisdiction). This provision may not be enforceable under California Law. CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code Sections 2551-2556], HAWAII [Rev. Stat. Section 482E-1 et seq.], ILLINOIS [815 ILCS 705/1-44], INDIANA [IC Section 23-2-2.7], IOWA [Code Sections 523H.1-17], MICHIGAN [Stat. Section 445.1527 (MSA 19.854(27))], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-53], MISSOURI [Stat. Section 407.400 et seq.], NEBRASKA [Rev. Stat. Section 87-401 et seq.], NEW JERSEY [Stat. Section 56:10-1 et seq.], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574], WASHINGTON [RCW Section 19.100.180], WISCONSIN [Stat. Section 135.03-04]. These and other states may have court decisions that may supersede the franchise agreement and related agreements in your relationship with us, including the areas of termination and renewal of your license.

**ADDENDUM TO DISCLOSURE DOCUMENT FOR  
NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF ILLINOIS**

Item 17 of this disclosure document is modified to include the following paragraphs:

State Law

The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Illinois law will govern any Franchise Agreement if it applies to a franchise located in Illinois.

Any condition in the franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, but the franchise agreement may provide for arbitration in a forum outside of Illinois.

**ADDENDUM TO DISCLOSURE DOCUMENT FOR  
NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF MARYLAND**

Item 17 is modified to include the following paragraph:

State Law

The general release required as a condition of transfer or termination by you will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**ADDENDUM TO DISCLOSURE DOCUMENT FOR  
NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF MINNESOTA**

1 The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement and Franchise Disclosure Document contain(s) a provision that is inconsistent with the Franchise Act, the provisions of the Agreement are hereby amended and shall be superseded by the Franchise Act’s requirements and shall have no force or effect, as follows:

- a) Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- b) With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- c) The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

- d) Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- e) The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

- f) The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.



**ADDENDUM TO DISCLOSURE DOCUMENT FOR  
NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF NEW YORK**

1. Item 3 of the Disclosure Document is supplemented by the following language:

Neither we nor any person identified in Item 2 above, has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither we nor any person identified in Item 2 above, has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this disclosure document, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved in violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither we nor any person identified in Item 2 above, is subject to any injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

2. Item 4 of the Disclosure Document is supplemented by the following language:

Neither we, nor any of our affiliates, predecessors, officers, or general partners have within the 10-year period immediately before the date of this Disclosure Document: (a) filed as a debtor (or had filed against it) a petition to start an action under U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; (c) or was a principal officer of a company or general partner in a partnership that either filed as a debtor (or that had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner held the position with the company or partnership.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution", shall be supplemented under the categories entitled "Termination by Franchisee" and "Assignment of Contract by Franchisor" respectively, by the following language which shall be deemed an integral part thereof:

Any general release required under the Franchise Agreement shall be limited by the following, "all rights arising in your favor from the provisions of Article 33 of General Business Law of the State of New York and regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Sections 687.4 and 687.5 be satisfied."

The Franchise Agreement contains provisions permitting you to terminate the franchise, but you also have whatever rights you may have under applicable law to terminate the franchise.

No assignment will be made except to an Assignee who, in our opinion, is willing and able to assume our obligations under the Franchise Agreement.

The Franchise Agreement requires the application of Maryland Law, however, the choice of law provision should not be considered a waiver of any right conferred upon the franchisee by the General Business Law of the State of New York, Art.

**ADDENDUM TO DISCLOSURE DOCUMENT FOR  
NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF VIRGINIA**

The FTC Cover Page and Item 23 Receipt Pages of this disclosure document and agreement are modified to include the following language, “or grant” following the word “sale” to comply with the Virginia Retail Franchising Act:

1. Instruction 2 of the FTC Cover Page is supplemented by the below underlined language:

“This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor in connection with the proposed franchise sale or grant. Note, however, that no government agency has verified the information contained in this document.”

2. Instruction 1 of the Item 23 Receipt Page is supplemented by the below underlined language:

“If NaturaLawn of America, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant.”

**NATURALAWN OF AMERICA, INC.**  
Audited Financial Statements  
Years ended December 31, 2022, 2021, and 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Stockholder  
of NaturaLawn of America, Inc.  
Frederick, Maryland

### Opinion

We have audited the accompanying financial statements of NaturaLawn of America, Inc. (a Maryland corporation), which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NaturaLawn of America, Inc. as of December 31, 2022, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NaturaLawn of America, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NaturaLawn of America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Member of the Maryland Association of Certified Accountants | Member of the American Institute of Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NaturaLawn of America, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NaturaLawn of America, Inc.'s ability to continue as a going concern for a reasonable period of time.

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## INDEPENDENT AUDITOR'S REPORT (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Hildebrand, Simpans & Associates, CPAs, PC*

Frederick, Maryland  
March 7, 2023

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# NATURALAWN OF AMERICA, INC.

## Balance Sheets

See Accompanying Notes to Financial Statements

December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 3,401,087	\$ 2,776,717	\$ 2,186,297
Trade accounts and notes receivable	174,721	304,101	243,416
Unbilled receivables	24,358	65,070	52,771
Inventory	282,172	135,205	226,818
Prepaid expenses	269,098	22,646	39,494
Due from related entities	24,282	34,429	19,571
Total current assets	<u>4,175,718</u>	<u>3,338,168</u>	<u>2,768,367</u>
Property and Equipment, at cost:			
Office furniture and equipment	12,650	12,650	12,650
Vehicles	385,618	242,387	264,728
Leasehold improvements	234,991	234,991	234,991
	<u>633,259</u>	<u>490,028</u>	<u>512,369</u>
Less: accumulated depreciation	<u>468,025</u>	<u>401,599</u>	<u>366,416</u>
Net property and equipment	<u>165,234</u>	<u>88,429</u>	<u>145,953</u>
Other Assets:			
Operating lease right-of-use assets	184,631	-	-
Noncurrent trade accounts and notes receivable	-	-	833
Noncurrent portion due from related entities	-	8,164	26,700
Total other assets	<u>184,631</u>	<u>8,164</u>	<u>27,533</u>
Total Assets	<u>\$ 4,525,583</u>	<u>\$ 3,434,761</u>	<u>\$ 2,941,853</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
Current Liabilities:			
Accounts payable	\$ 22,479	\$ 23,765	\$ 150,659
Other payables and accrued expenses	175,091	189,120	104,627
Current portion of operating lease liabilities	170,732	-	-
Total current liabilities	<u>368,302</u>	<u>212,885</u>	<u>255,286</u>
Noncurrent operating lease liabilities	14,694	-	-
Total liabilities	<u>382,996</u>	<u>212,885</u>	<u>255,286</u>
Stockholder's Equity:			
Common stock - \$0.01 par value			
5,000 shares authorized			
200 shares issued and outstanding	2	2	2
Additional paid in capital	118,435	118,435	118,435
Retained earnings	4,024,150	3,103,439	2,568,130
Total stockholder's equity	<u>4,142,587</u>	<u>3,221,876</u>	<u>2,686,567</u>
Total Liabilities and Stockholder's Equity	<u>\$ 4,525,583</u>	<u>\$ 3,434,761</u>	<u>\$ 2,941,853</u>



**Statements of Operations**  
**See Accompanying Notes to Financial Statements**  
**For the years ended December 31,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>			
Operating revenues	\$ 6,173,928	\$ 5,533,227	\$ 5,029,437
Initial franchise fees	128,500	85,000	59,000
Sales	1,638,036	1,494,341	1,412,884
Interest, finance charges and other income	<u>25,564</u>	<u>15,710</u>	<u>5,739</u>
Total revenues	<u>7,966,028</u>	<u>7,128,278</u>	<u>6,507,060</u>
<b>Costs and Expenses:</b>			
Cost of goods sold	1,405,934	1,216,068	1,179,063
Operating expenses	4,648,828	4,211,085	3,702,835
Interest expense	<u>132</u>	<u>104</u>	<u>637</u>
Total costs and expenses	<u>6,054,894</u>	<u>5,427,257</u>	<u>4,882,535</u>
Income before income taxes	1,911,134	1,701,021	1,624,525
State income tax expense	<u>148,446</u>	<u>160,021</u>	<u>128,649</u>
Net income	<u>\$ 1,762,688</u>	<u>\$ 1,541,000</u>	<u>\$ 1,495,876</u>

**Statements of Operations**  
**See Accompanying Notes to Financial Statements**  
**For the years ended December 31,**

	Common Stock Par Value \$.01		Additional Paid in Capital	Retained Earnings	Total Stockholder's Equity
	Shares	Amount			
December 31, 2019	200	\$ 2	\$ 118,435	\$ 1,609,813	\$ 1,728,250
Net income	-	-	-	1,495,876	1,495,876
Dividend distributions	-	-	-	(537,559)	(537,559)
December 31, 2020	200	\$ 2	\$ 118,435	\$ 2,568,130	\$ 2,686,567
Net income	-	-	-	1,541,000	1,541,000
Dividend distributions	-	-	-	(1,005,691)	(1,005,691)
December 31, 2021	200	\$ 2	\$ 118,435	\$ 3,103,439	\$ 3,221,876
Net income	-	-	-	1,762,688	1,762,688
Dividend distributions	-	-	-	(841,977)	(841,977)
December 31, 2022	<u>200</u>	<u>\$ 2</u>	<u>\$ 118,435</u>	<u>\$ 4,024,150</u>	<u>\$ 4,142,587</u>

**NATURALAWN OF AMERICA, INC.**  
**Statements of Cash Flows**  
**See Accompanying Notes to Financial Statements**  
**For the years ended December 31,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>			
Net income	\$ 1,762,688	\$ 1,541,000	\$ 1,495,876
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	66,426	57,524	56,082
Non-cash lease expense	795	-	-
Net change in assets and liabilities:			
Decrease (increase) in:			
Trade accounts and notes receivable	129,380	(59,852)	(55,383)
Unbilled receivables	40,712	(12,299)	(32,277)
Inventory	(146,967)	91,613	67,671
Prepaid expenses	(246,452)	16,848	2,732
Increase (decrease) in:			
Accounts payable	(1,286)	(126,894)	144,368
Other payables and accrued expenses	(14,029)	84,493	32,381
Net cash provided by operating activities	<u>1,591,267</u>	<u>1,592,433</u>	<u>1,711,450</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(143,231)	-	(43,278)
Net loans to related entities	(263,047)	(124,816)	(112,037)
Net cash used in investing activities	<u>(406,278)</u>	<u>(124,816)</u>	<u>(155,315)</u>
<b>Cash flows from financing activities:</b>			
Repayment on notes payable	-	-	(16,240)
Dividend distributions	(560,619)	(877,197)	(427,743)
Net cash used in financing activities	<u>(560,619)</u>	<u>(877,197)</u>	<u>(443,983)</u>
Net increase in cash	624,370	590,420	1,112,152
Cash, beginning of year	<u>2,776,717</u>	<u>2,186,297</u>	<u>1,074,145</u>
Cash, end of year	<u>\$ 3,401,087</u>	<u>\$ 2,776,717</u>	<u>\$ 2,186,297</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year for interest	\$ 132	\$ 104	\$ 637
Cash paid during the year for state income taxes	\$ 148,446	\$ 160,021	\$ 128,649
<b>Supplemental disclosure of investing and financing activities:</b>			
Due from related entities paid through stockholder distributions	\$ 281,358	\$ 128,494	\$ 109,816

**NATURALAWN OF AMERICA, INC.**  
**Notes to Financial Statements**  
**For the years ended December 31, 2022, 2021, and 2020**

**Note 1 - Nature of Business**

NaturaLawn of America, Inc. (the Company) operates an organic-based lawn care franchise that issues licenses granting the right to adopt and use the “NaturaLawn® of America System,” its techniques, advertising, trade names and service marks in the operation of a NaturaLawn® of America business. The Company emphasizes organic-based biological treatments instead of high-soluble salt fertilizers and synthetic pesticides. In addition to granting franchises, the Company engages in the sale of related products and services. The Company has franchisees throughout the United States. Its principal place of business is located in Frederick, Maryland.

**Note 2 - Summary of Significant Accounting Policies**

**NEW ACCOUNTING PRONOUNCEMENTS**

Effective January 1, 2022, the Company adopted FASB ASC 842, *Leases*. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations.

The Company elected to adopt the standard using the optional transition method that allows the Company to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. As a result, the Company reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 840.

The Company elected to adopt the package of practical expedients permitted under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. In addition, the Company also elected to adopt the practical expedient to use hindsight to determine the lease term for existing leases.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets and operating lease liabilities of \$373,021 as of January 1, 2022. The adoption of FASB ASC 842 did not have any impact on the Company’s results of operations or cash flows.

**REVENUE RECOGNITION**

Initial franchise fee revenue, which includes additional license fees and transfer license fees, is allocated between the franchise license and pre-opening services. All pre-opening services are treated as a single performance obligation, to be recognized upon completion of all pre-opening services. Initial franchise fee revenue allocated to the franchise license is amortized on a straight-line basis over the term of the franchise agreement. Initial franchise fee revenue allocated to pre-opening services is recognized upon the signing of the franchise agreement, receipt of the non-refundable franchise fee, and completion of pre-opening service obligations.

**NATURALAWN OF AMERICA, INC.**  
**Notes to Financial Statements**  
**For the years ended December 31, 2022, 2021, and 2020**

**Note 2 - Summary of Significant Accounting Policies** (continued)

REVENUE RECOGNITION (CONTINUED)

For all years presented, the Company has determined that the value of the pre-opening services exceeds the total initial franchise fee for all open contracts and therefore has allocated all initial franchise fee revenue to pre-opening services.

Continuing franchise fee revenue is recognized as it is earned and becomes receivable from the franchisee.

Product sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer.

Direct franchising costs are expensed as incurred.

USE OF ESTIMATES

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TRADE ACCOUNTS AND NOTES RECEIVABLE

Receivables are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of accounts. Receivables are stated at the total amount less an allowance for bad debts. The allowance is an amount estimated by management to be adequate to absorb possible losses. No allowance was deemed necessary at any year-end presented.

Inventory

Inventory consists of products held for re-sale and is recorded at the lower of cost or market using the first-in first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment with an estimated useful life of five or more years and a unit cost above \$5,000 is capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Office furniture and equipment	5-7 years
Vehicles	5 years
Leasehold improvements	5-7 years

Depreciation expense totaled \$66,426 in 2022, \$57,524 in 2021, and \$56,082 in 2020.

Frequently replaced computer equipment is expensed as incurred.

**NATURALAWN OF AMERICA, INC.**  
**Notes to Financial Statements**  
**For the years ended December 31, 2022, 2021, and 2020**

**Note 2 - Summary of Significant Accounting Policies** (continued)

**ADVERTISING COSTS**

Advertising costs are expensed as incurred. Advertising expense totaled \$179,960 in 2022, \$127,334 in 2021, and \$104,866 in 2020.

**Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 7, 2023, the date the financial statements were available to be issued.

**Note 3 - Income Taxes**

The Company has elected to be treated as an S corporation under the Internal Revenue Code and applicable state statutes. Under an S Corporation election, the income of the Company flows through to the stockholder to be taxed at the individual level rather than the corporate level. Accordingly, the Company will have no federal tax liability (with limited exceptions) as long as the S Corporation election is in effect.

For the year ended December 31, 2022 and open tax years 2021, 2020, and 2019, there is no known unrecognized tax provision.

**Note 4 - Bank Line of Credit**

The Company has a \$400,000 bank line of credit available with interest at the prime rate.

**Note 5 - Retirement Plan**

The Company maintains a 401(k) Profit Sharing Plan. The Plan provides for elective deferrals by participants according to the maximum allowed under Federal guidelines and discretionary Company matching contributions. The Company may also make qualified non-elective contributions to participants who are not highly compensated employees. All employees meeting age and hours of service requirements are automatically enrolled in the Plan and have the choice to opt out. Participants become vested in employer contributions on a graduated scale with full vesting after six years. Company contributions totaled \$19,038 in 2022, \$16,613 in 2021, and \$15,354 in 2020.

**Note 6 - Franchising Obligations**

NaturaLawn of America, Inc. is obligated in accordance with the terms of the franchise agreement to provide the following: advice on relevant considerations in site selection; specifications for all required machinery, equipment, inventory and supplies; certain office equipment and lawn care equipment; periodic advice and consultation on new developments, techniques and improvements in the areas of management, marketing, operations and service pertinent to the NaturaLawn system; a system manual; uniforms; advertising materials and

**NATURALAWN OF AMERICA, INC.**  
**Notes to Financial Statements**  
**For the years ended December 31, 2022, 2021, and 2020**

**Note 6 - Franchising Obligations** (continued)

training meetings. These obligations have been substantially performed as of December 31, 2022. There were 98, 93, and 92 operating franchise licenses at December 31, 2022, 2021, and 2020, respectively. There are no franchisor-owned outlets (see Note 7 for franchise outlets owned by related entities).

**Note 7 - Due from Related Entities / Related Entity Transactions / Operating Leases**

Due from related entities includes net advances to entities affiliated through common ownership in the form of cash or payment of expenses. Interest is at 1% and there are no formal repayment terms. The balance includes loans to entities affiliated through common ownership of \$19,531 at December 31, 2021.

Naturalawn franchise licenses include twelve, eleven, and ten that are operated by entities affiliated through common ownership at December 31, 2022, 2021, and 2020, respectively. Included in trade accounts receivable are amounts due from these franchise outlets of \$86,569, \$148,806, and \$59,678 at December 31, 2022, 2021, and 2020, respectively. Included in the statements of operations are sales to these franchise outlets of \$178,027 in 2022, \$300,526 in 2021, and \$160,091 in 2020. Also included in the statements of operations are service fees from these outlets of \$733,171 in 2022, \$638,845 in 2021, and \$622,164 in 2020.

The Company leases office space from entities affiliated through common ownership. The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the balance sheet and expense is recognized on a straight-line basis over the lease term.

In November 2022, the Company extended the lease agreement for its facilities with an entity affiliated through common ownership for an additional year. The lease provides for current rents of \$13,160 per month.

In May 2021, the Company entered into a lease agreement for a sales office with an entity affiliated through common ownership for a three-year term. The lease provides for current rents of \$3,605 per month with a 3% annual increase.

The weighted-average remaining lease term related to the Company's lease liabilities as of December 31, 2022 was 1 year.

The weighted-average discount rate related to the Company's lease liabilities as of December 31, 2022 was 5.14%. The discount rate is generally based on estimates of the Company's incremental borrowing rate, as the discount rates implicit in the Company's leases cannot be readily determined.

**NATURALAWN OF AMERICA, INC.**  
**Notes to Financial Statements**  
**For the years ended December 31, 2022, 2021, and 2020**

**Note 7 - Due from Related Entities / Related Entity Transactions / Operating Leases** (continued)

The maturities of operating lease liabilities as of December 31, 2022 were as follows:

2023	\$ 175,726
2024	<u>14,852</u>
Total lease payments	190,578
Less: interest	<u>(5,152)</u>
Present value of lease liability	<u>\$ 185,426</u>

The components of operating lease expenses (including CAM) are included in operating expenses in the statement of operations and totaled \$251,418 in 2022, \$206,954 in 2021, and \$173,075 in 2020.

**Note 8 - Concentrations**

Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally limits the amount of credit exposure for cash to the amount in excess of the FDIC insurance coverage limit of \$250,000. Uninsured amounts totaled approximately \$3.3 million at December 31, 2022.

Intellectual Property - The Company owns or is licensed to use certain trademarks, patents, copyrights, domain names, proprietary information, and other intellectual property. The intellectual property has significant value to the Company and at times requires legal expenses to successfully defend.



# **EXHIBIT B**

## **FRANCHISE AGREEMENT, WITH ATTACHMENTS AND STATE-SPECIFIC ADDENDA**

**FRANCHISE AGREEMENT  
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**State Specific Addenda**

# FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between NaturaLawn of America, Inc., a Maryland corporation with offices at 1 East Church Street, Frederick, Maryland 21701 ("Franchisor") and \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Controlling Principal").

**WHEREAS**, Franchisor has developed and owns a natural and organic-based lawn care system ("NaturaLawn of America System"), which includes proprietary rights in certain valuable trade names and service marks, including but not limited to the trade name "NaturaLawn of America", methods of inventory and operation control, bookkeeping and accounting, and manuals covering business practices and policies; and

**WHEREAS**, Franchisor holds the right to grant licenses for the adoption and use of the NaturaLawn of America System in the territory hereinafter described; and

**WHEREAS**, Franchisee recognizes the benefit to be derived from being identified with and licensed by Franchisor, and being able to utilize the NaturaLawn of America System which Franchisor makes available to its franchisees; and

**WHEREAS**, Franchisee desires to be granted a franchise to operate a service business which will provide lawn care treatments, diagnosis of lawn and landscape problems, and an integrated pest management system, including the control of lawn disease, pests and certain other pests such as mosquitoes, fleas, ticks and deer, as well as aeration and seeding pursuant to the provisions hereof and the NaturaLawn of America System to residential, commercial and government properties located in the geographic territory specified herein (the "Franchised Business," as defined below), and Franchisee acknowledges that Franchisee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by counsel of its own choosing.

**NOW, THEREFORE**, in consideration of the premises and of the mutual covenants and agreements herein contained, and of the privilege and obligation of conducting a Franchised Business under the NaturaLawn of America System, the parties hereto hereby agree as follows:

## Section 1 Interpretation

The NaturaLawn of America System is a comprehensive system for the sale of natural and organic-based lawn care services and authorized products, featuring applications of organic-based fertilizers and biological weed, disease and insect controls, diagnosis of lawn and landscape problems, aeration and seeding and an integrated pest management system, which controls both lawn pests and certain other pests such as mosquitoes, fleas, ticks and deer. The foundation of the NaturaLawn of America System and the essence of this Agreement is the adherence by Franchisee to the standards and policies of Franchisor that provide for the uniform operation of, and the uniform performance of services by, all NaturaLawn of America businesses within the NaturaLawn of America System including, but not limited to, strict adherence to Franchisor's fertilizer and weed, disease and insect control product specifications; the use of only prescribed machinery and equipment; adherence to Franchisor's lawn care treatment application and lawn problem diagnostic methods; and use of prescribed procedures for marketing and customer relations. Compliance by Franchisee with the foregoing standards and policies in conjunction with

the NaturaLawn of America trade names and service marks provides the basis for Franchisor's acceptance and grant to Franchisee of the rights hereunder.

The provisions of this Agreement shall be interpreted to give effect to the intent of the parties as stated in this paragraph 1 so that the Franchised Business of Franchisee shall be operated in conformity to the NaturaLawn of America System through strict adherence to Franchisor's standards and policies as they now exist and as they may be modified by Franchisor from time to time.

Franchisee acknowledges his understanding of Franchisor's basic business policy and that Franchisor will grant licenses only to those individuals who actually own the majority (more than 50%) interest in the Franchised Business and its profits. Franchisee represents, warrants and agrees that Franchisee actually owns the complete equity interest in the License established by this Agreement and the profits from the operation of the Franchised Business, and that Franchisee shall maintain such interest during the term of the License except as otherwise permitted pursuant to the terms and conditions of this Agreement. Franchisee agrees to furnish Franchisor with such evidence as Franchisor may request from time to time for the purpose of assuring Franchisor that Franchisee's interest remains as represented herein.

## **Section 2 License Grant & Term**

- A. In reliance on the representations and warranties of Franchisee and its Controlling Principals (as defined in Section 13.B. hereunder), Franchisor hereby grants to Franchisee, upon the terms and conditions in this Agreement, and Franchisee hereby accepts the following right, license, privilege and obligation ("License"):
1. To adopt and use the NaturaLawn of America System in the operation of one or more office(s) ("Franchised Business") located within the geographic territory ("Licensed Territory") defined in Attachment B, which is attached hereto and incorporated herein;
  2. To advertise to the public that Franchisee is a licensee of Franchisor; and
  3. To adopt and use only those lawn care services and products which have been designated by Franchisor within the Licensed Territory and to the extent set forth in paragraph 2.C.(1) only, outside the Licensed Territory, with the trade names, logos, trademarks, service marks, and copyrights that Franchisor shall designate, from time to time, to be part of the NaturaLawn of America System, all of the forgoing use of Franchisor's trademarks, service marks and trade names shall inure exclusively to the benefit of Franchisor.

If Franchisee currently owns and operates a related Green Industry business, Franchisee may continue to do so with the following guidelines:

\* all products and/or services sold by, through and/or with the use of any of NaturaLawn of America's marks or any other trade names or marks of the Franchisor, the use of Franchisor's hardware or software or the customer base of the Franchised Business, or the use of any related identifiable materials (i.e., truck, uniforms, brochures, etc.), are subject to service fees, and must be products and/or services approved by Franchisor. This is inclusive of Franchised Business products sold with Franchised Business services.

- B. Except as provided in this Agreement, and subject to Franchisee's full compliance with this Agreement, and with any other agreements between Franchisee and any of its affiliates and Franchisor or any of its affiliates, neither Franchisor nor any affiliate of Franchisor shall establish or authorize any person or entity, other than Franchisee, to establish a Franchised Business in the Licensed Territory during the term of the License. Notwithstanding the above, Franchisee acknowledges and agrees that Franchisor and its affiliates may conduct, or may authorize third parties to conduct, the following activities:
1. Franchisor, its affiliates and authorized third parties shall have the right, at any time, to advertise and promote the System in the Licensed Territory.
  2. Franchisor, its affiliates and authorized third parties may offer and sell lawn care-related products inside and outside of the Licensed Territory. These products may include, but are not limited to, golf course supplies, pre-packaged cleaners, maintenance supplies, do-it-yourself lawn care products, safety products, composting products, biological pest control products and organic-based fertilizers. These products may be marketed under the Marks (as defined in Section 12) or under other proprietary marks and names, inside and outside of the Licensed Territory, including on Franchisor's web site, storefronts, sales people or any other source.;
  3. Franchisor, its affiliates and authorized third parties may offer and sell different products and services inside and outside of the Licensed Territory, under different names and marks; and
  4. Franchisor, its affiliates and authorized third parties may establish and operate NaturaLawn of America businesses anywhere outside of the Licensed Territory, regardless of the proximity to their licensed territories to the Licensed Territory.
- C. Franchisee shall have no right to offer or sell Franchised Business products or services outside of the Licensed Territory without the express prior written consent of Franchisor. If Franchisor consents, Franchisee may sell Franchised Business products or services to residential and commercial customers outside of the Licensed Territory, but not within the licensed territory of any other Franchised Business.
1. Should the area in which such customers are located, later become part of the licensed territory of another Franchised Business, Franchisee shall sell such customers' accounts to said new Franchised Business on the following terms: Each residential customer's account shall be sold to the new Franchised Business at the end of the then-current calendar year for a price of no more than One Hundred Dollars (\$100) per account (payable by the end of the first quarter of the next calendar year). Each commercial customer's account shall be sold to the new Franchised Business at the end of the then-current contract year, or at the end of the following contract year (at the option of the new Franchised Business), for a price of no more than ten percent (10%) of the annual contract price. The purchase price shall be payable when the new Franchised Business receives payment from such commercial customer for the first lawn care treatment it performs for such customer.

2. If another Franchised Business is providing lawn care services to residential and/or commercial customers within the Licensed Territory at the commencement of the term of the License, Franchisee shall purchase such customers' accounts from such other Franchised Business for the price and upon the terms as described above.
  3. Without the prior written permission of Franchisor, which may be withheld in Franchisor's sole discretion, Franchisee shall not advertise, distribute, promote, offer to sell or sell any product or service to the customers or prospective customers of the Franchised Business other than the Franchised Products and Services which are expressly approved by Franchisor in this Agreement, as modified from time to time. Franchisee's advertising, distribution, promotion, or sale of any non-approved product or service to the customers or potential customers of the Franchised Business is ground for immediate termination without any opportunity to cure.
- D. The initial term of the License shall commence on the date of execution of this Agreement and shall end five (5) years from the opening date.
- E. If Franchisee shall have complied with all of the terms and conditions of this Agreement and any other agreement between Franchisee and Franchisor, and shall have complied with the operating standards and policies established for Franchised Businesses, then at the expiration of the initial term of the License, Franchisor will offer Franchisee the opportunity to remain a franchisee for three (3) additional renewal periods of five (5) years each, provided that prior to each renewal period:
1. Franchisee shall give Franchisor written notice of Franchisee's desire to exercise the renewal option not less than six (6) months prior to the expiration of the immediately preceding term of the License.
  2. The machinery, equipment and inventory used in connection with the Franchised Business shall meet the then-current specifications and standards of Franchisor.
  3. Franchisee shall have achieved an annual Gross Sales volume for the Licensed Territory of at least \$500,000 (or a dollar amount adjusted as described below) by the end of the fifth year in business to qualify for renewal. Franchisor may adjust this amount annually based upon changes in the Consumer Price Index, United States city average, as published by the Bureau of Labor Statistics (2000=100, all items). Adjustments may be made upon thirty (30) days advance written notice to Franchisee.  
  
If Franchisee does not achieve and maintain the stated minimum Gross Sales annually, Franchisor may refuse to renew the franchisee's license, terminate the license, or reduce the size of the Licensed Territory.
  4. Franchisee shall execute a new franchise agreement in the form then being used by Franchisor, which agreement may include different or additional terms.

There will not be another initial license fee charged for renewal of the License. If Franchisee fails to satisfy one or more of the aforesaid requirements and Franchisor therefore refuses to renew the License, Franchisor shall so notify Franchisee in writing, specifying the reasons for non-renewal, within thirty (30) days after its receipt of Franchisee's renewal notice.

### **Section 3 General Services of Franchisor**

Prior to the opening of the Franchised Business to the public, Franchisor shall advise Franchisee on the relevant considerations in selecting a site for the Franchised Business office premises, if requested to do so by Franchisee. Franchisor's Operations Department must approve any proposed site for the Franchised Business office premises in writing before Franchisee signs a lease for the site or purchases the site. Franchisor shall also provide Franchisee with specifications for supplies, equipment and services required for the Franchised Business. Franchisor shall also provide Franchisee with certain office supplies, uniforms and marketing materials required to commence operation of the Franchised Business. A list of the items which will be provided to Franchisee by Franchisor is attached to this Agreement as Attachment G. After the opening of the Franchised Business, Franchisor shall advise and consult with Franchisee periodically in connection with the operation of the Franchised Business and also upon Franchisee's reasonable request at other times. Franchisor shall communicate to Franchisee its know-how, new developments, techniques and improvements in areas of management, marketing, operations and service which are pertinent to and incorporated into the operation of a lawn care business using the NaturaLawn of America System. The communications shall be accomplished by field visits from employees of Franchisor, when appropriate in the Franchisor's discretion, by email or other electronic means, and by printed reports and other written communications, and other mailings. Franchisor shall make available to Franchisee additional services, products, electronic communications, facilities, rights and privileges which Franchisor generally makes available from time to time to its franchisees operating Franchised Businesses. Franchisee agrees to pay any amounts due for services or products made available by Franchisor according to Franchisor's generally available terms, or to permit Franchisor, if payment is not so made, to obtain payment by pre-authorized electronic transfer of funds from an account designated by Franchisee, under an Authorization for Automatic Payments (Attachment F). Franchisee further agrees to permit Franchisor; if there are insufficient funds for a transfer from the designated account, to charge the amount due, plus a five percent (5%) administrative fee, to a credit card designated by Franchisee. Franchisee shall not obtain, offer or make use of any services, products, electronic communications or facilities from other franchisees without the express written consent of Franchisor.

### **Section 4 Manual**

Franchisor shall provide Franchisee with the NaturaLawn of America System Manual (the "Manual") and other business manuals as the Franchisor may prepare from time to time for use by franchisees of Franchised Businesses similar to the Franchised Business to be operated by Franchisee. The Manual contains detailed information relating to the operation of the Franchised Business including (a) specifications for machinery, equipment and organic-based lawn care treatments; (b) methods of inventory control; (c) bookkeeping and accounting procedures; (d) business practices and policies, including planning and budgeting; (e) methods of market analysis; (f) required and recommended insurance coverages; (g) other management, advertising and personnel policies; (h) purchasing; (i) public relations; and (j) agronomic safety. Franchisee agrees to promptly adopt and use, exclusively, the methods, procedures and policies contained in the Manual, now and as it may be modified by Franchisor from time to time. Such Manual, as modified by Franchisor from time to time, and the policies contained therein, are intended to supplement this Agreement.

## Section 5 Advertising

Franchisee shall use only marketing/advertising, and promotional materials and programs provided by Franchisor or approved in advance by Franchisor. All material developed by Franchisee for promotional purposes, public relations efforts, etc.; as well as any information or material that will be given to customers or the public at large (e.g., newsletters) must have prior written (emailed or faxed) approval by Franchisor before dissemination to customers or the public. Any camera-ready copies of said materials that are provided by Franchisor may be provided free of charge. Reproduction of such materials and all costs incurred in connection therewith shall be the sole responsibility of Franchisee. Prior to printing and disseminating any advertising or promotional materials prepared by Franchisee, Franchisee shall submit copies of any such materials to Franchisor for review. If the materials are unacceptable to Franchisor, Franchisor shall notify Franchisee within fifteen (15) business days of receipt of the proposed materials that the materials may not be used by Franchisee. Franchisor's failure to respond within fifteen (15) business days of receipt of the proposed materials shall constitute Franchisor's approval of the proposed materials. However, Franchisor's approval shall not constitute an indication that such materials conform with local, state or federal law. Franchisee will be solely responsible to conform to laws regulating advertising in his locality. Neither the approval by Franchisor of Franchisee's advertising and promotional material, nor the providing of such material by Franchisor to Franchisee, directly or indirectly, shall require Franchisor to pay for such advertising or promotion.

With Franchisor's assistance each year, the Franchisee must prepare an advertising and marketing plan showing how, when and where advertising and marketing monies will be spent for the Franchised Business. Based on Franchisor's 3 plus decades of franchise experience, Franchisee must spend an overall advertising and marketing expense of up to \$40,000 - \$60,000 in Franchisee's first year in operation on approved direct advertising, promotion and marketing for the Franchised Business. This includes, but is not limited to, our approved print ads, radio ads, TV ads, Internet ads, publicity and trade shows. This is a mandatory first year expense and will vary based on marketing plans. A minimum of \$40,000 must be directed towards the marketing and advertising of the Franchised Business during each of the next four years. After the annual Gross Sales of the Franchised Business reach or exceed \$500,000, Franchisee must continue to invest the following percentages of the annual Gross Sales on approved direct advertising, promotion and marketing:

ANNUAL GROSS SALES	% OF GROSS SALES TO BE SPENT ON MARKETING
\$500,000 to \$600,000	9%
\$600,000 to \$750,000	8%
\$750,000 to \$1,000,000	7%
\$1,000,000 to \$1,500,000	6%
\$1,500,000 to \$2,000,000	5%
\$2,000,000 and over	5%

In addition to collecting service fees, we also collect a separate one (1%) percent advertising fee based on all Gross Sales of the franchised business. This fee is collected weekly by ACH.



Failure to invest in the growth of the franchise business by not spending the amount of Marketing and Advertising monies, as set forth above, will be cause for service fees to remain at nine (9%) percent, and if currently service fees are at seven (7%) percent, they would increase to nine (9%) percent for the remainder of the license term.

Franchisor has registered an Internet domain name and established a web site to promote its business on behalf of the franchise system. Franchisee may not establish any domain names, registrations, websites as well as any Internet listings or advertising without Franchisor's written consent.

## **Section 6 Training**

Franchisee acknowledges the importance of quality of business operation among all Franchised Businesses in the System and agrees, for himself and his employees, to participate in the training Franchisor deems necessary to enable Franchisee to properly conduct its Franchised Business. Initial training for Franchisee and one (1) manager or other principal owner will be provided for one (1) week at the Franchisor's home office in Frederick, Maryland, and shall include instruction in the following areas: (i) weed, insect and disease identification; (ii) safe use of fertilizers, control products and other materials used by Franchised Business Franchisees; and (iii) advice relating to management and operation of the Franchised Business. Training for turf technicians and other employees will be conducted at Franchisee's Franchised Business location, or at another location designated by Franchisor. Franchisee and one (1) manager or other principal owner must complete initial training to Franchisor's satisfaction prior to the opening of the Franchised Business to the public. Before Franchisee opens the Franchised Business to the public, Franchisee and one (1) manager or other principal owner must also attend additional hands-on training for up to two (2) weeks at a designated company location. Once the Franchised Business is open to the public, Franchisor will be available to provide assistance to Franchisee, if necessary, on a basis to be determined by Franchisor in its sole discretion. **Franchisee must attend one (1) or more franchise owner training meetings each year, to be conducted by Franchisor in various locations.** While there may be more than one mandatory meeting which the franchisee must attend, the annual owners meeting, traditionally held in May of each year, is a mandatory meeting requiring attendance by the franchise owner or their designated manager. There may be times when the franchisee has a legitimate reason for not being able to attend the meeting. Examples of such reasons may include the birth of their child, a death in the immediate family, an accident-causing hospitalization or non-travel for medical reasons related to an accident, etc. The Franchisor must be notified of the intention not to attend and the reasons why so a determination can be made of the legitimacy of the non-attendance. Failure to attend the annual owners meeting without having a legitimate reason will result in the franchisee's bank account on file being automatically debited via ACH in the amount of \$1,500. This debit will take place on or before June 30<sup>th</sup> of the current year.

Should the franchisee miss three or more mandatory owner meetings or three or more training meetings which require technicians and office staff to be in attendance, and if the franchisee's service fees are currently below 9%, the Franchisor in their sole discretion, may increase the franchisee's service fees to the 9% level for the remaining term of the franchisee's license agreement.

In addition, Franchisor may hold one (1) to four (4) training and discussion meetings per year, which Franchisee and/or Franchisee's managers, technicians, and office staff are

required to attend. Franchisor's training and support services after opening will generally be provided without additional charge. Franchisee shall pay all travel, lodging, food and other expenses incurred by Franchisee and Franchisee's employees in connection with all training and/or other support services of Franchisor. If Franchisor, at Franchisee's request, provides training or other support services at Franchisee's Franchised Business location, Franchisee shall pay all reasonable travel and living expenses incurred by Franchisor and its employees in connection with such services.

## **Section 7 Gross Sales**

For the purposes of this Agreement, the term "Gross Sales" shall mean any and all collected payments and prepayments related to production and/or the Business (i.e., the application of fertilizers, lime, weed, disease and insect controls, aeration and seeding, or the performance or sale of any other service or product) based upon all business conducted by, through, upon and from the Franchised Business, it being the intention and agreement of the parties that all revenues received by Franchisee from all sources from the operation of the Franchised Business shall be included in Gross Sales. Revenues shall be included in Gross Sales in the week in which payments are received by Franchisee. Gross Sales shall not include the sales of services or products for which cash has been refunded, provided that they shall have previously been included in Gross Sales. Gross Sales shall not include the amount of any sales tax imposed by any federal, state, municipal or other government authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein, and actually paid by Franchisee to such government authority.

## **Section 8 Service Fee**

- A. In consideration of Franchisor's services, Franchisee shall pay a service fee, on or before the seventh (7<sup>th</sup>) day following the Friday end of each business week, in an amount equal to nine percent (9%) of the Gross Sales of the Franchised Business in the prior business week. If Franchisee's Gross Sales are at least \$500,000 in the last full calendar year before renewal, and if the License is renewed, the service fee thereafter will be reduced to seven percent (7%) of Gross Sales during the renewal term, so long as Franchisee's Gross Sales are at least \$500,000 in each calendar year after renewal and do not decrease by ten percent (10%) or more in any calendar year after renewal. If, after renewal, Gross Sales decrease to less than \$500,000 or by ten percent (10%) or more in any calendar year, the service fee will automatically revert to nine percent (9%) of Gross Sales in the next calendar year and thereafter during the renewal term. Delinquent service fees (fees not received within seven (7) days of the prior business week's end) will be assessed at a rate of \$100 per week for every week the delinquent service fee is past due. Franchisor also may charge interest on overdue amounts at the rate of 1.8% per month or 21.6% per year. The interest rate will not exceed the highest rate allowed by law.
- B. Franchisee may not offer, sell or conduct business outside of the Licensed Territory without Franchisor's prior written consent. Franchisee shall pay service fees of fifteen percent (15%) of Gross Sales for all revenue derived from sources outside of the Franchisees Licensed Territory.
- C. If Franchisee fails to make timely and consistent payments of the service fee as detailed above or any other payments required under this Agreement, Franchisor

reserves the right to require that Franchisee make such payments on a weekly basis in such amounts as Franchisor shall reasonably determine.

- D. Franchisee shall pay the service fee by pre-authorized electronic transfer of funds from an account designated by Franchisee, under an Authorization for Automatic Payments (Attachment F). Franchisee also agrees that if there are insufficient funds for a transfer from the designated account, Franchisor will be permitted to charge the amount due, plus a five percent (5%) administrative fee, to a credit card designated by Franchisee.

### **Section 9 License Fee**

Franchisee acknowledges that the initial grant of the License pursuant to this Agreement constitutes the sole consideration for Franchisee's payment to Franchisor of an initial license fee of twenty-nine thousand five hundred dollars (\$29,500) ("License Fee"). Payment of the License Fee shall be made in full by certified check upon the execution of this Agreement, and shall, upon the earlier of payment or signing of this Agreement, be deemed fully earned and not refundable for any reason whatsoever.

If the Licensed Territory exceeds Franchisor's demographic guidelines for a standard Licensed Territory (currently, at least 40,000 single-family households with median household incomes of over \$55,000), Franchisor may charge and Franchisee agrees to pay an additional License Fee of \$0.55 per single-family household with a median household income of over \$55,000 in excess of 40,000 in the Licensed Territory.

If Franchisee already operates a lawn care business that is similar to a Naturalawn of America business, Franchisor will discount the License Fee. In order to qualify, Franchisee's existing lawn care business must consist of application work such as fertilization, weed, disease & insect control, as well as aeration and seeding (services such as mowing or planting do not count as revenues for purposes of the discounted fee). The annual revenues of Franchisee's existing application business (first column), verified by Franchisor's audit, will determine the amount of the discount (second column), as follows:

<b>Annual Revenues</b>	<b>License Fee Will Be Discounted By:</b>
\$ 25,000 - \$ 49,999	\$ 2,500
\$ 50,000 - \$ 99,999	\$ 5,000
\$100,000 - \$149,999	\$ 7,500
\$150,000 - \$199,999	\$10,000
\$200,000 - \$249,999	\$12,500
\$250,000 - \$299,999	\$15,000
\$300,000 - \$349,999	\$17,500
\$350,000 or more	\$20,000

### **Section 10 Reports & Inspection**

- A. Franchisee shall deliver such periodic financial, operating and other information and reports as Franchisor may reasonably request from time to time on the forms and in the manner prescribed by Franchisor. Currently:

1. On or before the tenth (10<sup>th</sup>) day of each month, Franchisee shall submit to Franchisor an inventory report covering, for example, materials usage in the previous month.
2. On or before the tenth (10<sup>th</sup>) day of each month, Franchisee shall submit to Franchisor a statement of all Gross Sales from the operation of the Franchised Business, and a profit and loss statement for the previous month.
3. Two programs require daily backup: Service Assistant 5 and your QuickBooks Premier program. Your Service Assistant 5 backup is taken care of by Real Green each night, and also weekly by the NaturaLawn of America Corporate IT Department. You are responsible for your QuickBooks Premier backup. You may choose to use Intuit's offsite backup service, which may incur a fee, or you must take a daily backup offsite using the thumb drive we provide. Backing up these two vital programs will include the day-to-day information of your Franchised Business, and in the event of a computer crash, theft, or fire, it will allow you to reconstruct your files.

Franchisee shall provide Franchisor weekly reports of production, sales and deposit reports by electronic transfer. Franchisee shall provide Franchisor monthly reports, including a statement of Gross Sales, a profit and loss statement, balance sheet and an inventory statement for the immediately preceding month. These are to be received by the 10<sup>th</sup> of the month for the preceding month. Franchisee shall provide Franchisor quarterly reports, including a balance sheet, and schedules of cash on hand, accounts receivable, and payroll taxes withheld for the immediately preceding fiscal quarter. Franchisee shall provide Franchisor annual balance sheets and profit and loss statements. If Franchisor requests, Franchisee shall have the annual figures compiled and certified by a certified public accountant at Franchisee's expense.

4. Within ninety (90) days after the close of each fiscal year of the Franchised Business's operation, Franchisee shall submit to Franchisor a complete financial report covering, for example, an income (profit and loss) statement for the previous fiscal year, a cash flow statement for such fiscal year and a balance sheet as of the close of such fiscal year. The statements and balance sheet shall be prepared by a certified public accountant in accordance with GAAP. If requested by Franchisor, the data shall be audited by a certified public accountant. Further, Franchisee shall cause the certified public accountant to consult with Franchisor concerning such statements and balance sheet, at Franchisee's expense, if requested by Franchisor.
5. Franchisor has the right to receive any and/or all reports from vendors regarding purchases made or ordered by or on the behalf of Franchisee. Franchisee agrees to indemnify and hold harmless any vendor for releasing said reports to Franchisor. From time to time, Franchisor may use these reports to ensure system quality control of approved products being purchased, rebate verification and for use in conjunction with monitoring of System standards Franchisor has established to ensure the integrity of the system.
6. If it becomes advisable at any time in Franchisor's opinion for it and/or you to modify, discontinue using, and/or replace any trademark, service mark or logo, including a mark or logo that has been licensed by this Agreement, Franchisee shall comply with Franchisor's directions within a reasonable time after Franchisor

delivers notice to you. Franchisor need not reimburse your expenses for discontinuance or substitution of the any mark.

- B. Franchisee shall retain and preserve full and complete records of Gross Sales for at least three (3) years in a manner and form satisfactory to Franchisor.
- C. Franchisor shall have the right to inspect (in person or remotely) the Franchised Business, including any and all customer records and files (computer or written) during business hours and at all reasonable times to ensure that the Franchisee's operation of the Franchised Business is in compliance with the standards and policies of the NaturaLawn of America System. Franchisor, its agents and auditors shall have the right to inspect and audit Franchisee's accounts, books, bank statements, records and tax returns including, but not limited to, the Service Assistant 5 data and financial data on the QuickBooks software at all reasonable times. Franchisor may make copies of any and all records during these inspections or audits to ensure uniformity and accountability to the NaturaLawn of America System. If such inspection and audit disclose that Gross Sales actually exceeded the amount reported by Franchisee as Gross Sales by an amount equal to more than four percent (4%) of the Gross Sales originally reported to Franchisor, Franchisee shall bear the cost of such inspection and audit. Such cost shall be payable by Franchisee to Franchisor within thirty (30) days after Franchisee's receipt of a bill therefore, accompanied by a report of the results of Franchisor's inspection and/or audit.

## **Section 11 Restrictions**

Franchisee and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, Franchisee and the Controlling Principals will receive valuable training, trade secrets and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System which are beyond the present skills and experience of Franchisee and the Controlling Principals and Franchisee's managers and employees. Franchisee and the Controlling Principals acknowledge that such specialized training, trade secrets and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, trade secrets and confidential information is, therefore, a primary reason that Franchisee and the Controlling Principals are entering into this Agreement. In consideration for such specialized training, trade secrets, confidential information and rights, Franchisee and each of the Controlling Principals hereby agrees, covenants, represents and warrants as follows:

- A. During the term of the License, Franchisee and each of the Controlling Principals without the prior written consent of Franchisor, whether directly or indirectly, shall not engage in, acquire any financial or beneficial interest, including, without limitation, any interest in corporations, partnerships, trusts, incorporated associations or joint ventures, in, assist or become a landlord for any lawn care or landscaping business, which is similar to the Franchised Business operated by Franchisee, including without limitation, any business that offers products or services relating to lawn care, landscaping, disease, insect or pest control, such as the control of mosquitoes, fleas or ticks, as well as aeration and seeding.

- B. Franchisee and each of the Controlling Principals, for a period of twenty-four (24) months after the expiration or termination of the License for any reason (or the date such person ceases to be a Controlling Principal), whether directly or indirectly, shall not engage in or acquire any financial or beneficial interest, including, without limitation, any interest in corporations, partnerships, trusts, incorporated associations or joint ventures, in, assist or become a landlord of any lawn care or landscaping business, which is similar to the Franchised Business operated by Franchisee or Controlling Principal (as applicable), including without limitation, any business that offers products or services relating to lawn care, landscaping, disease, insect or pest control, such as the control of mosquitoes, fleas or ticks, as well as aeration and seeding within the Licensed Territory or within the licensed territory of any NaturaLawn of America franchisee or within a twenty (20) mile radius of the perimeter of the Licensed Territory or any licensed territory of any Franchised Business, whether such NaturaLawn of America business is operated by another franchisee of Franchisor or by Franchisor, or a subsidiary or affiliate of Franchisor.
- C. Franchisee and each of the Controlling Principals agree that they shall not appropriate, use or duplicate the NaturaLawn of America System, or any portion thereof, for use at any other lawn care, landscaping or other business other than the Franchised Business.
- D. Franchisee and each of the Controlling Principals acknowledge that all practices, products, techniques, processes, customer lists, including without limitation any customer list of NaturaLawn of America System customers developed by Franchisee during the term of the Franchise Agreement, know-how and other proprietary information, including the entire contents of the Manual, disclosed to Franchisee or the Controlling Principals, as applicable, pursuant to this Agreement are the confidential trade secrets of Franchisor. Franchisee and each of the Controlling Principals agree to (i) follow all guidelines established by Franchisor in its sole discretion for maintaining the secrecy of such information; (ii) disclose such information to Franchisee's employees only to the extent necessary to operate the Franchised Business in accordance with the Agreement and the NaturaLawn of America System; (iii) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor; and (iv) exercise the highest degree of care and make every effort to maintain the confidentiality of all proprietary information during and after the term of the License.
- E. Franchisee and the Controlling Principals shall acquire no right to use, or to license the use of, any name, mark or other intellectual property right granted or to be granted by this Agreement, except in connection with the operation of the Franchised Business in compliance with this Agreement.
- F. The restrictions contained in paragraph 11.A and 11.B herein shall not apply to ownership of less than two percent (2%) of the shares of any corporation whose shares are listed and traded on a national or regional security exchange.

## **Section 12**

### **Compliance With Entire System**

Franchisee and each of the Controlling Principals hereby acknowledges that every component of the NaturaLawn of America System is important to Franchisor and to the operation of any Franchised Business, including the designated practices, procedures,

policies and quality of service. Franchisee shall comply with the entire NaturaLawn of America System, including, but not limited to, the following:

- A. Operate the Franchised Business in compliance with the prescribed standards of quality and service; comply with all business policies, practices and procedures imposed by Franchisor (including the use of the Franchised Business Computing System); and maintain the Franchised Business premises and lawn service machinery and equipment in good condition and repair, and in compliance with designated standards as may be prescribed from time to time by Franchisor;
- B. Obtain and maintain all insurance policies required by the Manual from the time of commencement of operation of the Franchised Business throughout the remainder of the term of the License;
- C. Purchase supplies (including, for example, chemicals, fertilizers, control materials, other lawn care products, inventory, uniforms and forms), equipment and services in accordance with specifications designated by Franchisor. In addition, any products for communication with customers, potential customers or the public at large must be purchased in strict accordance with Franchisor's standards and approved suppliers. Further, Franchisee shall adhere to those purchasing practices, which ensure the maximization of purchasing power for the entire franchise system as a whole. Those requirements include the following:
  - 1. Franchisee shall purchase Franchisee's supplies, equipment and services from Franchisor, from approved suppliers or in accordance with other requirements specified by Franchisor. All orders of these supplies, equipment and services shall be processed through Franchisor's centralized purchasing department, unless Franchisor agrees otherwise in writing.
  - 2. All purchases of supplies, equipment and services used in the Franchised Business shall be made or provided according to Franchisor's specifications and requirements. In order to maintain the high quality of the overall operations of the Franchised Business, Franchisor requires Franchisee to purchase certain designated supplies, equipment and services from Franchisor or an approved supplier. Designated products are listed either in the Owner's section of the NaturaLawn of America website or the Manual and include a variety of items and services.
  - 3. Franchisor's specifications and requirements for supplies, equipment and services, including "designated supplies, equipment and services," may be modified or changed by Franchisor, in Franchisor's sole discretion. Franchisee shall purchase such designated supplies, equipment and services, and, at Franchisee's expense, comply with any changes in the specifications and requirements. Franchisee may propose additional or different specifications or suppliers for any supplies, equipment or services by submitting a written request to Franchisor. The decision to adopt the proposed additional or different specifications or suppliers for the supplies, equipment or services will be made by Franchisor, in Franchisor's sole discretion, after conducting such investigations and inspections that Franchisor deems necessary to determine whether the proposal is consistent with the standards and procedures of the NaturaLawn of America System. Franchisor will notify Franchisee in writing of Franchisor's approval or disapproval of the proposed additional or different

specifications or suppliers within thirty (30) days after Franchisor's receipt of Franchisee's proposal.

4. If at any time an approved supplier fails to continue to meet the specifications and requirements of Franchisor, then the approved status of that supplier may be revoked by Franchisor. Franchisee will be notified in writing by Franchisor of the approval, disapproval or revocation of approval of suppliers. Once notified, Franchisee shall immediately discontinue using a disapproved supplier, product or service.
- D. Have the Franchised Business open to the public five (5) days per week throughout the operating season prescribed by Franchisor, which operating season shall be from approximately February 1 through December 20, depending upon climate;
- E. During normal business hours of operation as defined by the Franchisor are 8:00AM - 5:00PM Monday through Friday. Incoming telephone calls are to be answered by a live person. This is to ensure a high level of customer service. A third-party answering service may be used to fulfill this requirement so long as a live person answers the call. At times of business closures (i.e., before or after normal hour of operation, holidays, weekends, training, etc.), the use of an answering machine is acceptable but not recommended.
- F. Cause all employees of Franchisee, while working in the Franchised Business, to wear uniforms or other dress as approved or prescribed by Franchisor, present a neat and clean appearance, and render competent and courteous service to all Franchised Business customers and clients;
- G. Cause all employees and independent contractors of Franchisee to execute Attachment D at the time of their employment or prior to their engagement as independent contractors and send a copy of such executed documents to Franchisor;
- H. Employ only those methods of lawn care treatment application which Franchisor may designate from time to time;
- I. Franchisee shall not use advertising, promotional materials, signage or any other materials bearing Franchisor's trademarks, service marks or logos, without the prior approval of Franchisor;
- J. Franchisee shall not advertise, promote, distribute, sell or offer to sell any product or service to the customers or potential customers of the Franchised Business, which has not been approved in advance by NLA in its sole discretion;
- K. Make prompt payment in accordance with the terms of invoices rendered to Franchisee on purchases of supplies, equipment and services;
- L. Comply with all federal, state and local laws, ordinances and regulations affecting the operation of the Franchised Business;
- M. Use and display only the NaturaLawn of America name or any other logo, service marks, trade names, or trademarks designated by Franchisor ("Marks") on all sales calls and on all store fronts; and use and display the Marks only in the forms specified by Franchisor in any advertising, telephone listings, publicity, sales promotions,



signs, vehicles, letterhead stationery, or other uses. Franchisee shall use the NaturaLawn of America name without any accompanying words or symbols. Franchisee shall not use any of Franchisor's proprietary marks in whole or in part for any other purpose or in conjunction with any product, service or business not designated as part of the NaturaLawn of America System;

1. Franchisee and each of the Controlling Principals acknowledge and agree that the Marks, the trade secrets and the NaturaLawn of America System licensed hereunder are either owned or licensed exclusively by Franchisor and except for the rights expressly provided in this Agreement, Franchisee and the Controlling Principals acquire no right, title or interest therein.
  2. Franchisee and each of the Controlling Principals acknowledge that any and all goodwill associated with the Marks and the NaturaLawn of America System and trade secrets inures exclusively to the benefit of Franchisor and upon expiration or termination of the License no monetary amount shall be attributable to Franchisee for any goodwill associated with Franchisee's use of the Marks, NaturaLawn of America System or trade secrets.
  3. Franchisee and each of the Controlling Principals shall not attempt to file or register the Marks in Franchisee's own name or in the name of any other person, firm, association, or corporation, nor shall Franchisee use any Mark licensed hereunder as part of an entity name.
  4. Franchisee and each of the Controlling Principals shall not, during the term of the License and after the expiration or termination of the License, contest or dispute the validity, enforceability, or ownership of the Marks, or dilute the goodwill associated therewith or Franchisor's ownership of the trade secrets and the validity of those trade secrets.
  5. Franchisee and each of the Controlling Principals shall immediately notify Franchisor of any unauthorized use or legal action involving the Marks, or the trade secrets and shall cooperate in any such action.
- N. Franchisee shall install, maintain and upgrade such computer hardware, software, and other technology in accordance with Franchisor's standards and specifications to operate the Franchised Business as specified in the Manuals from time to time. Currently, such hardware, software and technology shall perform and include the following:
1. Permit Franchisee to retrieve and download information from Franchisor's Internet or Intranet web site and receive electronic mail and attachments from Franchisor.
  2. Permit Franchisor to electronically (or by other means) access, inspect, monitor, retrieve and copy any or all information related to operation of the Franchised Business, including Gross Sales and such other information as may be contained or stored in such hardware and software. Including, but not limited to, the Service Assistant 5 data and financial data in the QuickBooks software.
  3. Franchisee shall install and maintain a business telephone line and high-speed internet access in accordance with Franchisor's specifications or any comparable electronic access to permit Franchisor to access Franchisee's computer hardware and software. Franchisor shall have access as provided

herein at such times and in such manner as Franchisor shall from time to time specify. It shall be a material default under this Agreement if Franchisee fails to maintain such equipment and lines in operation and keep accessible to Franchisor at all times throughout the term of the License.

4. Franchisee shall use an Internet provider meeting Franchisor's standards and specifications and shall maintain an email address designated solely for the Franchised Business. Franchisee hereby appoints Franchisor its attorney-in-fact with regard to such email address and Internet account, with full power and authority for the sole purpose of assigning to Franchisor all rights to the landline and/or any wireless telephone numbers, email addresses and listings, and Internet accounts related to the Franchised Business upon the expiration or termination of the License as required under Section 20.A(2). Franchisee shall execute such other documents required by Franchisor to effect this provision. Franchisee agrees that it has no authority to and shall not establish any web sites or listings on the Internet without the express written consent of Franchisor.
- O. Any vehicle used by Franchisee to deliver Franchised Business products and services to customers shall meet Franchisor's standards with respect to appearance and ability to satisfy the requirements imposed on Franchisee hereunder. Franchisee shall place such signs and décor items on the vehicle as Franchisor requires and shall at all times keep such vehicle clean and in good working order. Franchisee shall not engage or utilize any individual in the operation of a motor vehicle in connection with providing services hereunder who is under the age of eighteen (18) years and who does not possess a valid driver's license under the laws of the state in which Franchisee provides such services Franchisee shall require each such individual to comply with all laws, regulations and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, Franchisor does not set forth any standards or exercise control over any motor vehicle utilized by Franchisee.
- P. Franchisee shall meet and maintain sufficient levels of credit and working capital for use in connection with the management and operation of the Franchised Business as reasonably required by Franchisor from time to time to responsibly and effectively conduct the Franchised Business.

### **Section 13 Representations & Warranties**

- A. Franchisee shall diligently and fully exploit Franchisee's rights in and to the License granted by this Agreement by personally devoting Franchisee's best efforts to the operation of the Franchised Business or by employing a manager, acceptable to Franchisor, who will devote his full-time and best efforts to the operation of the Franchised Business. Continuation of Franchisee's License and Licensed Territory is dependent upon achievement of annual Gross Sales of at least \$500,000 (or a dollar amount adjusted as described below) by the end of Franchisee's fifth (5<sup>th</sup>) year of operation, and upon maintenance of the stated minimum Gross Sales volume thereafter. Franchisor may adjust this amount annually based upon changes in the Consumer Price Index, United States city average, as published by the Bureau of Labor Statistics (2000=100, all items). Adjustments may be made upon thirty (30) days advance written notice to Franchisee. Upon the failure of Franchisee to achieve or maintain the stated minimum Gross Sales volume, Franchisor may, at its sole discretion and upon notice, terminate the License or reduce the size of the Licensed Territory.

- B. The term "Franchisee's Principals" shall include, collectively and individually, Franchisee, Franchisee's spouse, all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee's Principals, all holders of an ownership interest in Franchisee and in any entity directly or indirectly controlling Franchisee, the Franchisee's employees, Franchisee's independent contractors and any other person or entity controlling, controlled by, or under common control with Franchisee. The initial Franchisee's Principals shall be listed on Attachment A. The term "Controlling Principals" shall include, collectively and individually, any Franchisee's Principal who has been designated by Franchisor as a Controlling Principal hereunder.
- C. Franchisee and the Controlling Principals, as applicable, represent, warrant and covenant that:
1. Franchisee is duly organized and validly existing under the state law of its formation, Franchisee is authorized to do business in each jurisdiction in which its business activities require such qualification, and the activities contemplated by this Agreement are authorized by Franchisee's organizing and governing documents;
  2. Franchisee's organizing and governing documents shall at all times provide that Franchisee's activities are confined exclusively to the operation of the Franchised Business, unless otherwise consented to in writing by Franchisor;
  3. Copies of Franchisee's organizing and governing documents, any amendments thereto, resolutions or consents authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of stock, membership or other ownership interests shall have been furnished to Franchisor prior to the execution of this Agreement or within 45 days after the filing and acceptance by the appropriate governing body, whichever events occur first;
  4. The ownership interests in Franchisee are accurately and completely described in Attachment A, and Franchisee shall maintain at all times a current list of all owners of record and all beneficial owners. Franchisee shall immediately provide a copy of the updated list to Franchisor upon the occurrence of any change of ownership, and otherwise shall make its list of owners available to Franchisor upon request;
  5. Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity interests and each certificate or other evidence of ownership shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement;
  6. Franchisee and, at Franchisor's request, each of the Controlling Principals, have provided Franchisor with the most recent financial statements of Franchisee and the Controlling Principals. Such financial statements present fairly the financial position of Franchisee and each of the Controlling Principals. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, un-liquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements of Franchisee or the Controlling Principals;

7. If after the execution of this Agreement, any person ceases to qualify as one of Franchisee's Principals, Franchisee shall notify Franchisor within 30 days of such change;
8. After the execution of this Agreement, no individual may succeed to or otherwise come to occupy a position which would, upon designation by Franchisor, qualify such person as one of Franchisee's Principals, unless Franchisee notifies Franchisor, that individual executes Attachment D before his/her employment or engagement commences, and such person executes such other documents instruments (including, as applicable, this Agreement) as may be required by Franchisor.;
9. Each of Franchisee's Principals, including the Controlling Principals, shall each execute and bind themselves to the confidentiality and non-competition covenants set forth in the Confidentiality Agreement and Covenants Not to Compete, which is Attachment D to this Agreement. The Controlling Principals shall, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder, and shall otherwise bind themselves to the terms of this Agreement as stated herein; Franchisee and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth above in Section 13.C.(1)-(8) are continuing obligations of Franchisee and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement.
10. No person shall be employed by or work on an independent contractor basis for Franchisee who has not first executed Attachment D, a copy of which shall be promptly provided to Franchisor.

## **Section 14 Interference With Employment Relations Of Others**

During the term of the License, Franchisee shall not employ or seek to employ any person who is at the time employed by Franchisor, a subsidiary or affiliate, or any person who is at the time operating a Franchised Business or otherwise induce, directly or indirectly, such person to leave such employment without written consent from the Franchisor or owner.

## **Section 15 Assignment**

Without the prior written consent of Franchisor, Franchisee's interest in the License shall not be assigned or otherwise transferred in whole or in part, whether voluntarily or by operation of law, directly, indirectly or contingently, except as follows:

- A. **Death or Permanent Incapacity of Franchisee.** Upon the death or permanent incapacity of Franchisee or a Controlling Principal, the interest of Franchisee or Controlling Principals (as applicable) in this License granted by this Agreement may be assigned either pursuant to the terms of paragraph 15.D or, within ninety (90) days of the date of Franchisee's or Controlling Principal's death or incapacity, to one or more of the following persons: Franchisee's or Controlling Principal's spouse, heirs, or nearest relatives by blood or marriage, subject to the following conditions: (1) if such person shall execute a new franchise agreement in the form then being used by Franchisor, which agreement may include different or additional terms, and

(2) if, in the sole discretion of Franchisor, such person shall be capable of conducting the Franchised Business in accordance with the terms and conditions of that agreement, and (3) if such person shall reimburse Franchisor for the costs and other expenses incurred incident to such assignment, including, without limitation, the costs of any training provided by Franchisor to such person. If, in Franchisor's sole discretion, such person cannot devote full-time and efforts to the operation of the Franchised Business or lacks the capacity to operate the Franchised Business in accordance with this Agreement, Franchisee or Franchisee's personal representative shall have the right to sell or transfer the License to another individual pursuant to the terms of paragraph 15.D.

- B. **Assignment to Entity.** Franchisor, upon Franchisee's compliance with such requirements as may from time to time be prescribed by Franchisor, shall consent to an assignment to an entity in which a majority is owned and controlled by Franchisee (or, if Franchisee is more than one individual, such persons shall retain the same ownership interest in the entity.) The name of the entity shall not include any of the Marks granted by the License. Any subsequent assignment or transfer, either voluntarily or by operation of law, of all or any part of any ownership interest shall be made in compliance with the terms and conditions set forth in paragraph 15.D.
- C. **Franchisor's Right of First Refusal.** Franchisee, any Controlling Principal or their representative shall give Franchisor thirty (30) days' prior written notice of any offer to sell, assign or otherwise transfer the License, any interest in Franchisee or any interest in the assets of the Franchised Business, pursuant to paragraph 15.D, together with a copy of such offer. The notice shall set forth the name and address of the proposed purchaser and all the terms and conditions of the offer. Franchisor shall have the first option to purchase the interest by giving written notice to Franchisee of its intention to purchase under the same terms as the offer within thirty (30) days following Franchisor's receipt of such notice. In the event Franchisor fails to exercise its right of first refusal and the interest is not subsequently sold pursuant to the terms and conditions of the purchase about which Franchisor was given notice, Franchisor shall continue to have a first right to purchase the interest upon the terms and conditions of any subsequent offer which shall be subject to this provision.
- D. **Other Assignment.** In addition to any assignment or contingent assignments contemplated by the terms of paragraph 15.A or 15.B, Franchisee shall not sell, transfer or assign the License, any interest in Franchisee, or any interest in the assets of the Franchised Business to any person or persons without Franchisor's prior written consent, which consent shall not be unreasonably withheld, unless all of the following conditions are met:
1. The transferee shall have a good reputation and a good credit rating and competent business qualifications reasonably acceptable to Franchisor. The transferor shall provide Franchisor with such information as Franchisor may reasonably require to make a determination concerning each such proposed transferee, including, without limitation, such transferee's personal financial statement, business plan for the Franchised Business and projected cash flow analysis therefore, based upon projected debt service, projected expenses and projected Gross Sales.

2. The transferee shall have successfully completed the training course then in effect for franchisees or otherwise demonstrated to Franchisor's satisfaction sufficient ability to operate the Franchised Business.
3. The transferee shall execute a new franchise agreement in the form then being used by Franchisor, which agreement may include different or additional terms.
4. Franchisee (and any person with a beneficial interest in Franchisee, if Franchisee is a legal entity) has signed a general release, in a form satisfactory to Franchisor, of any claims against Franchisor and its affiliates, and their respective shareholders, officers, directors, employees and agents, in their corporate and individual capacities.
5. All accrued money obligations of Franchisee to Franchisor shall be satisfied prior to the assignment or transfer, and Franchisee shall not be in default under this Agreement.
6. The transferee or Franchisee shall pay to Franchisor a transfer fee in the amount of ten thousand dollars (\$10,000) (or in a dollar amount adjusted as described below) as reimbursement for the training, supervision, administrative costs, overhead, attorneys' fees, accounting and other expenses of Franchisor in connection with the transfer. Franchisor may adjust this transfer fee annually based upon changes in the Consumer Price Index, United States city average, as published by the Bureau of Labor Statistics (2000=100, all items). Adjustments may be made on thirty (30) days advance notice to Franchisee.

In the event of a transfer pursuant to this paragraph 15.D, Franchisee shall continue to remain personally liable for all obligations or liabilities incurred before the transfer, and for all of its post-termination obligations and covenants under this Agreement.

## **Section 16**

### **Franchisor's Right To Purchase Business**

In the event of termination or expiration of the License for any reason, or if Franchisee desires, prior to the termination of the License, to discontinue the operation of the Business for any reason other than a sale to a third person, Franchisor shall have the option to purchase the Business upon the following terms and conditions:

The purchase price for the Business shall be equal to the sum, as estimated by a contractor of Franchisor's choice, necessary to duplicate the Business office, inclusive of all leasehold improvements and equipment, and all vehicles, machinery and equipment used in the operation of the Business. The purchase price will be adjusted to reflect the remaining useful life on any vehicles, machinery, equipment or improvements. For the purposes of this purchase plan it shall be assumed that the useful life of any vehicle, machinery or equipment is five (5) years; the useful life of any decorative leasehold improvements is three (3) years; and the useful life of structural leasehold improvements is seven (7) years. The terms shall require a twenty percent (20%) down payment, and the balance to be paid over a period of three (3) years with interest at the prime rate of interest then charged by the PNC Bank, Washington, DC (or other equivalent bank at the option of Franchisor). Payment of the purchase price shall be secured by a security interest in the business.

## **Section 17**

### **Franchisee Is Not An Agent Of The Franchisor**

Franchisee shall have no authority, express or implied, to act as an agent for Franchisor or any of its affiliates, for any purpose whatsoever. Franchisee is and shall remain an independent contractor responsible for all obligations and liabilities of, and for all losses and damages to, the Franchised Business, including any personal property, equipment, fixtures and real property connected therewith and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Franchised Business.

Franchisee shall clearly indicate wherever the NaturaLawn of America name (or other system logo's and trade names) is publicly displayed that Franchisee's business is independently owned and operated. Said displays shall conform with the applicable specifications as designated by the Franchisor.

## **Section 18**

### **Termination**

- A. **Termination By Mutual Consent.** The License may be terminated upon the mutual written consent of Franchisee and Franchisor.
- B. **Termination For Cause By Franchisee.** Franchisee may terminate the License if Franchisor does not satisfy any material conditions set forth in this Agreement, if Franchisee, within thirty (30) days of discovering Franchisor's breach, provides specific written notice to Franchisor of Franchisor's breach and Franchisor has not corrected that breach within thirty (30) days of receiving said notice. Franchisee will be bound by the same post-termination covenants and obligations as if Franchisor had terminated the License.
- C. **Termination Without Cause By Franchisee.** Franchisee may terminate the License without cause at any time, if Franchisee has given Franchisor sixty (60) days' written notice of termination, Franchisee has satisfied its monetary obligations to Franchisor and all other suppliers and clients of the Franchised Business, and Franchisee has executed a general release, in a form satisfactory to Franchisor, of any or all claims past, current or future against Franchisor and its partners, shareholders, officers, directors, employees and agents, in their corporate and individual capacities. Franchisee will be bound by the same post-termination covenants and obligations as if Franchisor had terminated the License.
- D. **Termination For Cause By Franchisor.** Franchisee will be deemed to be in default under this Agreement and:
  - 1. **Termination Without Notice.** The License will automatically terminate without notice to Franchisee, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated as bankrupt or insolvent; or if a bill in equity or other proceedings for the appointment of a receiver, of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should

be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record thirty (30) days or longer (unless a supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's Franchised Business or property; or if the real or personal property of Franchisee's Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

**2. Termination With Notice, Without Opportunity To Cure.** Franchisor may, at its option, terminate the License, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, upon the occurrence of any of the following events:

- a. Franchisee fails to open the Franchised Business within nine (9) months after executing this Agreement.
- b. Franchisee at any time ceases to operate or otherwise abandons the Franchised Business, or otherwise forfeits the right to do or conduct business in the jurisdiction where the Franchise is located. Abandonment will be presumed if Franchisee fails to file weekly activity reports for five (5) consecutive weeks.
- c. Franchisee, the Controlling Principals, its General Manager, any of its officers, or any of its directors are convicted of a felony, fraud, a crime of moral turpitude, or any other crime, or offense, or activity that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.
- d. A threat or danger to public health or safety results from the maintenance or operation of the Franchised Business, which is not immediately corrected by Franchisee.
- e. Franchisee, any Controlling Principal or any other partner or shareholder in Franchisee purports to transfer any rights or obligations under this Agreement, any interest in Franchisee or any assets of the Franchised Business to any third party without Franchisor's prior written consent, contrary to the terms of this Agreement.
- f. Franchisee or any Controlling Principal fails to comply with the in-term covenants not to compete of this Agreement.
- g. Franchisee or his designee fails to attend and complete, to Franchisor's satisfaction, the initial training program required by this Agreement.
- h. Franchisee or any Controlling Principal discloses or divulges the contents of the manual or other confidential information or trade secrets provided to Franchisee by Franchisor or created by the Franchisee during the term of the Agreement, contrary to the terms of this Agreement.
- i. Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor; or any inspection of Franchisee's records discloses an understatement of payments due Franchisor of ten percent (10%) or more.
- j. Franchisee or any of the Controlling Principals breaches any of the covenants in any material respect set forth in Sections 11, 12, 13 or 14 of



this Agreement or has falsely made any of the representations or warranties set forth in Section 13;

- k. Franchisee or any Controlling Principal, after curing a default described in the following Section, commits the same or similar act of default again within a twelve (12) month period.
  - l. Franchisee cancels any Authorization for Automatic Payments (Attachment F) without first notifying Franchisor in writing and providing Franchisor with a replacement Authorization for Automatic Payments designating a different financial institution and/or checking/savings account, or prevents Franchisor from making proper charges under any effective Authorization for Automatic Payments.
  - m. Franchisee fails to achieve and maintain at least \$500,000 (or a dollar amount adjusted based on changes in the Consumer Price Index) in annual Gross Sales by the end of the 5<sup>th</sup> year of operation and from then on.
  - n. Franchisee uses Franchisor's service marks, trademarks, or logos on advertising or promotional materials which were not approved in advance by Franchisor.
  - o. Franchisee advertises, promotes, distributes, sells or offers to sell products or services to the Franchised Businesses' customers or potential customers which are not approved in advance by the Franchisor.
  - p. Franchisee uses the Franchisor's service marks, trademarks or logos outside of the Licensed Territory.
3. **Termination With Notice and Opportunity To Cure.** Except as set forth above, Franchisee will have thirty (30) days after its receipt from Franchisor of a written notice of termination within which to remedy any default thereunder (or, if the default cannot reasonably be cured within such thirty (30) days, to initiate within that time substantial and continuing action to cure the default) and to provide evidence thereof to Franchisor. If any such default is not cured within that time (or, if appropriate, substantial, and continuing action to cure the default is not initiated within that time), or such longer period as applicable law may require, the License will terminate without further notice to Franchisee, effective immediately upon expiration of the thirty (30) day periods or such longer period as applicable law may require. Franchisee will be in default under this Agreement for any failure to comply with any of the requirements imposed by this Agreement or the Manual, as it may from time to time reasonably be supplemented, or to carry out the terms of this Agreement in good faith. Such defaults will include, without limitation, the occurrence of any of the following events:
- a. Franchisee fails to maintain and operate its Franchised Business in an efficient and courteous manner and in compliance with the standards prescribed by the NaturaLawn of America System;
  - b. Any service fee owing to Franchisor is not paid within three (3) weeks after the date such payment is due;

- c. Franchisee knowingly engages in activities or provides services other than those designated by Franchisor or which fail to conform to the NaturaLawn of America System specifications for those services, or which are not provided in accordance with the methods prescribed by Franchisor, or if Franchisee fails to provide services designated by Franchisor;
- d. Franchisee fails to obtain or maintain any insurance policy required by this Agreement and the Manual;
- e. Franchisee denies Franchisor the right to inspect the Franchised Business and customer account records at reasonable times;
- f. Franchisee fails to pay or makes repeated delays in the prompt payment of undisputed invoices from his suppliers or in the remittance of rent as required by his lease;
- g. Franchisee fails to prepare or deliver promptly any required monthly, quarterly or annual statements;
- h. Franchisee submits two (2) or more annual financial statements which understate by four percent (4%) or more the Gross Sales of the Franchised Business, or submits two (2) or more monthly financial statements in any twelve (12) month period which understate by four percent (4%) or more the Gross Sales of the Franchised Business;
- i. Franchisee or any Controlling Principal solicits or provides services to clients or customers located within another franchisee's territory;
- j. Franchisee fails to obtain, maintain or renew any license or permit to operate the Franchised Business that is required by the laws of the state in which the Franchised Business is located, or such license is suspended or revoked for any reason;
- k. Franchisee or any Controlling Principals has made any material misrepresentations in his application for the franchise or with respect to his ownership of the franchise; and
- l. If Franchisee fails in the performance of any of the terms and conditions of this Agreement other than those enumerated above, Franchisee shall be guilty of a breach of this Agreement which shall not constitute grounds for termination of the License except in the case of repeated breaches of the same or of different terms and conditions of this Agreement.

## **Section 19**

### **Termination Remedies**

Franchisor shall have the right to seek judicial enforcement of its rights and remedies including, Franchisee acknowledges and agrees that Franchisor's Marks and trade secrets are of incalculable value to Franchisor and that Franchisee's misuse of those Marks or trade secrets, either during the term of the Agreement or at any time thereafter, will cause Franchisor immediate and irreparable injury. Accordingly, Franchisee acknowledges and agrees that Franchisor shall be entitled to obtain an emergency injunction from a Court, in addition to any further injunctive relief to which it may be entitled, in the event that Franchisee misuses Franchisor's Marks or trade secrets at any time during or after this Agreement and that Franchisor shall not be required to post a bond to satisfy any such injunction.

## **Section 20**

### **Effect Of Expiration, Termination, or Discontinuance of Business**

- A. In the event of expiration or termination of the License for any reason or the discontinuance of the Business, Franchisee agrees to perform the following obligations:
1. Franchisee will turn over to Franchisor the original and all copies of any and all records (digital, computer generated and/or manually duplicated) of the names and addresses and telephone numbers of all customers and clients up to and including the date of expiration, termination or discontinuance, together with all files and records pertinent to such current or past customers, prospects and/or clients in the Licensed Territory; further Franchisee agrees to retain no such information.
  2. Franchisee will cooperate with Franchisor to make the necessary arrangements with the landline and/or any wireless telephone company and any Internet service provider to immediately transfer and assign to Franchisor the telephone service, including the telephone listing and numbers, Internet accounts, email addresses, or any similar listings, which shall become the absolute property of Franchisor. Franchisee hereby names Franchisor its attorney-in-fact for the sole purpose of transferring and assigning the telephone number and listing and Internet listings, as described in Section 12.M.(4).
  3. Franchisee will pay all service fees owing to Franchisor immediately upon expiration, termination or discontinuance.
  4. Franchisee will pay all creditors with respect to franchise operations immediately upon expiration, termination or discontinuance.
- B. In addition to the requirements of paragraph 20.A, upon expiration, termination or discontinuance, Franchisee shall forthwith return to Franchisor all copies of the Manual and all other business manuals and other material containing trade secrets, operating instructions or business practices of Franchisor; discontinue the use of the NaturaLawn of America System and its associated trade names, service marks, copyrights and trademarks or the use of any and all signs and printed goods bearing such names and mark, or any reference to them; not disclose, reveal or publish any portion of the NaturaLawn of America System or any of the Manuals or any of the trade secrets; and not use any trade name, service mark, copyright, or trademark similar to or likely to be confused with those of Franchisor or use any trade secret of the Franchisor. Franchisee shall turn over to Franchisor all customer lists. **All customers and related data are the property of Franchisor and Franchisee shall not retain such data.**

## **Section 21**

### **Waiver**

No waiver by Franchisor of any breach of any covenant or obligation under this Agreement on the part of Franchisee to be kept or performed shall be considered to be a continuing waiver of any such covenant or provision, or of any future breach thereof.

## **Section 22 Notices**

No notice, request, consent, approval, waiver or other communication which may be or is required or permitted to be given under this Agreement shall be effective unless the same is in writing and is delivered in person or sent by registered or certified mail, return receipt requested, first-class postage prepaid, overnight delivery service to the addresses provided herein. Such notices, if sent by registered or certified mail, return receipt requested, shall be deemed to have been given at the time of mailing except if otherwise provided herein.

## **Section 23 Cost Of Enforcement**

If either party institutes or is a party to any action at law or in equity against the other party to secure or protect its rights under or to enforce the terms of this Agreement, and prevails in such action, in addition to any judgment entered in its favor, it shall be entitled to recover reasonable attorneys' fees together with court costs and expenses of such litigation.

## **Section 24 Indemnification**

If Franchisor shall be subject to any claim, demand or penalty or become a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission by Franchisee, his employees or agents, or by reason of any act occurring on the Franchised Business premises or at any customer or client location, or by reason of an omission with respect to the business or operation of the Franchised Business, Franchisee shall indemnify and hold harmless Franchisor against any and all judgments, settlements, penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceedings, incurred by or imposed upon Franchisor in connection with the investigation or defense relating to such claim or litigation or administrative proceeding and, at the option of Franchisor, Franchisee shall also defend Franchisor.

## **Section 25 Law Applicable**

This Agreement shall be interpreted, governed and construed in accordance with the laws of the State of Maryland (without regard to choice of law rules). The substantive law of the State of Maryland shall be applied by courts and arbitrators, and this requirement shall be deemed jurisdictional.

## **Section 26 Number & Gender**

Where context requires, words in the singular shall be deemed to include the plural and vice-versa, and words of any gender shall be deemed to include all genders.

## **Section 27 Headings Not Part Of Agreement**

Any headings preceding the text of the several paragraphs or subparagraphs of this Agreement are inserted solely for convenience of reference and shall not constitute a part of this Agreement or affect its meaning, construction or effect.

## **Section 28**

### **Entire Agreement; Modification**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document furnished to Franchisee. Except as otherwise specified in this Agreement, this Agreement may not be modified except in a written agreement of at least equal formality signed by the parties.

## **Section 29**

### **Severability**

Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable and if for any reason any part herein is determined to be invalid, contrary to, or in conflict with any existing or future law or regulation by a court or agency having jurisdiction, such shall not impair the operation of, or have any other effect upon, the remainder of this Agreement, which shall not be invalidated thereby, but shall remain in full force and effect.

## **Section 30**

### **Arbitration, Mediation, Litigation & Forum Selection**

- A. Except as otherwise provided in this Agreement, Franchisor, Franchisee and the Controlling Principals agree that any claim, controversy or dispute arising out of or relating to the Franchise, Franchisee's operation of the Business under this Agreement (and any amendments thereto) including, but not limited to, any claim by Franchisee, or any of the Controlling principals, or persons claiming on behalf of Franchisee or the Controlling Principals, concerning the entry into, the performance under or the expiration or termination of the License or discontinuance of the Business or the rights or obligations granted under this Agreement or any other agreement between Franchisor, or its affiliates, and Franchisee, any claim against a past or present officer, director, employee or agent of Franchisor, including those occurring subsequent to the expiration or termination of the License or discontinuance of the Business, that cannot be amicably settled among the parties or through mediation shall be referred to arbitration, except as otherwise specifically set forth in this Section 30. Only claims, controversies or disputes involving Franchisee and the Controlling Principals may be brought hereunder. No claim for or on behalf of any other franchisee or supplier, or class, representative or association thereof, may be brought by Franchisee or the Controlling Principals hereunder.
- B. Arbitration shall be conducted in accordance with the rules of the American Arbitration Association, as amended; provided, however, that if such rules are in any way contrary to or in conflict with this Agreement, the terms of this Agreement shall control. In proceeding with arbitration and in making determinations hereunder, the arbitrator shall not extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith.

- C. Arbitration shall be conducted by an organization or body experienced in the arbitration of disputes between Franchisors and Franchisees agreed upon by the parties, or failing agreement, by the American Arbitration Association. Arbitration shall be conducted at a time agreed by the parties, or failing such agreement within a reasonable time (not to exceed fifteen (15) days) after the dispute has been referred for arbitration and the arbitrator have been selected.
- D. Arbitration shall be conducted in the city or county in Maryland where Franchisor's home office is then located. This arbitration provision shall be deemed self-executing, and in the event that any party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party notwithstanding said failure to appear.
- E. Franchisor and Franchisee (or Controlling Principal, as applicable) shall agree on a single arbitrator. If the parties cannot agree, Franchisor and Franchisee (or Controlling Principal, as applicable) shall each select one arbitrator; provided, however, that if the party upon whom the demand for arbitration is served fails to select an arbitrator within fifteen (15) days after the receipt of the demand for arbitration, then the arbitrator designated by the party requesting arbitration shall act as the sole arbitrator to resolve the controversy at hand. Otherwise, the two arbitrators designated by the parties shall select a third arbitrator. If the two arbitrators designated by the parties fail to select a third arbitrator within fifteen (15) days, the third arbitrator shall be selected by the organization agreed upon or the American Arbitration Association or any successor thereto, upon application by either party. All of the selected arbitrators shall be experienced in the arbitration of disputes between franchisors and franchisees.
- F. Notice of or request to or demand for arbitration shall not stay, postpone or rescind the effectiveness of any expiration or termination of the License. The arbitrator shall be required to submit written findings of fact and conclusions of law within thirty (30) business days after the final hearing session of the arbitration. The costs and expenses of arbitration, including compensation and expenses of the arbitrator, shall be borne by the parties as the arbitrator determines. The award of the arbitrator shall be final and judgment upon the award, including costs and expenses, may be entered in any court having jurisdiction thereof.
- G. Notwithstanding the above or any other provision in this Agreement, Franchisor may elect to bring a lawsuit against Franchisee and/or the Controlling Principals at any time alleging the following claims in a Maryland court and not ever engage in mediation or arbitration and may include in such lawsuit any other claims that it may have against Franchisee and/or the Controlling Principals so that all such claims may be adjudicated in one forum:
1. Disputes and controversies arising in whole or in part under the Sherman Act, the Clayton Act or any other federal or state antitrust law;
  2. Disputes and controversies arising in whole or in part under the Lanham Act, the Copyright Act, or a state Trade Secret Act and
  3. Disputes and controversies relating to actions to obtain possession of the premises of the business under lease or sublease; or

4. Disputes and controversies relating to Franchisor's enforcement of Paragraph 18D of this Agreement.

With respect to any such lawsuit, Franchisee and its Controlling Principals agree that venue and personal jurisdiction are proper in a Maryland Court and shall not contest venue or personal jurisdiction in such a court. Franchisee and its Controlling Principals further agree that the court shall adjudicate all claims before it and award any and all proper remedies, including injunctive relief, monetary relief, and costs and attorney's fees, in addition to any other relief that it deems just.

- H. If Franchisor shall desire to bring an action for amounts due or to seek specific performance or other extraordinary relief including, but not limited to, injunctive relief under this Agreement, and any amendments thereto, then any such action shall not be subject to arbitration and Franchisor shall have the right to bring such action as described in Section 30.I.
- I. With respect to any claims, controversies or disputes which are not finally resolved through mediation or arbitration as otherwise provided above, Franchisee and the controlling principals hereby irrevocably submit themselves to the jurisdiction of the state and the federal district courts located in the state, county or judicial district in which the Franchisor's principal place of business is located. Franchisee and the controlling principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. Franchisee and the controlling principals hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by applicable state or federal law. Franchisee and the controlling principals further agree that venue for any proceeding relating to or arising out of this Agreement shall be the county or judicial district in which the Franchisor's principal place of business is located; provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, the business premises, Franchisor may bring such action in any state or federal district court which has jurisdiction.

Prior to the initiation of arbitration or litigation in connection with a dispute arising under this Agreement, and excepting disputes identified in Paragraph 30G above, or disputes involving the Marks, telephone numbers or Internet usage, non-competition, disputes concerning monies due or other matters reserved for provisional remedy under this Agreement as described in Section 30.H above, all parties (including Controlling Principals) must submit a dispute arising under this Agreement or a dispute arising as to the way in which this Agreement was entered, offered, accepted, or negotiated, performance thereunder or the relationship created thereby to non-binding mediation before Franchise Arbitration and Mediation, Inc. (or such other organization experienced in the resolution of disputes between franchisors and franchisees designated by Franchisor). Such mediation shall be conducted in Maryland at Franchisor's home office. If submitted to mediation by either party, a confidentiality contract respecting the mediation proceedings will be executed by both parties, and the cost of such mediation shall be borne equally by both parties.

## **Section 31 Acknowledgements**

**Franchisee acknowledges that it has conducted an independent investigation of the Franchised Business, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee as an independent businessperson.** Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement. In addition, Franchisee acknowledges that it has not received from Franchisor, Franchisor's employees, or agents of Franchisor any data, other than that contained in Franchisor's Disclosure Document, indicating the profits, sales, earnings or costs that may be associated with a NaturaLawn of America business.

Franchisee acknowledges that complete and detailed uniformity among NaturaLawn of America franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agrees that Franchisor, in its sole and absolute right, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. Franchisee further agrees that Franchisor will have no obligation to disclose or offer the same or similar variances to Franchisee. Franchisee is aware that other NaturaLawn of America franchisees may operate under different agreements and, consequently, that Franchisor's obligations and rights as to those franchisees may differ materially in certain circumstances.

Franchisee (and each partner, member or shareholder, if Franchisee is a legal entity) have read and understood this Agreement and all related agreements; Franchisor has fully and adequately explained the terms of each to Franchisee's satisfaction; and Franchisor has accorded Franchisee ample time and opportunity to consult, and Franchisee has consulted, with existing franchisees, and with financial, legal and other advisors of Franchisee's own choosing, about the potential benefits and risks of entering into the Franchised Business.



**IN WITNESS WHEREOF**, the parties hereto by their duly authorized representatives have set their hands and seals on the date and year hereinabove first written:

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

NATURALAWN OF AMERICA, INC. \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISEE:**

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**Attachment A**  
**Statement of Ownership Interests & Franchisee's Principal**

A. The following is a list of stockholders, partners or other investors in Franchisee, including all investors who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest:

Name	Percentage of Ownership / Nature of Interest

The following is a list of all of Franchisee's Principals described in and designated pursuant to Section 13.B of this Agreement, except those who have been designated as Controlling Principals, each of whom shall execute the Confidentiality Agreement and Covenants Not to Compete substantially in the form set forth in Attachment D:

## The Controlling Principals

Each of the undersigned acknowledges and agrees as follows:

1. Each has read the terms and conditions of this Agreement and acknowledges that the execution of this guaranty and the undertakings of the Controlling Principals in this Agreement are in partial consideration for, and a condition to, the granting of this license, and that Franchisor would not have granted this license without the execution of this guaranty and such undertakings by each of the undersigned;
2. Each is included in the term "The Controlling Principals" as described in Section 13.B. of this Agreement;
3. Each individually, jointly and severally, makes all of the covenants, representations, warranties and agreements of the Controlling Principals set forth in this Agreement and is obligated to perform thereunder; and
4. Each individually, jointly and severally, unconditionally and irrevocably guarantees to Franchisor and its successors and assigns that all of Franchisee's obligations under this Agreement will be punctually paid and performed. Upon default by Franchisee or upon notice from Franchisor, each will immediately make each payment and perform each obligation required of Franchisee under this Agreement. Without affecting the obligations of any of the Controlling Principals, waive, renew, extend, modify, amend or release any indebtedness or obligation of Franchisee or settle, adjust or compromise any claims that Franchisor may have against Franchisee. Each of the Controlling Principals waives all demands and notices of every kind with respect to the enforcement of this guaranty, including, without limitation, notice of presentment, demand for payment or performance by Franchisee, any default by Franchisee or any guarantor and any release of any guarantor or other security for this guaranty or the obligations of Franchisee. Franchisor may pursue its rights against any of the Controlling Principals without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy. Upon receipt by Franchisor of notice of the death of any of the Controlling Principals, the estate of the deceased will be bound by the foregoing guaranty, but only for defaults and obligations under this Agreement existing at the time of death, and in such event, the obligations of the remaining Controlling Principals shall continue in full force and effect.

Additionally, with respect to the individual designated as Operating Principal, Operating Principal, acknowledges that the undertakings by Operating Principal under this guaranty are made and given in partial consideration of, and as a condition to, Franchisor's grant of rights to operate the Franchised Business as described herein; Operating Principal individually, jointly and severally, makes all of the covenants, representations and agreements of Franchisee and Operating Principal set forth in this Agreement and is obligated to perform hereunder.

**ATTEST:**

**THE CONTROLLING PRINCIPALS**

\_\_\_\_\_  
WITNESS

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
(PRINT NAME)

**ATTEST:**

**THE CONTROLLING PRINCIPALS**

\_\_\_\_\_  
WITNESS

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
(PRINT NAME)

**ATTEST:**

**THE CONTROLLING PRINCIPALS**

\_\_\_\_\_  
WITNESS

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
(PRINT NAME)

**ATTEST:**

**THE CONTROLLING PRINCIPALS**

\_\_\_\_\_  
WITNESS

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
(PRINT NAME)

## Attachment B Licensed Territory

**Franchisee's Licensed Territory is defined as follows:**

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## **Attachment C**

### **Telephone Listing Authorization Agreement**

**THIS ADDENDUM**, entered into between Franchisor and Franchisee is to be read as an independent part of the associated Franchise Agreement.

**WHEREAS**, Franchisor is licensed by Signum, LLC who is the owner of the NaturaLawn of America Mark and various other related marks, including but not limited to the Service mark “NaturaLawn”, which is registered in the United States Patent and Trademark office under Registration Number 2,543,459, and the Service mark “Tick Ranger”, which is registered in the United States Patent and Trademark Office under Registration Number 2,176,667; and the Service Mark “Mosquito Ranger” which is registered in the United States Patent and Trademark Office under Registration Number 4,261,492.

**WHEREAS**, Franchisor and Franchisee have entered into a NaturaLawn of America Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, (the “Franchise Agreement”) pursuant to which Franchisee is granted the limited right to use the Service Mark “NaturaLawn of America” and other Marks in Franchisee’s business telephone listings; and

**WHEREAS**, Franchisee is authorized to continue using the NaturaLawn of America Marks until such time as the License expires, is terminated or discontinues the NaturaLawn of America’s business.

**NOW, THEREFORE**, the parties hereby agree as follows:

1. Franchisee is authorized to obtain separate telephone service, participate in a central telephone service, or both services for Franchisee’s Franchised Business, depending upon the regional policy, such policy is subject to reasonable modification. Such services shall not be used in conjunction with any other business or residential telephone service.
2. Franchisee is authorized and agrees to secure white page, yellow page, and information listings, only using the name of “NaturaLawn of America”. No other proper names or city names may be used in conjunction with the NaturaLawn of America service mark and trade name and no additional listings may be used with the telephone number assigned unless approved in writing in advance by Franchisor.
3. On every landline and/or any wireless telephone account, third party advertising account, such as, but not limited to Yellow Pages, informational listing account, such as White Pages, that is used in connection with the franchisee, NaturaLawn of America, Inc. shall at all times be listed as an Account Manager having the equal rights as Franchisee to access and make changes to the account. Immediately upon setting up any such landline or wireless telephone account, Franchisee shall provide written proof to NLA that 1) identifies the account, including the account number and password, and 2) shows that NaturaLawn of America, Inc. is an account manager. It shall be a material breach of the Franchise Agreement if Franchisee sets up an account which does not, at all times, name NaturaLawn of America, Inc. as an Account Manager or if the Franchisee changes the account number or password without immediate written notice to NaturaLawn of America, Inc.
4. All telephone listings, yellow page display advertising, layout, and copy shall be approved in advance in writing by Franchisor, and Franchisee agrees that the telephone company shall not accept placements of any such copy unless written approval by

Franchisor is attached. However, placement of display advertising by Franchisor for Franchisee through a national yellow pages service will constitute automatic approval.

5. Franchisee shall be responsible for the payment of all monthly service charges, directory listings, and yellow page advertising or reasonable share of central telephone numbers and associated listings and advertising.
6. Upon expiration, termination or discontinuance of the License or upon expiration or termination of Franchisee's association with Franchisor, or upon the discontinuance of the Business, Franchisee acknowledges that Franchisee's right to the use of the trade name and service mark "NaturaLawn of America", and any other trade name, trade mark or service mark that is or has been used in connection with the NaturaLawn of America business, is immediately ended and that any and all telephone numbers including all roll over lines and all fax lines, appearing under the NaturaLawn of America name or used in conjunction with the business shall immediately become the property of Franchisor, and Franchisee does hereby release all rights and use of all telephone and/or fax numbers under which the NaturaLawn of America name or any other trade names associated with NaturaLawn of America is listed or has been used in conjunction with the business. This release is irrevocable and Franchisee covenants and represents that the telephone company shall accept this release, assignment, and agreement as being effective upon notification to the telephone company by Franchisor of the expiration or termination of the relationship. Franchisee hereby irrevocably authorizes the telephone company, upon notification by Franchisor that the relationship has been terminated, and Franchisor has the right and authority to disconnect "NaturaLawn of America" telephone numbers and to transfer calls coming to the disconnected numbers to any other telephone number issued by the telephone company to Franchisor.
7. Franchisee, by this Agreement, hereby appoints Franchisor as their Attorney-In-Fact and grants Franchisor the Power of Attorney to have the authority to make such requests to the Phone Company as described in Item #6 above. Franchisor shall have full power and authority to undertake and perform the actions described in item #6 above on Franchisee's behalf. This granting of Power of Attorney to Franchisor by Franchisee to act in regards to the phone numbers, fax numbers, etc. in making requests to the Phone Company as described above is irrevocable. Franchisee, by this Agreement, further hereby releases and forever discharges Franchisor, the Phone Company and each parties successors or assigns from liability of any kind or character which results or may result directly or indirectly from Franchisor's exercise of its rights hereunder or from the telephone company's cooperation with Franchisor in effecting the terms of this Agreement.

IN WITNESS WHEREOF, the parties have set their hands and seals this day and year.

ATTEST:

FRANCHISOR:

NATURALAWN OF AMERICA, INC.

BY: \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

ATTEST:

FRANCHISEE:

BY: \_\_\_\_\_

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

ATTEST:

CONTROLLING PRINCIPAL:

BY: \_\_\_\_\_

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

ATTEST:

CONTROLLING PRINCIPAL:

BY: \_\_\_\_\_

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

§

COUNTY OF \_\_\_\_\_ §

I HEREBY CERTIFY THAT BEFORE ME, A NOTARY PUBLIC, PERSONALLY APPEARED **FRANCHISEE NAME, ENTITY NAME**; WHO MADE OATH IN DUE FORM OF LAW THAT HE/SHE WAS EXECUTING THE FOREGOING AUTHORIZATION AGREEMENT FOR THE PURPOSES THEREIN CONTAINED ON \_\_\_\_\_, 20\_\_\_\_.

NOTARY PUBLIC: \_\_\_\_\_

MY COMMISSION EXPIRES: \_\_\_\_\_



**Attachment D**  
**Confidentiality Agreement & Covenants Not To Compete For Employee**  
**and/or Non-Controlling Principal**  
**(herein referred to as Covenantor)**

This Agreement is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between NaturaLawn of America, Inc., a Maryland corporation ("Franchisor"), \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Covenantor").

**Recitals**

**WHEREAS**, Franchisor, as a result of the expenditure of time, skill, effort and money, developed and owns an organic-based lawn care system (the "System") under the name and mark "NaturaLawn of America"; and

**WHEREAS**, the System includes, but is not limited to, certain trade names, service marks, trademarks, symbols, logos, emblems and indicia or origin, including, but not limited to, the mark NaturaLawn of America and such other trade names, service marks, trademarks, symbols, logos, emblems and indicia or origin as Franchisor may develop in the future to identify for the public the source of services and products marketed under such marks ("Marks") and under the System and representing the System's high standards of quality and service. The System includes practices, products, techniques, processes, customer lists, including any customer list that was developed by Franchisee during the term of the Agreement, know-how and other proprietary information, including the entire contents of the Manual; all of which may be changed, improved and further developed by Franchisor from time to time and are used by Franchisor in connection with the operation of the System ("Trade Secrets"); and

**WHEREAS**, the Marks and Trade Secrets provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor's competitors who could obtain economic value from knowledge and use of the Marks and Trade Secrets; and

**WHEREAS**, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

**WHEREAS**, Franchisor has granted Franchisee the limited right to operate a Franchised Business using the System, and the Marks and the Trade Secrets for the period defined in the franchise agreement made and entered into on \_\_\_\_\_, 20\_\_\_\_ ("Franchise Agreement"), by and between Franchisor and Franchisee; and

**WHEREAS**, Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of the System of restricting the use, access and dissemination of the Trade Secrets; and

**WHEREAS**, it will be necessary for certain employees, non-controlling principal(s), agents, independent contractors, officers, directors and interest holders of Franchisee, or any entity having an interest in Franchisee ("Covenantor") to have access to and to use some or all of the Trade Secrets in the management and operation of Franchisee's business using the System; and

**WHEREAS**, Franchisee has agreed to obtain from those Covenantors written agreements protecting the Trade Secrets and the System against unfair competition; and

**WHEREAS**, Covenantor wishes to remain, or wishes to become, employed by or associated with Franchisee; and

**WHEREAS**, Covenantor wishes and needs to receive and use the Trade Secrets in the course of their employment or association in order to effectively perform their services for Franchisee; and

**WHEREAS**, Covenantor acknowledges that receipt of and the right to use the Trade Secrets constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein;

**NOW THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

### **Confidentiality Agreement**

1. Franchisor and/or Franchisee shall disclose to Covenantor some or all of the Trade Secrets relating to the System. All information and materials, including, without limitation, any manuals, specifications, techniques and compilations of data which Franchisor provides to Franchisee and/or Covenantor shall be deemed confidential Trade Secrets for the purposes of this Agreement.
2. Covenantor shall receive the Trade Secrets in confidence and shall, at all times, maintain them in confidence, and use them only in the course of his employment by or association with Franchisee and then only in connection with the development and/or operation by Franchisee of a Franchised Business using the System for so long as Franchisee is licensed by Franchisor to use the System.
3. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without Franchisor's express written permission.
4. Covenantor shall not at any time disclose or permit the disclosure of the Trade Secrets except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the development or operation of a Franchised Business using the System.
5. Covenantor shall surrender any material containing some or all of the Trade Secrets to Franchisee or Franchisor, upon request, or upon termination of employment by or association with Franchisee, or upon conclusion of the use for which such information or material may have been furnished to Covenantor.
6. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets, the Marks and the System.
7. All manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

## **Covenants Not To Compete**

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Trade Secret, and in consideration for the disclosure to Covenantor of the Trade Secrets, Covenantor further agrees and covenants as follows:

Except with respect to the Franchised Business described in the Franchise Agreement and other businesses operated under franchise agreements between Franchisee and its affiliates, and Franchisor or its affiliates, not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person, shall not engage in, acquire any financial or beneficial interest, including, without limitations, any interest in corporations, partnerships, trusts, incorporated associations or joint ventures, in, assist or become a landlord for any lawn care or landscaping business, which is similar to the Business operated by Franchisee, including any business that offers products or services relating to lawn care, landscaping, disease, insect or pest control, such as mosquitoes, fleas and ticks, as well as aeration and seeding.

2. In further consideration for the disclosure to Covenantor of the Trade Secrets and to protect the uniqueness of the System, Covenantor agrees and covenants that for a period of twenty-four (24) months following the earlier of the expiration, termination or transfer of the License or the termination of Covenantor's employment by or association with Franchisee, Covenantor will not without the prior written consent of Franchisor:

Except with respect to other businesses operated under franchise agreements between Franchisee and its affiliates, and Franchisor or its affiliates, directly or indirectly, for themselves or through, on behalf of or in conjunction with any person, engage in or acquire any financial or beneficial interest, including, without limitation, any interest in corporations, partnerships, trusts, incorporated associations or joint ventures, in assist or become a landlord of any lawn care or landscaping business, which is similar to the Business operated by Franchisee or Controlling Principal (as applicable), including any business that offers products or services relating to lawn care, landscaping, disease, insect or pest control, such as mosquitoes, fleas and ticks, as well as aeration and seeding within the Licensed Territory or within the licensed territory of any other NaturaLawn of America franchisee, or within a twenty (20) mile radius of the perimeter of the Licensed Territory or any licensed territory of any Franchised Business, whether such NaturaLawn of America business is operated by another franchisee of Franchisor, by Franchisor, or by a subsidiary or affiliate of Franchisor.

## **Miscellaneous**

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.
2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions of this Agreement, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are made available to it at law or in equity, including the right to terminate the License, to a temporary and/or permanent injunction and a decree for the specific performance of

the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.
4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be constructed as a waiver of or consent to that breach or any subsequent breach by Covenantor.
5. **This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland without reference to choice of law principals. Covenantor hereby irrevocably submits himself to the jurisdiction of the state and the federal district courts located in the state, county or judicial district in which the Franchisor's principal place of business is located in Maryland. Covenantor hereby agrees that service of process may be made upon him in any proceeding relating to or arising under this Agreement or the relationship created by this Agreement by any means allowed by applicable state or federal law. Covenantor further agrees that venue or any proceeding relating to or arising out of this agreement shall be the county or judicial district in which the Franchisor's principal place of business is located in Maryland; provided, however, with respect to any action which includes injunctive relief or other extraordinary relief, Franchisor or Franchisee may bring such action in any court in any state which has jurisdiction.**
6. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.
7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof.

This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

NaturaLawn of America, Inc.  
1 East Church Street  
Frederick, Maryland 21701  
Attention: President

If directed to Franchisee, the notice shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

If directed to Covenantor, the notice shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by telex or facsimile shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business days for the purpose of this Agreement exclude Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

**IN WITNESS WHEREOF**, the undersigned have entered into this Agreement as witnessed by their signatures below.

**FRANCHISOR:**

**ATTEST:**

NATURALAWN OF AMERICA, INC.

BY: \_\_\_\_\_

BY: \_\_\_\_\_  
PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

**FRANCHISEE:**

BY: \_\_\_\_\_

BY: \_\_\_\_\_  
(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

EMPLOYEE AND/OR NON-CONTROLLING PRINCIPAL  
(COVENANTOR):

BY: \_\_\_\_\_

BY: \_\_\_\_\_  
(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

EMPLOYEE AND/OR NON-CONTROLLING PRINCIPAL  
(COVENANTOR):

BY: \_\_\_\_\_

BY: \_\_\_\_\_  
(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**Attachment E**  
**Irrevocable Power Of Attorney - Internet**

**STATE OF MARYLAND**                   §  
  §       **KNOW ALL MEN BY THESE PRESENTS**

**COUNTY OF FREDERICK**       §

That \_\_\_\_\_ ("**Franchisee**") and \_\_\_\_\_ ("**Controlling Principal**") does hereby irrevocably constitute and appoint NaturaLawn of America, Inc., a Maryland corporation ("**Franchisor**"), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee's right, title and interest in and to any and all web sites, web pages, listings, banners, URLs, advertisements or other services and links related to Franchisee's lawn care business or use of Franchisor's trademarks, trade names, service marks or other logos ("**Trademarks**"), on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines or other similar services. Franchisor shall have the authority to execute and deliver on Franchisee's behalf any and all documentation required by the applicable company, the Internet, and regulatory agency, or other provider of services to Franchisee to transfer, modify or cancel such services, listings, or links and Franchisee hereby grants unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Franchisor shall be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee shall not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) years following the expiration, termination or discontinuance of the License granted under that certain Franchise Agreement dated as of \_\_\_\_\_, 20\_\_\_\_ by and between Franchisor and Franchisee. Such expiration or termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the State of Maryland and the laws of the State of Maryland shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

**IN WITNESS WHEREOF**, the undersigned has executed this Power of Attorney as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

NATURALAWN OF AMERICA, INC. \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISEE:**

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_



## Attachment F Authorization For Automatic Payments

I authorize NaturaLawn of America, Inc. ("NLA"), through the financial institution named below, to initiate variable charges to my checking/savings account designated below, for service fees calculated based on Gross Sales that are due, and also for any amounts that are overdue for any services received from Franchisor. I also authorize NLA to initiate variable charges to my credit card designated below for products received from the Franchisor. As to the financial institution, this authority will remain in effect until I notify the financial institution in writing to cancel it in such time as to afford the financial institution a reasonable opportunity to act on the notice. As to NLA, this authority will remain in effect until I notify NLA in writing and provide NLA with a replacement authority designating a different financial institution and/or account. I can stop payment on any charge by notifying NLA or the financial institution three (3) days before my account is charged. I can have the amount of an erroneous charge immediately credited to my account up to fifteen (15) days following issuance of my account statement or forty five (45) days after posting, whichever occurs first.

If there are insufficient funds in my account to cover any proper charge initiated by NLA, I authorize NLA to initiate a charge of any amount due, plus a five percent (5%) administrative fee, to the credit card designated below.

**Name of Franchisee / Franchisee's Agency:** \_\_\_\_\_

**Name of financial Institution:** \_\_\_\_\_

**Address of Franchise:** Street: \_\_\_\_\_

City: \_\_\_\_\_

State & Zip: \_\_\_\_\_

**Checking Account Number:** \_\_\_\_\_

**OR**

**Saving Account Number:** \_\_\_\_\_

**Bank Routing Number (on bottom left of check):** \_\_\_\_\_

**Credit Card Type:** \_\_\_\_\_

**Credit Card Number:** \_\_\_\_\_

**Credit Card Expiration Date:** \_\_\_\_\_

**Name as it appears on the credit card:** \_\_\_\_\_

**Address on billing statement:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Signature:** \_\_\_\_\_

**Printed Named:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## Attachment G Equipment, Materials & Supplies List

Quantity	Item <sup>1</sup>	Approximate Retail Value
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### Materials

1	Complete Manual & PR Kit Included	\$15,000
<b>Subtotal</b>		<b>\$15,000</b>

### Uniforms

5	Polo Shirts	\$225
1	Hat	\$15
1	Jacket	\$90
<b>Subtotal</b>		<b>\$330</b>

### Office

1M	Letterhead	\$180
1M	Letterhead Envelopes	\$190
2M	Business Cards	\$205
2M	Invoices	\$370
1M	Service Agreements	\$125
3M	Marketing Pieces	\$3,250
1M	Pocket Brochures	\$3,500
<b>Subtotal</b>		<b>\$7,820</b>

### Equipment & Supplies

1	Set of Van Decals	\$2,400
2M	Plastic Door Hanger Bags	\$125
<b>Subtotal</b>		<b>\$2,525</b>

Approximate retail value is the price expected to pay if starting a business without the benefit of the NaturaLawn of America purchasing power. Our franchisees receive discounted prices based on total quantities purchased system-wide. The approximate retail value does not represent franchisees cost. Items provided to franchisees per Attachment G are based on negotiated pricing and therefore at a lesser cost to franchise after initial attachment is fulfilled. Items may be substituted based on supply and at the choice of the Franchisor.

**Attachment H  
Sample General Release**

This **GENERAL RELEASE** is made and executed by **NAME**, individually (“you”), as of \_\_\_\_\_ (“Effective Date”).

WHEREAS, NaturaLawn of America, Inc., a Maryland corporation (“us”) and you entered into a franchise agreement dated \_\_\_\_\_, and **DESCRIBE FACTS**.

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are acknowledged, you agree as follows:

You, for yourself and each of your past and present heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively “Releasor”), hereby release and forever discharge us and each of our predecessors, successors, affiliates, subsidiaries, assigns, officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively “Releasees”), from, in respect of and in relation to any and all claims, demands, causes of action, suits, debts, obligations, sums of money, acts, omissions or refusals to act, damages, judgments and demands, of any kind whatsoever, joint or several, known or unknown, which against Releasees the Releasor ever had, now has or which Releasees hereinafter can, shall or may have, for, upon or by reason of any matter, cause or thing may whatsoever, through the Effective Date.

\_\_\_\_\_  
Name, Individually

STATE OF \_\_\_\_\_ §

§

COUNTY OF \_\_\_\_\_ §

§

I hereby certify that before me, a notary public, personally appeared **NAME** who made oath in due form of law that s/he was executing the foregoing General Release for the purposes therein contained.

As witness, my hand and Notarial Seal on \_\_\_\_\_, 20\_\_.

Notary Public: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

**Attachment I**  
**Franchisee and Controlling Principal**  
**Confidentiality Agreement & Covenants Not To Compete**

This Agreement is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between NaturaLawn of America, Inc., a Maryland corporation ("Franchisor"), and \_\_\_\_\_ ("Franchisee"), and \_\_\_\_\_ ("Controlling Principal").

**Recitals**

**WHEREAS**, Franchisor, as a result of the expenditure of time, skill, effort and money, developed and owns an organic-based lawn care system (the "System") under the name and mark "NaturaLawn of America"; and

**WHEREAS**, the System includes, but is not limited to, certain trade names, service marks, trademarks, symbols, logos, emblems and indicia or origin, including, but not limited to, the mark NaturaLawn of America and such other trade names, service marks, trademarks, symbols, logos, emblems and indicia or origin as Franchisor may develop in the future to identify for the public the source of services and products marketed under such marks ("Marks") and under the System and representing the System's high standards of quality and service.

The System includes practices, products, techniques, processes, customer lists, including lists of NaturaLawn of America actual and potential customers created by the Franchisee during the term of the Agreement, know-how and other proprietary information, including but not limited to the entire contents of all the Manuals; all of which may be changed, improved and further developed by Franchisor from time to time and are used by Franchisor in connection with the operation of the System ("Trade Secrets"); and

**WHEREAS**, the Marks and Trade Secrets provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor's competitors who could obtain economic value from knowledge and use of the Marks and Trade Secrets; and

**WHEREAS**, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

**WHEREAS**, Franchisor has granted Franchisee the limited right to operate a Franchised Business using the System, the Marks and the Trade Secrets for the period defined in the franchise agreement made and entered into on \_\_\_\_\_, 20\_\_\_\_ ("Franchise Agreement"), by and between Franchisor and Franchisee; and

**WHEREAS**, Franchisor, Franchisee and Controlling Principals(s) have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of the System of restricting the use, access and dissemination of the Trade Secrets;

**NOW THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

## Confidentiality Agreement

1. Franchisor shall disclose to Franchisee and Controlling Principal(s) some or all of the Trade Secrets relating to the System. All information and materials, including, without limitation, any and all manuals, specifications, techniques and compilations of data which Franchisor provides to Franchisee and Controlling Principal(s) shall be deemed confidential Trade Secrets for the purposes of this Agreement.
2. Franchisee and Controlling Principal(s) shall receive the Trade Secrets in confidence and shall, at all times, maintain them in confidence, and use them **only in the course of operation of the Franchised Business**.
3. Franchisee and Controlling Principal(s) shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without Franchisor's express written permission.
4. Franchisee and Controlling Principal(s) shall not at any time disclose or permit the disclosure of the Trade Secrets except to employees of Franchisee and only to the limited extent necessary to train or assist employees of Franchisee in the development or operation of a Franchised Business using the System.
5. Franchisee and Controlling Principal(s) shall surrender all material containing any of the Trade Secrets to Franchisor, upon request, or upon termination, expiration or discontinuance of the Franchise Business.
6. Franchisee and Controlling Principal(s) shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets, the Marks and the System.
7. All manuals are loaned by Franchisor to Franchisee and/or Controlling Principal(s) for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

## Covenants Not To Compete

1. In order to protect the goodwill and unique qualities of the System, the Marks and the confidentiality and value of the Trade Secret, and in consideration for the disclosure to Franchisee and Controlling Principal(s) of the Trade Secrets. Franchisee and Controlling Principal(s) further agrees and covenants as follows:

Except with respect to the Franchised Business described in the Franchise Agreement, not to directly or indirectly, for themselves or through, on behalf of, or in conjunction with any person, shall not engage in, acquire any financial or beneficial interest, including, without limitations, any interest in corporations, partnerships, trusts, incorporated associations or joint ventures, in, assist or become a landlord for any lawn care business, landscape business, or seasonal landscape lighting business and/or holiday lighting business or any other business, which is similar to the Business operated by Franchisee, including, without limitation, any business that offers products or services relating to lawn care, landscaping, disease, insect or pest control, such as the control of mosquitoes, fleas or ticks, as well as aeration and seeding.

2. In further consideration for the disclosure to Franchisee and Controlling Principal(s) of the Trade Secrets and to protect the uniqueness of the System, Franchisee and Controlling Principal(s) agrees and covenants that for a period of twenty-four (24)

months following the earliest occurrence of any of the following events; Expiration, termination, cease to operate the business or transfer of the Franchise License, the Franchisee and Controlling Principal(s) will not without the prior written consent of Franchisor:

Directly or indirectly, for themselves or through, on behalf of or in conjunction with any person, engage in or acquire any financial or beneficial interest, including, without limitation, any interest in corporations, partnerships, trusts, incorporated associations or joint ventures, in assist or become a landlord of any lawn care business, landscape business, or seasonal landscape lighting business and/or holiday lighting business or any other business which is similar to the Franchised Business, including, without limitation, any business that offers products or services relating to lawn care, landscaping, disease, insect or pest control, such as the control of mosquitoes, fleas or ticks, as well as aeration and seeding within the Licensed Territory or within the licensed territory of any other NaturaLawn of America franchisee, or within a twenty (20) mile radius of the perimeter of the Licensed Territory or any licensed territory of any Franchised Business, whether such NaturaLawn of America business is operated by another franchisee of Franchisor, by Franchisor, or by a subsidiary or affiliate of Franchisor.

### **Miscellaneous**

1. Franchisee and Controlling Principal(s) agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions of this Agreement, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are made available to it at law or in equity, including the right to terminate the License, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.
2. Franchisee and Controlling Principal(s) agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor in enforcing this Agreement.
3. Any failure by Franchisor to object to or take action with respect to any breach of any provision of this Agreement by Franchisee and Controlling Principal(s) shall not operate or be constructed as a waiver of or consent to that breach or any subsequent breach by Franchisee and Controlling Principal(s).
4. **This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland without reference to choice of law principals. Franchisee and Controlling Principal(s) hereby irrevocably submits himself to the jurisdiction of the state and the federal district courts located in the state, county or judicial district in which the Franchisor's principal place of business is located in Maryland. Franchisee and Controlling Principal(s) hereby agrees that service of process may be made upon him in any proceeding relating to or arising under this Agreement or the relationship created by this Agreement by any means allowed by applicable state or federal law. Franchisee and Controlling Principal(s) further agrees that venue or any proceeding relating to or arising out of this agreement shall be the county or judicial district in which**

**the Franchisor's principal place of business is located in Maryland; provided, however, with respect to any action which includes injunctive relief or other extraordinary relief, Franchisor may bring such action in any court in any state which has jurisdiction.**

5. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Franchisee and Controlling Principal(s) expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.
6. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.
7. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

NaturaLawn of America, Inc.  
1 East Church Street  
Frederick, Maryland 21701  
Attention: President

If directed to Franchisee, the notice shall be addressed to:

_____	_____
_____	_____
_____	_____
Attention: _____	Attention: _____

If directed to Controlling Principal(s), the notice shall be addressed to:

_____	_____
_____	_____
_____	_____
Attention: _____	Attention: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by telex or facsimile shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business days for the purpose of this Agreement exclude Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

8. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Franchisee and Controlling Principal(s) hereunder may not be assigned by Franchisee or Controlling Principal(s) without the prior written consent of Franchisor.



**IN WITNESS WHEREOF**, the undersigned have entered into this Agreement as witnessed by their signatures below.

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

NATURALAWN OF AMERICA, INC. \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISEE:**

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

## **Attachment J**

### **Franchise System Social Media Policy**

Social media platforms include social networking sites such as Facebook, Instagram, and LinkedIn; multimedia sharing sites such as YouTube and podcasts; and blogging and micro-blogging networks, such as Twitter. NaturaLawn of America, Inc. (“**NLA**”) anticipates that it will use social media platforms in the future and encourages the responsible use of social media platforms by its Franchisees.

Because of the rapid growth of social media and because of its potential impact on NLA’s brand and NLA’s System (both positive and negative), NLA has adopted these Policy Guidelines (“**Guidelines**”) for the use of social media platforms. NLA reserves the right to update, change and/or modify the Guidelines at any time as technology and social media change and the social media-sphere continues to evolve. The Guidelines are general in nature and do not cover every possible situation. NLA welcomes input from its Franchisees and customers with regard to these Guidelines. NLA will develop internal processes for monitoring compliance with the Guidelines and consistently enforce the Guidelines. Franchisees also are encouraged to review the social media sites of one another, which will aid in the creation of a consistent consumer message and increase the strength of the NLA brand and System.

#### **1. The Franchise Agreement Applies To Social Media Platforms**

Although the Franchise Agreement does not specifically mention social media, the Agreement, as well as all other rules, regulations and policies of NLA, apply to use of social media platforms. Thus, by way of limited example, the provisions of the Franchise Agreement related to (i) advertising, (ii) control and use of the System’s trademarks, service marks, logos and graphics, (iii) preserving confidentiality, (iv) termination and post-termination obligations and (v) the irrevocable power of attorney concerning the internet (Attachment E to the Franchise Agreement) all apply to a Franchisee’s conduct on a social media platform.

A Franchisee must comply with the Franchise Agreement, as well as all other NLA rules, regulations and policies, at all times, including in its use of social media platforms. If the Franchise Agreement prohibits conduct, then that conduct does not become acceptable because it is performed on a social media platform. Just as the Franchise Agreement may be terminated based on a Franchisee’s prohibited conduct relating to traditional advertising platforms, so too can the Franchise Agreement be terminated for prohibited conduct on social media platforms.

#### **2. Hosting A Social Media Site Is A Long-Term Obligation**

Social media sites, including Facebook, Instagram and others, directly affect the goodwill and value of the NLA brand and System. Social media sites that have been abandoned, that are out of date or that are otherwise inactive can reflect poorly on the NLA brand and System. NLA recommends that every social media site be updated, at a minimum, once a month. For sites that allow people other than the Franchisee to post, e.g., Facebook, the Franchisee must monitor those sites every day to ensure that objectionable content has not been posted to the site and to respond to questions and postings from customers.

Please do **not** commence the use of a social media site unless you are committed to performing the daily work required to properly maintain the site. If NLA learns that a social media site is not being properly updated or maintained, NLA may, in its sole discretion, require the Franchisee to immediately take down the site or take other appropriate action, because the site may be detrimental to the NLA brand and System and thus to all Franchisees.

### **3. Prior Written Notification Of Use Of Social Media**

Prior to using any social media, the Franchisee must notify NLA in writing of its intention to do so and identify the social media platform that it intends to use. Before that site goes “live,” the Franchisee must submit the content of the site to NLA for their review to ensure proper use of federally registered trademarks, logos and associated brands and secure NLA’s written approval which will not be unreasonable withheld. This will help NLA give you feedback on the content of the site and ensure that the site complies with the Franchise Agreement and Guidelines. Before NLA will approve the content of a site, the Franchisee must provide all of the information, including contact information, user name information, and password information, necessary for NLA to access the site. If the Franchisee changes information necessary to access its social media site, e.g., user name, password, etc., it must immediately provide that information to NLA. In the event that the Franchise Agreement is terminated or expires, the social media site shall automatically become the property of NLA and the Franchisee shall no longer access the social media site.

On every Social media network account, such as, but not limited to, Facebook, Twitter, LinkedIn, etc. that is used in connection with the franchisee, NaturaLawn of America, Inc. shall at all times be listed as the Account Administrator having equal rights as Franchisee to access and make changes to the account. Immediately upon setting up any such account, Franchisee shall provide written proof to NLA that 1) identifies the account, including the account number and password, and 2) shows that NLA is the account administrator. It shall be a material breach of the Franchise Agreement if Franchisee sets up an account which does not at all times name NLA as an Account Manager or if the Franchisee changes the account number or password without immediate written notice to NLA.

### **4. Types of Social Media Platforms**

At this time, NLA does not prohibit the use of any social media platform. Franchisees currently are using Facebook, LinkedIn and YouTube, among others. However, as noted above, NLA’s Guidelines will change periodically and NLA reserves the right to prohibit the use of any particular social media platform, including any that are now in existence or hereinafter created.

### **5. Format and Disclaimer**

Consumers must always know that the Franchisee is speaking on behalf of itself and not on behalf of NLA. Thus, in selecting the name of your social media site, the Franchisee must use “NaturaLawn” or “NaturaLawn of America” and NLA’s mark must be preceded or followed by the geographic location on the Franchisee, i.e., “NaturaLawn of Montgomery County” or “Damascus NaturaLawn.” In addition, the social media site should contain a disclaimer stating that “The views and content on the site are those of the franchisee and do not necessarily reflect those of NLA.”

## 6. Content

The Franchisee is legally liable for everything that is posted (by itself or a third party) on its social media site. Thus, it is useful to provide standards the Franchisee should apply with respect to the content of posts of the site. Obviously, it is impossible to identify all of the things that should not be posted or allowed to remain on a social media website. However, there are some key points to keep in mind.

First, the Franchise Agreement applies to the Franchisee's conduct on a social media platform. If the Franchise Agreement prohibits the Franchisee from disclosing certain information, then that information cannot be disclosed on a social media platform. If the Franchise Agreement prohibits the Franchisee from making certain statements, then those statements cannot be made on a social media platform.

Second, NLA approves the responsible use of social media by Franchisees to promote the NLA brand, to grow the Franchisee's business and to strengthen the NLA System. Thus, all posts should involve the provision of products and services under the NLA brand and System. The goal of every post should be to build the goodwill of the NLA brand. The Franchisee must use common sense and think before making a posting. The Franchisee's posts will be accessible to everyone on the web and the message that the Franchisee conveys under the NLA brand on social media platforms should be the same message that is conveyed in other forms of communications.

Third, NLA will be developing an internal process to monitor Franchisee social media sites in order to ensure compliance with the Franchise Agreement and these Guidelines. However, the Franchisee itself is liable for all postings on its social media sites and NLA has no duty or obligation to ensure that the content on its Franchisee's social media sites comply with applicable laws and regulations. NLA's approval of the content of a Franchisee's site and monitoring of the Franchisee's site does not mean that the content complies with all relevant laws, rules and regulations and it is the Franchisee's obligation to ensure that the content on its social media site complies with those laws, rules and regulations.

Fourth, here are some basic rules that must be followed when posting on a social media platform. These rules include not only postings that consist of statements, but also postings that consist of photographs, videos, cartoons, and the like. NLA prohibits the following types of postings because they can damage the NLA brand and System which, in turn, has the potential to damage the Franchisees and because some or all of the following postings can lead to legal liability for the Franchisee. These rules are for the Franchisee's own benefit and the benefit of the NLA brand and System and most are self-evident.

- a. Do not post content that is false or misleading.
- b. Do not post defamatory or disparaging statements about others, including competitors.
- c. Do not post material that is illegal, offensive, profane, pornographic, or sexually suggestive.
- d. Do not post material that is sarcastic, hateful, or hostile.
- e. Do not post content that is threatening, insulting, demeaning or harassing.

- f. Do not post content that violates the privacy rights or intellectual property rights of others – in particular, be mindful of videos and images that are posted to the site.
- g. Do not post or comment on confidential or proprietary information, including confidential or proprietary information relating to NLA, NLA's System, other Franchisees, customers, employees and/or vendors, including without limitation, information on revenues, profits, forecasts, and other financial information.
- h. Do not post information in violation of any laws or regulations. The Franchisee alone is responsible for compliance with all laws and regulations.
- i. Respond promptly to complaints and negative posts. Do not show anger or hostility in responding.
- j. Abide by the terms of service and privacy policy of any third-party site that you use. For example, Facebook has a detailed terms of service policy and you should comply with those terms.

### **7. Contests, Give-Aways, Testimonials and Endorsements**

When posting content concerning contests, give-ways, testimonials or endorsements, the Franchisee must make sure the content complies with all applicable laws, regulations or guidelines, such as those related to contests, sweepstakes, giveaways, testimonials and endorsements. There are detailed state and federal laws and regulations concerning contests, sweepstakes, giveaways, testimonials and endorsements and the Franchisee must follow all such laws and regulations.

NLA does not have the responsibility or obligation to ensure that the Franchisee is complying with such laws and regulations, and any approval by NLA of the use of social media platforms, monitoring of those platforms or approval of content on those platforms does not mean that the Franchisee is in compliance with these laws or regulations. The Franchisee alone is responsible for ensuring compliance with all such laws and regulations.

### **8. NLA May Require The Franchisee To Immediately Remove Postings Or Material From A Social Media Platform**

If NLA discovers content that violates the Franchise Agreement or these Guidelines or that NLA finds negatively impacts the NLA brand or System, or that NLA, in its sole objection, otherwise finds objectionable, NLA may require the Franchisee to immediately remove that content from the social media site. If the Franchisee does not immediately remove the content, NLA may, in its discretion, remove the content itself and/or terminate the Franchise Agreement.

### **9. Data Gathered About Users Through Social Media Platforms**

The data that is generated and/or gathered through the Franchisee's use of a social media platform is owned by NLA. Upon NLA's request, the Franchisee shall make such data available to NLA. The Franchisee may not use the data for any purpose other than in connection with performing the business contemplated by the Franchise Agreement and should not share such data with third parties. Upon the termination or expiration of the Franchise Agreement, all such data shall be provided to NLA and the Franchisee may not retain such data, share such data with anyone or use such information for any purpose whatsoever.

## 10. Social Media Policy for Employees

Guidelines for functioning in the electronic world are identical to the values, ethics and confidentiality policies employees should live by every day. An employee's responsibility to NLA does not end when the employee is "off the clock." NLA is preparing a social media policy for its employees when they are engaged in online activity related to NLA's business, e.g., posting opinions on public forums concerning lawn care or blogging about lawn care issues, etc.

NLA strongly encourages that Franchisees prepare their own social media policies to govern the online conduct of their employees when their employees are "off the clock." NLA has identified some basic principles that it expects to include in its own social media policy governing its employees. Franchisees may want to consider adopting similar policies for their own employees.

Be who you are. NLA believes in transparency and honesty. If you discuss topics concerning the lawn care business, use your real name and identify NLA as your employer.

- a. No use of NLA's intellectual property. Other than identifying yourself as an employee of "NaturaLawn of America," do not use NLA's trademarks, service marks, logos or intellectual property in your posts, including in your identity on a site or blog, e.g., post a comment to a blog under the name "John at NaturaLawn."
- b. NLA's business performance and other sensitive subjects. Some topics relating to NLA are sensitive and you should not discuss them in public forums, even if your posts reflect your opinions and you are using a disclaimer (see No. 5 below). These topics include NLA's business performance, NLA's business plans, NLA's unannounced business strategies or plans or the business performance of competitors.
- c. Consider how you present yourself in social media networks. If you are posting on an issue related to the lawn care business and thus have identified yourself as an NLA employee, your conduct on social media networks will be noticed by other NLA employees and NLA customers. Thus, your conduct should be consistent with the high quality of work that you perform for NLA as well as NLA's corporate culture and values including, for example, NLA's policy against unlawful discrimination.
- d. Use a disclaimer. If you have identified yourself as an employee of NLA, you must make it clear that what you say does not necessarily represent the views of NLA.
- e. Protect confidential information. Never disclose confidential information about NLA or NLA's System, NLA's customers, or NLA's vendors.
- f. Respect intellectual property. Do not infringe the intellectual property of third parties in your postings.
- g. You are ultimately responsible. If you publish content that violates laws, including laws concerning defamation and disparagement, then you are liable for that conduct.

**IN WITNESS WHEREOF**, the parties hereto by their duly authorized representatives have set their hands and seals on the date and year hereinabove first written:

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

NATURALAWN OF AMERICA, INC. \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISEE:**

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF ILLINOIS**

The Franchise Agreement between \_\_\_\_\_ ("Franchisee" or "You") and Naturalawn of America, Inc. ("Franchisor") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

**Illinois Law Modifications**

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Comp. Stat. ch. 815 para. 705/1 – 705/44 (1994). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
  - a. 815 ILCS 705/19 and 705/20 provide rights to you concerning non-renewal and termination of a franchise. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
  - b. In conformance with section 41 of the Illinois Franchise Disclosure Act. Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
  - c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void under the Illinois Franchise Disclosure Act.
  - d. Under Illinois Rule § 200.608, the Agreement may not provide for a choice of law provision for any state other than Illinois.
2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.



**IN WITNESS WHEREOF**, the parties hereto by their duly authorized representatives have set their hands and seals on the date and year hereinabove first written:

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

NATURALAWN OF AMERICA, INC. \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISEE:**

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF MARYLAND**

The Franchise Agreement between \_\_\_\_\_ ("Franchisee" or "You") and Naturalawn of America, Inc. ("Franchisor") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

**Maryland Law Modifications**

- A. Section 15 subsection D.4 Other Assignments amended to provide that the general release required as a condition of termination by Franchisee will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- B. Section 29.B. is amended to provide that a franchisee in Maryland may bring suit in Maryland for claims arising under the Law.
- C. Section 28, Section 30 and Section 31 are amended to provide that all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

**IN WITNESS WHEREOF**, the parties hereto by their duly authorized representatives have set their hands and seals on the date and year herein above first written:

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

NATURALAWN OF AMERICA, INC. \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISEE:**

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF MINNESOTA**

The Franchise Agreement between \_\_\_\_\_ ("Franchisee" or "You") and Naturalawn of America, Inc. ("Franchisor") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

**Minnesota Law Modifications**

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and Franchise Disclosure Document contain(s) a provision that is inconsistent with the Franchise Act, the provisions of the Agreement are hereby amended and shall be superseded by the Franchise Act's requirements and shall have no force or effect, as follows:
  - a. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
  - b. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
  - c. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
  - d. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
  - e. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.
  - f. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.
2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

**IN WITNESS WHEREOF**, the parties hereto by their duly authorized representatives have set their hands and seals on the date and year hereinabove first written:

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

NATURALAWN OF AMERICA, INC. \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISEE:**

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR NATURALAWN OF AMERICA, INC.  
FOR THE STATE OF NEW YORK**

The Franchise Agreement between \_\_\_\_\_ ("Franchisee" or "You") and Naturalawn of America, Inc. ("Franchisor") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

**New York Law Modifications**

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
  - a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgements shall be void. It is then intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
  - b. If the Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provisions shall not be considered to waive any rights conferred upon the Licensee under the New York General Business Law, Article 33, Sections 680 through 695.
2. Each provision of this Amendment shall be effective only to the extent that the jurisdiction requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

**IN WITNESS WHEREOF**, the parties hereto by their duly authorized representatives have set their hands and seals on the date and year hereinabove first written:

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

NATURALAWN OF AMERICA, INC. \_\_\_\_\_

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISEE:**

BY: \_\_\_\_\_

(NAME, PRESIDENT)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

**CONTROLLING PRINCIPAL:**

BY: \_\_\_\_\_

(NAME, INDIVIDUALLY)

DATE: \_\_\_\_\_

**EXHIBIT C**

**AGENCIES &  
AGENTS FOR SERVICE OF PROCESS**



## Exhibit C

### AGENCIES / AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	California Corporations Commissioner Department of Corporations 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	California Corporations Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23 <sup>rd</sup> Floor New York, NY 10271 (212) 416-8211	Secretary of State State of New York 41 State Street Albany, NY 11231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner

State	State Agency	Agent for Service of Process
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Department of Revenue and Regulation Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823	Director of South Dakota Division of Securities
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

**EXHIBIT D**

**TERRITORY RESERVATION AGREEMENT**

## Territory Reservation Agreement

I/We ("I"), \_\_\_\_\_, do intend to become a NaturaLawn® of America Franchisee and to attend the next NaturaLawn® of America new franchisee initial training class in \_\_\_\_\_.

Based upon my intentions, I wish to reserve the Territory that I have selected by placing a Two Thousand Nine Hundred Fifty Dollar (\$2,950) Reservation Fee with NaturaLawn of America, Inc. The Reservation Fee is non-interest bearing. I understand that NaturaLawn of America, Inc. will refrain from awarding a NaturaLawn® of America franchise license for the Territory described below to another person during the period from the date of this Territory Reservation Agreement to \_\_\_\_\_. If I have not executed a Franchise Agreement at least 6 weeks prior to the next NaturaLawn® of America new franchisee initial training class, I understand that I will forfeit my Reservation Fee, and that NaturaLawn of America, Inc. may award a franchise license for the Territory to someone else. I understand that my Reservation Fee will be applied to the Initial License Fee upon execution of the Franchise Agreement.

The Territory is described as:

**ATTEST:**

BY: \_\_\_\_\_

**FRANCHISOR:**

\_\_\_\_\_  
NATURALAWN OF AMERICA, INC.

BY: \_\_\_\_\_

PHILIP CATRON, PRESIDENT

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

BY: \_\_\_\_\_

(NAME)

DATE: \_\_\_\_\_

**ATTEST:**

BY: \_\_\_\_\_

BY: \_\_\_\_\_

(NAME)

DATE: \_\_\_\_\_

# EXHIBIT E

# RECEIPTS

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
Non-Registration States	Pending
Florida	Pending
Illinois	Pending
Indiana	Pending
Kentucky	09/21/94
Maryland	Pending
Michigan	11/20/22
Minnesota	Pending
Nebraska	05/30/93
New York	Pending
Utah	10/18/22
Texas	07/18/94
Virginia	Pending
Wisconsin	03/28/23

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**  
(Your Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If NaturaLawn of America, Inc. ("we" or "us") offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York, Oklahoma and Rhode Island require that we give you this disclosure document at the earlier of the 1<sup>st</sup> personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

Iowa requires that we give you this disclosure document at the 1<sup>st</sup> personal meeting.

Michigan and Washington require that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: Philip Catron and Blaine Young, 1 East Church Street, Frederick, MD 21701, (301) 694-5440, [mrnatural@naturalawn.com](mailto:mrnatural@naturalawn.com) and [franchise@naturalawnfranchise.com](mailto:franchise@naturalawnfranchise.com)

Issuance Date: March 28, 2023

See Exhibit C for our registered agents authorized to receive service of process.

I have received a disclosure document dated that included the following exhibits:

- A. Financial Statements
- B. Franchise Agreement, with Attachments and State-Specific Addenda
- C. Agencies & Agents for Service of Process
- D. Territory Reservation Agreement
- E. Receipts

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

KEEP THIS COPY FOR YOUR RECORDS. This disclosure document is available in PDF format by request to Philip Catron at [support@naturalawn.com](mailto:support@naturalawn.com).

**RECEIPT**  
(Our Copy)

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\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO US ADDRESSED AS FOLLOWS: Philip Catron, NaturaLawn of America, Inc., 1 East Church Street, Frederick, MD 21701. This disclosure document is available in PDF format by request to Philip Catron at [support@naturalawn.com](mailto:support@naturalawn.com).