



**FRANCHISE DISCLOSURE DOCUMENT
TRUGREEN LIMITED PARTNERSHIP
1790 Kirby Parkway, Forum II, Suite 300
Memphis, Tennessee 38138
901/251-3640
www.trugreen.com**

The franchisee will provide care or maintenance services for lawns, trees or shrubs utilizing chemical and/or non-chemical methods, including but not limited to the application of fertilizers, pesticides and aeration.

The total investment necessary to begin operation of a TruGreen business is from \$82,000 to \$192,000. This includes \$10,000 to \$40,000 that must be paid to us.

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 governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jerry Solon at 1790 Kirby Parkway, Forum II, Suite 300, Memphis, Tennessee 38138, (901) 251-3970.

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, D.C. 20580. You can also visit the FTC's home page at 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.

Issuance Date: November 5, 2021

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
How much can I earn?	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 or Exhibits C and D.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Trugreen business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Trugreen franchisee?	Item 20 or Exhibits C and D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 A.

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 Tennessee. 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 Tennessee 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 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

To simplify the language in this disclosure document “TruGreen” or “we” means TruGreen Limited Partnership, the franchisor. “You” means the person or business entity who buys the franchise.

Our certificate of limited partnership was filed in Delaware on October 31, 1990. We do business as TruGreen. We reside at 1790 Kirby Parkway, Forum II, Suite 300, Memphis, Tennessee 38138.

TruGreen began business in 1974 and began offering franchises in 1994. As of the date of this disclosure document, we operate approximately 221 TruGreen company-owned lawn, tree and shrub care branches in the U.S. and 10 in Canada. In the U.S., 219 branches operate under the name “TruGreen.” The other 2 U.S. branches operate under the following tradenames: “Prescription Turf Services (PTS) and “Leisure Lawn.” In Canada, 8 branches operate under the name GreenLawn, Ltd. o/s TruGreen, and 2 Canadian branches operate under the name Greenlawn, Ltd. o/a/ EspacesVerts. As of the date of this disclosure document, there are 38 TruGreen franchisees that operate under the “TruGreen” tradename in the United States.

Our agents for service of process are disclosed in the attached Exhibit A.

Parents, Predecessors and Affiliates

TruGreen Limited Partnership is a Delaware limited partnership comprised of two partners: Outdoor Home Services GP LLC, the managing general partner that owns 1% of the partnership, and Outdoor Home Services Midco LLC, the limited partner that owns 99% of the partnership, which is wholly owned by Outdoor Home Services Holdings, LLC (“OHS”). OHS is 100% owned by TruGreen LLC, a subsidiary of TruGreen Holding Corporation (“Holding”). Outdoor Home Services, Inc. is our ultimate parent company.

Unless noted, our affiliates’ and parents’ principal business address is 1790 Kirby Parkway, Suite 300, Memphis, Tennessee 38138. Various private investment funds managed by or affiliated with CD&R (Equity Sponsors) hold a majority of the shares of Holding. As an active private equity investment firm, Clayton, Dubilier & Rice (“CD&R”) (and entities affiliated with CD&R) may from time to time hold and/or acquire interests, including controlling interests, in other entities whose businesses include offering franchises or providing products or services to our franchisees.

Until January 14, 2014, TruGreen’s ultimate parent was ServiceMaster Global Holdings, Inc. (Global Holdings). Various private investment funds managed by or affiliated with CD&R held a majority of the shares of Global Holdings. On January 14, 2014, Global Holding distributed (or “spun off”) and transferred the assets and certain liabilities of TruGreen through a tax-free, pro rata dividend to the stockholders of Global Holdings. As a result of the completion of the spin-off, TruGreen operates the business as a private independent company.

Except as described above, we have no predecessor's, parents or affiliates required to be disclosed, and neither we nor any predecessor, parent or affiliate has offered franchises in other lines of business.

The Franchise Offering

We franchise the right for you to provide for commercial and residential customers lawn, tree and shrub care, all utilizing chemical and/or non-chemical methods. These services include the application of fertilizers and pesticides and aeration. We do not offer services and/or products which are outside of the turf, tree and shrub, lawn pest or plant care market; however, some company-owned branches also provide landscape, mowing, pest control and related maintenance. We offer TruGreen franchises to qualified individuals, corporations and partnerships who desire to operate a lawn and/or tree and shrub care business in a protected territory using the TruGreen name and system, under the terms of the TruGreen Franchise Agreement.

As of the issuance date of this disclosure document, we do not plan to offer new TruGreen franchises except in certain circumstances where we have a need for a particular market. If we do offer new TruGreen franchises, we will offer new TruGreen franchises under the standard TruGreen Franchise Agreement attached as Exhibit G. We plan to offer franchises to renewing TruGreen franchisees or transferring TruGreen franchisees under the Renewal TruGreen Franchise Agreement (attached as Exhibit F). New franchisees, renewing franchisees and transferring franchisees are referred to in this disclosure document as "Franchisee."

The general market for and competition providing lawn care services is widespread, mainly regional and local, independently owned firms and homeowners who elect to care for their lawns through their own personal efforts.

General regulations which govern the lawn and tree/shrub care business include Federal Insecticide, Fungicide, Rodenticide Act (FIFRA), federal, state and local laws and regulations regarding pesticide usage, storage and related items, which include requirements that you post notices on treated lawns. You will need to operate your TruGreen business in compliance with these laws and other laws that impact businesses generally. You are responsible for complying with all federal, state and local laws and regulations.

ITEM 2

BUSINESS EXPERIENCE

General Partner: Outdoor Home Services GP LLC

President & CEO: John Cowles

Mr. Cowles was appointed President & CEO of TruGreen in September of 2018 and continues in that role today. Mr. Cowles was previously the President & CEO of FXI based in Media, Pennsylvania from 2011 until September 2018.

Senior Vice President & Chief Financial Officer: Michael B. Sims

Mr. Sims joined TruGreen in February 2019 as Senior Vice President & Chief Financial Officer in February 2019. Prior to joining TruGreen, Mr. Sims was Chief Financial Officer at AdvancePierre Foods in Cincinnati, Ohio from 2012 to 2017.

Senior Vice President, Secretary & Chief Legal Officer: Kevin E. Mann

Mr. Mann joined TruGreen as Senior Vice President, Secretary & Chief Legal Officer in January 2014. Mr. Mann was previously Vice President of Ethics and Compliance for The ServiceMaster Company located in Memphis, Tennessee, from May 2009 until January 2014.

Vice President & Chief Information Officer: Ayman Taha

Mr. Taha joined TruGreen in February 2019 as Vice President & Chief Information Officer. Prior to joining TruGreen, Mr. Taha was Senior Vice President of Enterprise Technology Solutions & Innovation at MGM Resorts International in Las Vegas, Nevada from September 2017 to February 2019.

Vice President and Chief Growth Officer: Anthony Conversa

Mr. Conversa joined TruGreen in January 2019 as Vice President & Chief Growth Officer. Prior to joining TruGreen, Mr. Conversa was the President Direct to Consumer and Chief Marketing Officer at Brinks Home Security in Dallas/Fort Worth, Texas from August 2017 to January 2019.

Vice President, Corporate Affairs: Jeffrey Fedorchak

Mr. Fedorchak joined TruGreen as Vice President, Corporate Affairs effective January 1, 2014. Previously, Mr. Fedorchak was Vice President, Corporate Government Affairs for The ServiceMaster Company located in Memphis, Tennessee, from January of 2010 until December of 2013.

Senior Director of Franchise, Mergers and Acquisitions: Gerard J. Solon

Mr. Solon was named Senior Director of Franchise, Mergers and Acquisitions for TruGreen in September 2016. He served as Vice President Acquisitions from November 2009 until September 2016.

ITEM 3

LITIGATION

TruGreen Litigation

Faustino Chapa IV v. TruGreen, Inc., filed on May 29, 2013. Mr. Chapa alleges that he received telemarketing calls, which were dialed from an automated dialing system, without his consent.

During the relevant periods of this lawsuit, federal law required that a telemarketer obtain express consent to make any telemarketing calls to a cell phone using an automatic dialing system. TruGreen had procedures in place to suppress cell phone numbers for all automatic dialer campaigns to “prospects”, meaning cell phone numbers belonging to consumers that had never done business with TruGreen or whose established business relationship exception had expired. An individual on the campaign building team inadvertently failed to suppress cell phone numbers when building a dialer campaign, resulting in numbers being dialed in error. Since the law is one of strict liability, TruGreen’s former parent company, ServiceMaster, settled the lawsuit sometime after TruGreen separated from ServiceMaster. Because the law on auto-dialing cell phones has become more restrictive since the filing of this lawsuit, TruGreen has ceased using automatic dialing equipment in its telemarketing sales efforts.

Wendy Turnidge and Amy Sutton, individually and on behalf of similarly situated individuals vs. TruGreen Limited Partnership, filed on August 27, 2014, in the District Court for the Fourth Judicial District of Minnesota, Hennepin County. The named plaintiffs in this action claim that TruGreen provided lawn care services in violation of Minnesota law 325F.245 related to lawn care contracts. It is TruGreen’s position that it complies with Minnesota law, and plaintiffs’ claims are without merit. It is further the position of TruGreen that the two individuals are not representative of any class of customers in the State of Minnesota and further that the matter is not suitable for certification as a class action. Although TruGreen denied liability, the case was tentatively resolved on a class wide basis during mediation in May 2016. The Court issued an order preliminarily approving the Settlement on December 16, 2016. On May 11, 2017, the Court held a hearing and granted final approval of the Settlement.

Kasie Stephens-Bratton, individually and on behalf of all others similarly situated vs. TruGreen, Inc., filed on July 15, 2015 in the United States District Court for the Western District of Tennessee, Western Division, under Case No. 2:15 cv-02472-SHL. The named plaintiff in this action claimed that she received telemarketing calls to her cell phone using an automatic dialing system, and also that she had told TruGreen not to call her and that all such calls were in violation of the Telephone Consumer Protection Act (TCPA). At all times relevant in this matter, TruGreen did not make any telemarketing calls using an automatic dialing system and denied the allegations in plaintiff’s complaint. In addition, TruGreen alleged that it had established and maintained an effective procedure to honor a person’s request not to be called and appropriately trained all sales and customer service associates on these procedures. The district court denied Ms. Stephens-Bratton’s motion for class certification, granted TruGreen’s motion to compel arbitration, and dismissed Plaintiff’s claims. On January 11, 2017, the United States Court of Appeals for the Sixth Circuit reversed the District Court’s judgment compelling arbitration, and remanded the case for further proceedings. In November 2020, the matter was resolved with plaintiff on an individual (not class-wide) basis for a de minimis settlement amount. Plaintiff dismissed her lawsuit with prejudice.

Tracy Forstner, on behalf of himself and all others similarly situated vs. TruGreen, Inc., filed on May 17, 2016 in the United States District Court Northern District of Florida under Case No. 316CV210MCREMT. The named plaintiff in this action claims that he received telemarketing calls after terminating his lawn care service and requesting not to be called and that all such calls were in violation of the Telephone Consumer Protection Act (TCPA). TruGreen has denied all

allegations that it violated the TCPA. At all times relevant in this matter, TruGreen established and maintained an effective procedure to honor a person's request not to be called and trained all sales and customer service associates on these procedures. Although TruGreen denied liability, the case was resolved for \$50,000 in October 2016.

State of New York Department of Environmental Conservation, In the Matter of Violations of the Environmental Conservation Law ("ECL") Articles 33, 71 and Title 6 of the Official Compilation of Codes, Rules and Regulations of the State of New York (NYCRR 325) by TruGreen Limited Partnership. In August 2017, the State of New York Department of Environmental Conservation ("NYDEC") conducted an inspection of TruGreen records related to the use of the product Quincept. In the State of New York, Quincept may only be applied as a spot spray treatment. Because of an unintentional recordkeeping error related primarily to the use and implementation of new technology, TruGreen's pesticide application records incorrectly reflected for the years 2016 and 2017, TruGreen applied Quincept to the entire property for numerous TruGreen customers. Although TruGreen's product purchase records confirm that TruGreen did not purchase sufficient quantity of Quincept to apply that product to the customers' entire property as reflected in the pesticide records, the NYDEC served TruGreen with an Order on Consent seeking a penalty in the amount of \$710,000 related to the alleged misuse and inaccurate recordkeeping of Quincept applications, as well as other alleged violations. In June 2019, TruGreen entered into an Order on Consent in which TruGreen was assessed a civil penalty in the amount of \$250,000 related to the alleged violations, provide \$200,000 as funding for an Environmental Benefit Program for a tick control program on NY public lands and assessed a Suspended Civil Penalty in the amount of \$260,000 pending completion of training and other requirements set forth in a Schedule of Compliance. TruGreen completed all requirements for the Order on Consent, including the requirements of the Environmental Benefit Program, and the matter was fully resolved and closed without the payment of any additional penalty.

Jo Ann Sorsby, on behalf of herself and all others similarly situated vs. TruGreen Limited Partnership, filed on April 29, 2020 in the United States District Court for the Northern District of Illinois, Eastern Division, under Case No. 1:20 cv-02061. The named plaintiff in this action claims that she received telemarketing calls to her telephone after her telephone was registered on the National Do Not Call Registry, and also that she had told TruGreen not to call her and that all such calls were in violation of the Telephone Consumer Protection Act (TCPA). TruGreen denies that it violated the Telephone Consumer Protection Act and, in addition argues that it has established and maintains an effective procedure to honor a person's request not to be called and appropriately trains all sales and customer service associates on these procedures. TruGreen filed a Motion to Strike Class Allegations on January 25, 2021 and filed a Renewed Motion to Strike Plaintiff's Class Allegations on August 20, 2021, which are pending before the District Court.

Beyond Pesticides v. TruGreen Limited Partnership, filed on March 20, 2020 in the Superior Court of the District of Columbia, Civil Division, under Case No. 2020CA 001973 B. The named plaintiff in this action alleged that made deceptive claims on its website in violation of the District of Columbia Consumer Protection Procedures Act (DC CPPA). TruGreen denied the allegations and the matter was resolved.

Parent Litigation

None

Affiliate Litigation

None

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

If you are a renewing Franchisee, you must pay us the renewal fee (if any) described in your current franchise agreement, which is generally our expenses with a cap of \$10,000. If you are a new Franchisee, you must pay up to \$40,000 lump sum franchise fee when you sign the Franchise Agreement. During 2020, the initial franchisee fees that we collected were uniform; we collected a \$40,000 franchise fee. The renewal fee or franchise fee is not refundable.

ITEM 6

OTHER FEES

Type of Fee(1)	Amount	Due Date	Remarks
Royalty	Monthly royalty fee equal to: (1) 8% if gross receipts under \$500,000 in a Franchise Year (2) 7.5% if gross receipts in excess of \$500,000 and less than \$1,500,000 in a Franchise Year (3) 7% if gross receipts in excess of \$1,500,000 and less than \$3,000,000 in a Franchise Year (4) 6% if gross receipts in excess of \$3,000,000 and less than \$5,000,000 in a Franchise Year (5) 5% if gross receipts in excess of \$5,000,000 in a Franchise Year (See Note 2)	Payable monthly on the 15th day of the next month	“Gross receipts” shall be defined as the total of all amounts received by you from the performance of services and the sale of products in connection with the TruGreen business (including all amounts prepaid by customers, whether or not you have performed the services, and all amounts received from National Accounts) whether by cash, check, credit card or barter. Gross receipts do not include sales or use tax.

Type of Fee(1)	Amount	Due Date	Remarks
Required Advertising Expenditures	4% of gross receipts (See Note 3)	Throughout year, must report 2 times per year (See Note 2)	These expenditures are required by the Franchise Agreement.
Advertising Fund	Monthly fee equal of 1% of gross receipts	Same as Royalty	May increase fee up to 3% of gross receipts
Transfer	Up to \$10,000	Upon transfer	Paid at transfer; prior to closing.
Audit (See Note 4)	Cost of audit plus 18% interest on underpayment (See Note 4)	Invoiced	Payable only if audit shows an under-statement of at least 2% of Gross sales receipts for any month.
Renewal Fee	Up to \$10,000	30 day before renewal	Payable for all renewals.
Customer Account Fee	90% of the gross revenue attributable to the acquired customers in the Territory during the last 12 months	Within 60 days of us first notifying you of the option to purchase the right to provide services to the acquired customers	See Note 5
Vendor Evaluation	Cost of evaluation	Invoiced	Due when requesting a new supplier be approved

Notes:

(1) All fees are imposed by and are payable to us except required advertising expenditures. All fees are non-refundable and uniformly imposed.

(2) Each Franchise Year shall be the 12-month period commencing on the first day of the calendar year and ending on the last day of the calendar year, except that the first Franchise Year shall commence on the date you agree to begin operations of your TruGreen business and end on the last day of the calendar year.

(3) You are required to spend a minimum amount on approved local advertising and promotion for your TruGreen business each Franchise Year.

For purposes of these minimum requirements, advertising expenditures shall include the cost of telephone directory listings and Yellow Pages advertisements and amounts expended for advertising media such as internet marketing, newspapers, billboards and displays, magazines, posters, direct mail, television, telemarketing, radio and collateral promotional and novelty items, if not already provided by us.

(4) Interest begins from date of the underpayment.

(5) If we directly acquire customers from a third party in your Territory, we have the option (but not the obligation) to first give you the option to provide lawn care services to the acquired customers in exchange for the fee described in the chart above. If you are unwilling or unable to pay the fee to service the acquired customers or to performs services for the acquired customers, we may either *continue to service the* acquired customers and solicit and service new customers in the Territory under the Marks or different trademarks, *or allow another third-party to service the* acquired customers and solicit and service new customers in the Territory under trademarks

other than the Marks.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$10,000 - \$40,000 (Note 1)	Lump Sum	At signing of Franchise Agreement	TruGreen
Travel and living expenses while attending training	\$0 - \$5,000	As Incurred	During training	Airlines, hotels & restaurants
Real estate and Improvements	\$0 - \$17,000 (Note 2)	Lump sum or installments	Monthly	Landlord
Equipment (Note 3)	\$20,000 - \$25,000	As Incurred	As Incurred	Vendors
Signs	\$1,000 - \$2,000	As Incurred	As Incurred	Vendors
Miscellaneous Opening Cost	\$0 - \$3,000 (Note 4)	As Incurred	As Incurred	Suppliers, Utilities, etc.
Opening Inventory	\$2,000 - \$3,000	Lump Sum	Prior to opening	Vendors
Required Advertising Expenditures	\$35,000 - \$42,000	As Incurred	As Incurred	Vendors
Vehicle	\$0 - \$36,000 (Note 5)	Lump Sum or Financing	Prior to opening	Vendors
Insurance	\$4,000 - \$7,000 (Note 6)	Lump Sum or Installments	Prior to opening	Insurance carrier
Additional Funds - 3 months	\$10,000 - \$12,000 (Note 7)	As Incurred	As Incurred	Employees, Supplies, Utilities, etc.
TOTAL	\$82,000 - \$192,000 (Note 8)			

Notes:

- (1) See Item 5 for a description of the initial franchise fee. If you are a renewing Franchisee, you will pay us a renewal generally equal to our expenses with a cap of \$10,000. If you are a new Franchisee, the initial franchise fee is up to \$40,000. The initial franchise fee is not refundable.
- (2) If you do not own adequate shop space, you must lease the land and building for the TruGreen business. Typical locations are industrial rental centers with space for a fill/water recycle system and personal protective equipment.
- (3) The costs for your equipment may include such expenses as office furniture, office fixtures,

washer and dryer, computer hardware and office decorations. All computer equipment must meet the requirements listed in Item 11. We assume that all renewing Franchisees already own the equipment necessary to operate a TruGreen business.

- (4) Includes security deposits, utility costs, and incorporation fee. You will likely not incur these expenses if you are a renewing Franchisee.
- (5) This vehicle is a three-quarter ton pickup, the truck commonly used in this industry. You will not obtain this truck through us however, once your TruGreen business grows you may buy subsequent, larger vehicles from us. (See Item 8 for more details.) If you are a renewing Franchisee, we assume you already will own a vehicle that meets our specifications.
- (6) Required insurance policies include comprehensive general liability which conforms with state requirements and automobile liability including pollution coverage, third party fidelity bond coverage, worker's compensation and any other insurance required by statute or state law. These policies shall name us as an additional insured, with at least 30 days written notice of cancellation, termination, or reduction of coverage and you shall provide proof of such insurance prior to the commencement of the TruGreen business. The estimated cost for all insurance during a year of operations is \$4,000 to \$7,000.
- (7) This estimates your initial startup expenses for a new TruGreen franchise, including payroll costs. Renewing Franchisees will not incur many of the expenses.
- (8) The low end of this estimate assumes you are a renewing Franchisee. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; legal and regulatory requirements and the sales level reached during the initial period. These estimates are based on our and our Franchisees' experience operating TruGreen businesses.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase certain items to operate your TruGreen business and to render lawn and tree/shrub care services effectively and economically, including EPA registered fertilizers and chemicals, equipment, products, one or more vehicles and computer software and hardware, all pursuant to acceptable industry practices and specifications, which we set forth from time to time as our agronomic and horticultural program and in policy statements which we may revise regularly as part of our general practice of providing lawn and tree/shrub care services. These specifications include standards for customer satisfaction and performance and are premised upon the usage of EPA registered supplies and inventory and acceptable and customary industry practices. Our specifications require primarily that you render services which meet or exceed any given customer's reasonable expectations for the healthy growth and appearance of the customer's

lawn, trees and shrubs. Our specifications are general in nature and are designed to assure that you meet our goal of total customer satisfaction.

You may purchase your lawn care supplies, chemicals, equipment, products, advertising and computer software and hardware from any vendor/agency who meets the specifications set forth in our confidential Operating Manuals or otherwise in writing. We have approved vendors pursuant to the specifications described above. You may telephone our corporate purchasing division in Memphis (901/251-3726) to obtain approval for vendors we have not already approved. We will approve or disapprove any vendor within 30 days. We may charge you or the vendor our costs in evaluating the alternative vendor. Other than vehicles (as described below), we or our affiliates are not an approved vendor for any products or services.

The costs of equipment purchased in accordance with specifications represents 24% of your total purchases in connection with the establishment and operation of your TruGreen business. The costs of lawn care chemicals, products and supplies purchased in accordance with specifications represents 2% of your total purchases in connection with the establishment and operation of your TruGreen business. The costs of computer software and hardware purchased in accordance with specifications represents 6% of your total purchases in connection with the establishment and operation of your TruGreen business.

For some of the foregoing purchases in accordance with specifications, we and you together, because we operate and purchase under the same trade name, may receive volume discounts, in the form of manufacturer and wholesaler rebates, when we both purchase from the same vendor. To the extent any such rebates are paid directly to us, we credit your account with us by an amount equal to your proportionate share of such rebates/discounts derived from the total of all such purchases made by all Franchisees and us for our company-owned lawn care businesses.

To operate your TruGreen business and transport equipment, chemicals and employees, you will need to buy at least 1 three-quarter ton truck and perhaps additional trucks which are the same size or larger that meet our specifications. As previously discussed in Item 7, you will not purchase your first truck from us. You may, however, purchase additional, larger vehicle(s) directly from us or from suppliers who meet our specifications. We do not derive any revenue from the sale of vehicles to our Franchisees. The cost of a vehicle purchased in accordance with our specifications represents approximately 19% of your total purchases in connection with the establishment of your TruGreen business.

During our fiscal year ending December 31, 2020, we received no revenue as the result of Franchisees' purchases or leases. We reserve the right to receive revenue, including rebates or other consideration, in the future.

As of the date of this disclosure document, we do not have any purchasing or distribution cooperatives.

We do not provide any material benefits to you based on your use of a designated or approved sources.

Our officers do not have any material interest in any approved suppliers.

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	Item in Disclosure Document
a. Site selection and acquisition/lease	3	11
b. Pre-opening purchases/leases	8	8
c. Site development and other pre-opening requirements	3, 4	6, 7, 11
d. Initial and ongoing training	4	11
e. Opening	3, 4B	11
f. Fees	6, 10	5, 6
g. Compliance with standards and policies/Operating Manual	4B, 4C, 8, 9	11
h. Trademarks and proprietary information	5, 7	13, 14
I. Restrictions on products/services offered	2, 8	16
j. Warranty and customer service requirements	9(k)	11
k. Territorial development and sales quotas	2	12
l. Ongoing product/service purchases	8	8
m. Maintenance, appearance and remodeling requirements	3, 9	11
n. Insurance	21	6, 8
o. Advertising	10	6, 11
p. Indemnification	18D	6
q. Owner's participation/ management/staffing	2A, 4	11, 15
r. Records and reports	11	6
s. Inspections and audits	12	6, 11
t. Transfer	13	17
u. Renewal	14	17
v. Post-termination obligations	16	17
w. Non-competition covenants	2B, 16D	17
x. Dispute resolution	19K-19N	17

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 SYSTEM, AND TRAINING

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

Pre-Opening Assistance

Before you open your business, TruGreen will:

- (1) Designate your territory (Paragraph 2A, 2C and Exhibit A of the Franchise Agreement).
- (2) Consent to your office, maintenance, repair and warehouse facility, and water recycling system. Your site must be at least 1,000 square feet in area. We will review the site to help you determine if it is properly zoned and if it will accommodate the fill and wash water recycling system (Paragraph 3 of the Franchise Agreement).
- (3) Unless you are an existing franchise owner, you and your manager must commence training (Paragraph 4.A of the Franchise Agreement). We do not charge for this training or service, but you must pay the travel and living expenses for you and one other person. All training occurs at locations chosen by us. Please see below for more information on our training program.

Post-Opening Assistance

During the operation of the TruGreen business, TruGreen will:

- (1) Provide you guidance respecting the System (Paragraph 4B of the Franchise Agreement).
- (2) Provide you access to a copy of the Technical Videos and other proprietary training manuals which contain mandatory and suggested specifications, standards and procedures (collectively, "Videos"). The Videos are confidential and remain our property. We will modify the Videos periodically (Paragraph 4.C of the Franchise Agreement). The table of contents for the Videos is attached as Exhibit B. There are a total of 12 Videos.
- (3) At our option, assist you with the creation of administrative, bookkeeping, accounting, hiring, pricing and inventory control procedures and trouble-shooting ideas to address operating problems.

Advertising

We established a national advertising fund in January 2011. You must pay 1% of your gross receipts of your TruGreen business into the fund on a monthly basis. We may increase the fund contribution once a year, up to 3% of your gross receipts. If we increase the contribution, we will

notify you by December 1st and the increase will be effective on March 1st. During the fiscal year ended December 31, 2020, we spent the national advertising fund contributions as follows: 75% on Digital/Direct Mail, 15% on Creative Development, and 10% on TV/Video. All TruGreen Franchisees will contribute to the fund at the same rate. TruGreen businesses we own are not required to contribute to the fund. We administer the fund and provide you with an unaudited statement of fund expenditures for the most recent fiscal year upon request. We will not use the fund principally to solicit new Franchisees. We are not required to spend any particular amount on advertising in the area where your TruGreen business is located.

We reserve the right to use advertising fees from the TruGreen system to place advertising in national, regional or local media (including broadcast, print, digital or other media). We may use an outside advertising agency to create and place advertising, and we also rely upon the services of an in-house advertising/marketing department which promotes the availability of our services and our affiliates' services. We will determine the use of the monies in the fund. We will be reimbursed for reasonable administrative costs and overhead incurred in administering the fund. Any amounts not spent in a fiscal year will be carried over for future use. We may make loans to the fund bearing reasonable interest to cover any deficit.

You are required to spend at least 4% of gross receipts on approved local advertising and promotion for your TruGreen business each Franchise Year, as described in Item 6. These “minimum amounts” include the cost of telephone directory listings and Yellow Pages advertising, amounts contributed to the Advertising Fund, and amounts expended for advertising media such as internet, newspapers, billboards and displays, magazines, posters, direct mail, television, telemarketing, radio and collateral promotional and novelty items and, if not provided by us, the cost of producing approved materials necessary to participate in these media, including advertising agency commissions related to the production of such advertising. Advertising expenditures shall not include the cost of signage or displaying the TruGreen trademarks on vehicles or otherwise, premiums, discounts, free offers, employee incentive programs and other payments and expenditures that we determine to be inappropriate. (See Item 6 and paragraph 10.A. of the Franchise Agreement) You may develop advertising materials for your own use, at your own cost. We must approve the advertising materials in advance and in writing. (Paragraph 10 A. of the Franchise Agreement)

We do not require you to participate in any regional or local advertising cooperative. We do not have an advertising council composed of Franchisees.

Site Selection and Business Opening

Before opening, you select your business site within your Territory subject to our approval. The site should be in an industrial/retail area as opposed to a residential location. (Paragraph 3 of the Franchise Agreement) New Franchisees typically open their franchises 3-12 months after they sign a franchise agreement. The factors that affect this time are the ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, and delayed installation of equipment, fixtures and signs. If you do not open your business by the date you and we select, we may terminate the Franchise Agreement. If you are a renewing Franchisee, you will already be operating your business.

Computer System

You will need to own or purchase a computer system to operate your TruGreen business that meets our standards and specifications. Currently, we require you to purchase a personal computer with a Windows 10 or comparable operating system. You must also purchase software that can manage routing, customer accounts, track pesticide and fertilizer usage, document accounts receivable and produce profit and loss statements. If you do not already have a computer system that meets our standards and specifications, we estimate that the cost to purchase the computer system and software is approximately \$7,500, and that the cost of any monthly optional or required maintenance, upgrades or support contracts will be approximately \$3,600-\$7,200 per year. We currently do not have access to the information contained on the computer system, although you must provide us with periodic reports with the same information. We have no obligation to provide ongoing maintenance, repairs, upgrades or updates. There are no restrictions on your obligation to upgrade or update your computer system during the term of the Franchise Agreement or any limits on the frequency or cost of the obligation.

Training

If you have not previously owned or managed a TruGreen franchise or ServiceMaster Lawn Care franchise, you and your manager must attend and successfully complete training to our satisfaction. As of the date of this disclosure document, the training schedule is as follows:

TRAINING PROGRAM

Subject(1)(4)	Hours of Classroom Training	Hours of On-the-Job Training	Location (Note 4)
At Home Study	None	None	None
On-the-Job Training (See Note 2)	None	2 weeks with existing franchise	Location we designate

Notes:

- (1) These training sessions occur in no particular order within the first 12 months of your operation. You will attend the first sessions scheduled regularly after closing. The instructional materials include manuals, videos and tapes.
- (2) On the job training for two weeks working in all phases of franchise operations in a location to be agreed upon by both of us.
- (3) Our training program is managed by Jerry Solon, who has been our Senior Director of Franchise, Mergers, and Acquisitions since September 2016. From November 2009 until September 2016, Mr. Solon was our Vice President Acquisitions, and from January 2006 until November 2009, Mr. Solon was our Vice President Franchise.

We will not require renewing Franchisees to attend the initial training program.

We will also hold annual training conferences to discuss sales techniques, personnel training, performance standards, advertising programs and merchandising procedures. There are no conference fees, but you must pay all travel and living expenses. These elective conferences are held at locations chosen by our corporate staff.

ITEM 12

TERRITORY

You will receive a territory with a minimum population of 40,000 people (“Territory”). If you are renewing your franchise, you will receive the same Territory as your existing TruGreen franchise agreement, but if your Territory is in two states, we may require you to sign a separate Franchise Agreement for each state. You will operate from at least one business location approved by us within your Territory although, with our permission, you may open additional offices or relocate at approved locations within your Territory. Except when advertising cooperatively with appropriate franchisees, you may not advertise or solicit orders within another's territory or advertise, solicit or accept orders from outside your Territory and you may not use other channels of distribution. You do not receive a right of first refusal or the right to acquire additional franchises within your area.

During the term of the Franchise Agreement and subject to our right to acquire customers in your Territory as described below, if you are in compliance with the terms of the Franchise Agreement, we will not establish, or franchise others to establish, a TruGreen business in your Territory. We reserve the right to (without compensation to you): (a) operate, and grant others the right to operate, TruGreen businesses outside the Territory; (b) operate, and grant others the right to operate, businesses at any location (including within the Territory) identified by the TruGreen trademarks or other trademarks, that offer and sell products and services other than those you offer, including landscape architecture, design consulting and construction, installation and removal of turf, trees and shrubs, irrigation systems installation and management and landscape maintenance services; (c) sell products or services authorized for sale in your TruGreen business under any trademarks, including TruGreen, through dissimilar channels of distribution, including the Internet or in retail stores, without compensation to you; (d) grant others the right to operate businesses within or outside the Territory, under trademarks or service marks other than the TruGreen trademarks, offering or selecting products or services similar to the products and services you offer; and (e) advertise the TruGreen system on the Internet.

Your gross receipts for each calendar year must be 3% or greater than your gross receipts for the previous calendar year. We will establish the minimum gross receipts for any renewal term. If you do not maintain the minimum gross receipts in any Franchise Year, we may either terminate your Franchise Agreement or terminate your Territory rights. If we terminate your Territory rights, you may continue to operate your TruGreen business but we may establish and operate or franchise others to operate TruGreen businesses in your former Territory without restriction.

If we acquire customer accounts in your Territory for lawn services, we have the right, but not the obligation, to offer you the opportunity to purchase those customer accounts from us for a fee equal to 90% of the gross revenue attributable to those customer accounts for the previous 12-

month period. If you elect not to purchase or are unable to purchase the customer accounts, then we may service the customers and solicit and service new customers in the Territory under the Marks or different marks, or *allow another third-party to service the* acquired customers and solicit and service new customers in the Territory under trademarks other than the Marks.

Other than as described above, neither we nor our affiliates operate or have plans to operate a business under a different trademark that sells goods or services similar to goods and services sold in TruGreen businesses.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

ITEM 13

TRADEMARKS

We grant you the right to operate a lawn care business under the TruGreen name. You may also request permission to use our other current or future trademarks to identify your TruGreen business. By trademark, we mean trade names, trademarks, service marks and logos used to identify your business. We registered the below marks on the United States Patent and Trademark Office (“USPTO”) principal register:

The following TRUGREEN service marks were registered with the United States Patent and Trademark Office, on the Principal Register, and all required affidavits and renewal registrations were filed:

<u>Registration #</u>	<u>Date</u>	<u>Service Mark</u>
2,543,094	02/26/02	Tru-Green
6,514,389	10/12/21	TruGreen Leaf Design

You must follow our rules when you use these marks. You cannot use our name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

At this time, there are no agreements currently in effect which significantly limit our right with respect to any such trademarks, service marks, trade names or commercial symbols.

You must notify us immediately when you learn about an infringement of, challenge to, or unfair competition with your use of our trademark. We will take the action we deem appropriate or no action and will control all litigation. We are not required by the Franchise Agreement to defend you or prosecute any legal action on your behalf against a claim against your use of our trademark, with respect to any infringement, unfair competition or other claim in any way related to your use of our trade name or trademark.

There are no infringing uses actually known to us which could materially affect your use of such

trademarks, service marks, trade names, logotypes or other commercial symbols in this state or any other state in which the TruGreen business is to be located. In addition, there are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, any pending infringement, opposition or cancellation proceeding, or any pending material federal or state court litigation regarding our use or rights in the trademarks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information in our Operating Manual. The Operating Manual is described in Item 11. All content provided on the Operating Manual is the copyright of TruGreen Holding L.L.C. Item 11 describes limitations on the use of this Operating Manual by you and your employees. You must also promptly tell us when you learn about any unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses experienced by you as the result of any action brought by a third party concerning your proper and legitimate use of our proprietary information.

ITEM 15

OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We do not require that you personally supervise your TruGreen business, although you must attend our training program. Your business must be directly supervised “on-premises” by a manager who has successfully completed our training program or who is not required to attend our training program. The on-premises manager cannot have an interest in, or business relationship with, any of our business competitors. The manager need not have an ownership interest in a corporate or partnership Franchisee. You must maintain a 20% interest in any corporate or partnership Franchisee. The manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17.

Each individual who owns at least a 5% interest in the Franchisee entity must sign the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those programs and services that we have approved (see Items 8 and 9 of this disclosure document).

You must offer all programs and services that we designate as required for all Franchisees. (See

Items 1 and 8 of this disclosure document.) Chemicals, supplies, products and equipment used in your TruGreen business must be approved by us (see Item 8 of this disclosure document).

We have the right to add additional authorized services or programs that you will be required to offer. There are no limits on our right to do so.

As long as you meet your annual gross receipts requirement (see Item 12), we will not restrict you from soliciting any customers within your Territory. Failure to meet your annual gross receipt requirement is a default under your Franchise Agreement and grounds for termination of your TruGreen business (see Item 17).

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 attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 2A	5 year term
b. Renewal or extension of the term	Section 14	We do not have an obligation to offer you the right to additional renewal terms if you are a renewal Franchisee. If you are a new Franchisee, we will offer you one addition 5-year term if you meet the renewal conditions.
c. Requirements for you to renew or extend	Section 14	If we do offer the right to renew, you must have given us written notice, complied with the Franchise Agreement, maintain the business premises, complete all necessary upgrades or replacements of vehicles, equipment or signs, attend training, pay a renewal fee, sign our then-current renewal franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement) and sign a general release.
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	

Provision	Section in Franchise Agreement	Summary
f. Termination by us with cause	Section 15	We can terminate you if you default.
g. “Cause” defined – curable defaults	Section 15	You have 72 hours to cure a material violation of any health, safety or environmental law, ordinance or regulation; you have 10 days to cure a failure to accurately report gross receipts or to make a payment of amounts due; you have 30 days to cure a failure to comply with any other provision of the Franchise Agreement.
h. “Cause” defined – non-curable defaults	Section 15	Failure to open by commencement date; abandonment; unauthorized transfer; material misrepresentation; felony or other crime that adversely impacts the goodwill of the TruGreen trademarks or business; unauthorized disclosure or use of confidential information; intentional underreporting; assignment for benefit of creditors or insolvency; failure on 3 or more occasions in any 12-month period to comply with Franchise Agreement; or failure to meet the minimum gross receipts in a Franchise Year.
i. Your obligations on termination /non-renewal	Section 16	Obligations include complete de-identification, payment of amounts due, and cease using confidential information (also, see r. below).
j. Assignment of contract by us	Section 13A	No restriction on our right to transfer.
k. “Transfer” by you – defined	Section 13B	You may not transfer without our approval.
l. Our approval of transfer by you	Section 13B	TruGreen must approve all transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 13C	New franchisee qualifies, transfer fee paid (not to exceed \$5,000), training required, release signed by you and at our option, either transferee signs new form of franchise agreement for remainder of your term or agrees to be bound by existing franchise agreement (also, see r. below).
n. Our right of first refusal to acquire your business	Section 13E	We may match any offer for your business.
o. Our option to purchase your	Sections 16E and 17	We have the option to purchase back from you all of your rights under the Franchise

Provision	Section in Franchise Agreement	Summary
business		<p>Agreement pursuant to upon the occurrence of one of the following events (each an “Event”): (1) we provide you with 12 months’ written notice; (2) within 12 months of a transaction or related series of transactions that results in one or more third parties owning 50% or more of the ownership interests in us or other entity under common control (“Franchisor Parties”) or 50% or more of the assets of any of the Franchisor Parties, we provide you with written notice of our intent to purchase back all of your rights under the Franchise Agreement; (3) within 12 months of a transaction that results in any of the Franchisor Parties owning 50% or more of the ownership interests in or assets of a third party that operates a system of business outlets involving the sale of lawn care services, tree and shrub services and/or pest control services, we provide you with written notice of our intent to purchase back all of your rights under the Franchise Agreement; or (d) within 12 months of any of the Franchisor Parties initiating definitive steps for a public offering or consummating a public offering, we provide you with written notice of our intent to purchase back all of your rights under the Franchise Agreement. The purchase price for the Franchise and the timing of the closing are described in Section 17.B of the Franchise Agreement. Upon the closing, the Franchise Agreement will terminate.</p> <p>We also have the right to purchase the franchise upon expiration or termination for the same price and in the same manner as our right to purchase the franchise described in Section 17.</p>
p. Your death or disability	Section 13D	Franchise must be assigned by estate to approved buyer in 6 months.

	Provision	Section in Franchise Agreement	Summary
q.	Non-competition covenants during the term of the franchise	Section 2B	No involvement in competing business. Competing business includes any businesses offering care or maintenance services or products for lawns trees or shrubs, or pest control services.
r.	Non-competition covenants after the franchise is terminated or expires	Section 16D	No involvement in competing business in any TruGreen territory for 18 months.
s.	Modification of the agreement	Section 19C	Mutual right to waive obligations in writing.
t.	Integration/ merger clause	Section 19O	The franchise agreement constitutes the entire agreement between you and us. However, nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 19K, 19L, 19M and 19N	Except for certain claims, all disputes must be arbitrated in Memphis, Tennessee.
v.	Choice of forum	Section 19G	Litigation must be in judicial district in which Franchisor has its principal place of business, currently Memphis, Tennessee (subject to state law).
w.	Choice of law	Section 19G	Tennessee law applies (subject to state law).

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.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. 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 Jerry Solon at 1790 Kirby Parkway, Forum II, Suite 300, Memphis, Tennessee 38138, (901) 251-3970, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

**TRUGREEN FRANCHISED STORES STATUS
SUMMARY FOR YEARS ENDING DECEMBER 31, 2018, 2019, and 2020**

**TABLE NUMBER 1
Systemwide TruGreen Outlet Summary
For Years 2018-2020**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2018	40	39	-1
	2019	39	38	-1
	2020	38	38	0
Company-Owned	2018	232	223	-9
	2019	223	221	-2
	2020	221	221	0
Total Outlets	2018	272	262	-10
	2019	262	259	-3
	2020	259	259	0

**TABLE NUMBER 2
Transfers of TruGreen Outlets From Franchisee to New Owners
(Other than the Franchisor)
For Years 2018-2020**

State	Year	Number of Transfers
Mississippi	2018	0
	2019	0
	2020	1
TOTAL	2018	0
	2019	0
	2020	1

TABLE NUMBER 3
Status of TruGreen Franchised Outlets
For Years 2018-2020

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Alabama	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	1	0	1
	2020	1	0	0	0	0	0	1
Arizona	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Illinois	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Iowa	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Kentucky	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Louisiana	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Maine	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Minnesota	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Mississippi	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Missouri	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Montana	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Nebraska	2018	3	0	0	0	0	0	3

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
North Carolina	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	1	0	0
North Dakota	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Ohio	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Oregon	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
South Dakota	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Tennessee	2018	2	0	0	0	1	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Texas	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
Wisconsin	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Wyoming	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
TOTAL	2018	40	0	0	0	1	0	39
	2019	39	0	0	0	1	0	38
	2020	38	1	0	0	1	0	38

TABLE NUMBER 4
Status of Company-Owned Outlets
For Years 2018-2020

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Alabama	2018	4	0	0	0	0	4
	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
Arkansas	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
California	2018	5	0	0	0	0	5
	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
Colorado	2018	4	0	0	0	0	4
	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
Connecticut	2018	3	0	0	0	0	3
	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
Delaware	2018	1	1	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Florida	2018	19	0	0	0	0	19
	2019	19	0	0	1	0	18
	2020	18	0	0	0	0	18
Georgia	2018	10	0	0	0	0	10
	2019	10	0	0	0	0	10
	2020	10	0	0	0	0	10
Idaho	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Illinois	2018	13	0	0	0	0	13
	2019	13	0	0	0	0	13
	2020	13	0	0	0	0	13
Indiana	2018	13	0	0	5	0	8
	2019	8	0	0	0	0	8
	2020	8	0	0	0	0	8
Iowa	2018	3	0	0	0	0	3
	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Kansas	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Kentucky	2018	7	0	0	3	0	4
	2019	4	0	0	1	0	3
	2020	3	0	0	0	0	3
Maine	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Maryland	2018	5	0	0	0	0	5
	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
Massachusetts	2018	7	0	0	0	0	7
	2019	7	0	0	0	0	7
	2020	7	0	0	0	0	7
Michigan	2018	13	0	0	0	0	13
	2019	13	0	0	0	0	13
	2020	13	0	0	0	0	13
Minnesota	2018	5	0	0	0	0	5
	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
Mississippi	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Missouri	2018	5	0	0	0	0	5
	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
Nebraska	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Nevada	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
New Hampshire	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
New Jersey	2018	7	0	0	0	0	7
	2019	7	0	0	0	0	7
	2020	7	0	0	0	0	7

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
New Mexico	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
New York	2018	7	0	0	1	0	6
	2019	6	0	0	0	0	6
	2020	6	0	0	0	0	6
North Carolina	2018	8	1	0	1	0	8
	2019	8	0	0	0	0	8
	2020	8	0	0	0	0	8
Ohio	2018	17	0	0	1	0	16
	2019	16	0	0	0	0	16
	2020	16	0	0	0	0	16
Oklahoma	2018	3	0	0	0	0	3
	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
Oregon	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Pennsylvania	2018	12	0	0	0	0	12
	2019	12	0	0	0	0	12
	2020	12	0	0	0	0	12
Rhode Island	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
South Carolina	2018	5	0	0	0	0	5
	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
South Dakota	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Tennessee	2018	4	0	0	0	0	4
	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
Texas	2018	16	0	0	0	0	16
	2019	16	0	0	0	0	16
	2020	16	0	0	0	0	16
Utah	2018	3	0	0	0	0	3
	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Virginia	2018	8	0	0	0	0	8
	2019	8	0	0	0	0	8
	2020	8	0	0	0	0	8
Washington	2018	3	0	0	0	0	3
	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
West Virginia	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Wisconsin	2018	4	0	0	0	0	4
	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
TOTAL	2018	232	2	0	11	0	223
	2019	223	0	0	2	0	221
	2020	221	0	0	0	0	221

TABLE NUMBER 5
Projected TruGreen Openings
As of December 31, 2020

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
TOTAL	0	0	0

Attached as Exhibit C are lists which identify the names, addresses and telephone numbers of all current TruGreen Franchisees as of its fiscal year ending December 31, 2020.

Attached as Exhibit D are the names, city, state and last known telephone numbers of all Franchisees who have had their franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement during our fiscal year ended December 31, 2020, or who have not communicated with us within 10 weeks preceding the date of this disclosure document.

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

During the last three fiscal years, current or former Franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our system.

There are no trademark-specific franchisee associations.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit E are the audited consolidated financial statements of Outdoor Home Services Holdings, LLC (“OHS”), which comprise the consolidated statement of financial position as of January 2, 2021, December 31, 2019, and December 31, 2018, and the related consolidated statements of operations and comprehensive loss, members' and shareholders' equity, and cash flows for the years ended January 2, 2021, December 31, 2019, and December 31, 2018. In addition, we have attached OHS's unaudited financial statements as of July 3, 2021.

OHS absolutely and unconditionally guarantee our obligations under the Franchise Agreement. A copy of these guarantees also can be found in Exhibit E.

ITEM 22

CONTRACTS

A copy of the TruGreen renewal Franchise Agreement is attached as Exhibit F. A copy of the TruGreen standard Franchise Agreement is attached as Exhibit G. The State Addenda are attached as Exhibit I.

ITEM 23

RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document in Exhibit J. You should keep one copy as your file copy and return the second copy to us.

Exhibit A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

Exhibit B
OPERATIONS MANUAL

TRUGREEN TRAINING MANUALS

The TruGreen Franchise Technical Videos consist of the following:

Application Best Practices
Completing an HLA
Customer Service
Diseases
Environmental Policies
Expanded Programs
Insects
Lawns and Their Care
Lawn Programs
Pollinator
Safety
Soils and Fertilizations
Truck Sales
TruPlan Fill Management (4 videos)
Weeds

Additional Resources:

- AdvantEDGE RP (returning specialist) yearly training
- Granular Application Best Practices video
- Lawn Fact Sheets
- Liquid Application Best Practices video
- Mosquito Training videos
- Perimeter Pest Training videos
- Realistic Job Preview video – Lawn Specialist
- RTM Files to include Certification forms, etc.
- SAFE training (videos, documents, activities)
- Sales Training Materials
- Specialist Playbook
- Tree and Shrub Fact Sheets
- Wash and Fill Playbook

Exhibit C

**FRANCHISEE LISTING
As of 12/31/2020**

STATE	DBA	OWNER NAME	BUSINESS ADDRESS	PHONE #
ALABAMA				
Mobile	TruGreen REB&L, LLC	Randy & Elizabeth McQueen Bill & Laurie Haberstroh	P. O. Box 646 Theodore, AL 36590-0646	251/653-3242
ARIZONA				
Phoenix	TruGreen Schrader Enterprises, Inc.	Scott Schrader	6210 S 30 th Street Phoenix, AZ 85042	480/557-6443
ILLINOIS				
Southern Illinois	TruGreen MSFox, Inc.	Mike Fox	6135 US Highway 45 South Paducah, KY 42001	618/993-2959
IOWA				
Sioux City	TruGreen Siouxland Lawn Care LLC	Rich & Barb Rensberger	601 Main Street Sioux City, IA 51103	712/279-9553
Milford	TruGreen Lakes Lawn, LLC	Brian Kelly Tom & Connie Wilson	P.O. Box 527 Milford, IA 51351	712/338-2423
KENTUCKY				
Bowling Green	TruGreen Raintree Services of W. KY., Inc.	Brian & Nancy Talcott	P. O. Box 51634 Bowling Green, KY 42102	270/782-3990
Paducah	TruGreen MSFox, Inc.	Mike Fox	6135 US Highway 45 South Paducah, KY 42001	270/782-3990
LOUISIANA				
Monroe	TruGreen Arrowhead, LLC	Colby & Ann Sheppard	568 Sandy Hill Road West Monroe, LA 71292	318/329-0085 866/722-0085
Baton Rouge	TruGreen BBC Lawncare of Jackson, LLC	Michael Cook Chuck Holstein, BM	P. O. Box 2010 Prairieville, LA 70769	225/752-7252 225/249-0632
Lafayette	TruGreen Vidrine's Lawn Service	Kevin Vidrine	P.O. Box 783 Scott, LA 70583	337/264-7336
Shreveport	TruGreen Vidrine's Lawn Service	Kevin Vidrine	P.O. Box 783 Scott, LA 70583	337/264-7336
Alexandria	TruGreen Vidrine's Lawn Service	Kevin Vidrine	P.O. Box 783 Scott, LA 70583	337/264-7336
MAINE				
Bangor	TruGreen Peter A. Lyford, Inc.	Peter Lyford	53 Dave's Way Hermon, ME 04401	207/848-3335

STATE	DBA	OWNER NAME	BUSINESS ADDRESS	PHONE #
MINNESOTA				
Brainerd	TruGreen Unique Lawns, Inc.	Scott & Wendy Snyder	4657 Morehouse Drive Pequot Lakes, MN 56472	218/568-4008
MISSISSIPPI				
Biloxi	TruGreen Mississota, Inc.	Scott & Wendy Snyder	P. O. Box 3106 Gulfport, MS 39505	228/868-4248
Hattiesburg	TruGreen Lawn Solutions, Inc.	Eric Bailey	P.O. Box 388 Purvis, MS 39475-0388	601/582-5296
Tupelo	TruGreen BBC Lawn Care of Jackson	Michael Cook, owner	2830 Mattox Street Tupelo, MS 38801	662/844-9006
MISSOURI				
Cape Girardeau	TruGreen Erbst, Inc.	Don & Kerry Erbst	4680 C State Highway 74 Cape Girardeau, MO 63701	573/339-1140
MONTANA				
Billings	TruGreen Roberts, Inc.	Dennis & Deborah Roberts Robert Worden, BM	P. O. Box 80345 Billings, MT 59101	406/256-9499
Bozeman	TruGreen Double Crown, L.L.C.	Eric & Carmen Belden	P. O. Box 10364 Bozeman, MT 59719-0364	406/388-4393
Helena	TruGreen Roberts, Inc.	Dennis Roberts, Owner Decker Roberts, BM	P. O. Box 6845 Helena, MT 59604	406/441-2244
Great Falls	TruGreen RRB, LLP	Dennis & Deborah Roberts & Robert Worden	P. O. Box 3045 Great Falls, MT 59401	406/453-8708
Missoula	TruGreen Triple R, Inc.	Robin Seavy-Roberts	P. O. Box 2549 Missoula, MT 59806	406/829-8784
Kalispell	TruGreen Roberts, Inc.	Dennis & Deborah Roberts Chris Whiteaker, BM	1641 Mt. Highway 35 Kalispell, MT 59901	406/257-2828
NEBRASKA				
Grand Island	TruGreen ABE, Inc.	Andy Anspauch	P. O. Box 876 Grand Island, NE 68802	308/382-6307
North Platte	TruGreen Poncelet Lawn Services, LLC	Kevin & Jean Poncelet	P. O. Box 781 North Platte, NE 69103	308/534-1062
Scottsbluff	TruGreen K & J Enterprises, Inc.	Joe & Rose Poncelet	P. O. Box 172 Gering, NE 69341	308/436-2702 308/641-0322
NORTH DAKOTA				
Fargo	TruGreen RRV, Inc.	Scott & Wendy Snyder	417 5th Street N Fargo, ND 58102-4521	701/232-9454

STATE	DBA	OWNER NAME	BUSINESS ADDRESS	PHONE #
Bismarck	TruGreen Central Dakota Lawn Care, LLC	Ken Litt	314 Aspen Avenue Bismarck, ND 58503	701/751-4442
OREGON				
Bend	TruGreen Peaks View LLC	Eric & Carmen Belden Aaron Schulte, BM	P. O. Box 8400 Bend, OR 97708	541/610-3063
SOUTH DAKOTA				
Aberdeen/Watertown	TruGreen Heartland Lawn Care, Inc.	Terry & Lisa Sorensen	3334 9th Avenue SW Watertown, SD 57201-7038	605/882-0643
Pierre	TruGreen Heartland Lawn Care, Inc.	Terry & Lisa Sorensen	3334 9th Avenue SW Watertown, SD 57201-7038	605/882-0643
TENNESSEE				
Paris	TruGreen Turner's Lawn Care LLC	Michael Turner	1690 Highway 79 South Paris, TN 38242	731/664-4557
WISCONSIN				
Superior -Duluth	TruGreen Vikingland Lawncare, LLC	Scott & Wendy Snyder	107 Hughitt Avenue Superior, WI 54880	715/399-9970
WYOMING				
Casper	TruGreen EB, Inc.	Kevin Eberle	885 Antler Drive Casper, WY 82601	307/234-0077
Gillette	TruGreen	Lico Sifuentes	307 N. Burma Avenue Gillette, WY 82716	307/687-7088
Sheridan	TruGreen The W Jam, Inc.	Andy Anspauch	P. O. Box 6023 Sheridan, WY 82801	307/673-5500

Exhibit D

FORMER FRANCHISEE LISTING

Below is a list of franchisees who have had their franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement during our fiscal year ended December 31, 2020, or who have not communicated with us within 10 weeks preceding the date of this disclosure document.

None.

Exhibit E

FINANCIAL STATEMENTS

Outdoor Home Services Holdings, LLC

Consolidated Financial Statements

January 2, 2021, and December 31, 2019 and 2018

Outdoor Home Services Holdings, LLC

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KPMG LLP
Triad Centre III
Suite 450
6070 Poplar Avenue
Memphis, TN 38119-3901

Independent Auditors' Report

The Board of Directors
Outdoor Home Services Holdings, LLC:

We have audited the accompanying consolidated financial statements of Outdoor Home Services Holdings, LLC and its subsidiaries, which comprise the consolidated statements of financial position as of January 2, 2021 and December 31, 2019, and the related consolidated statements of operations and comprehensive income (loss), members' equity (deficit), and cash flows for each of the fiscal years in the three-year period ended January 2, 2021, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Outdoor Home Services Holdings, LLC and its subsidiaries as of January 2, 2021 and December 31, 2019, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended January 2, 2021 in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2019 Outdoor Home Services Holdings, LLC and its subsidiaries adopted new accounting guidance dictated by Accounting Standards Codification (ASC) Topic 842, Leases. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information, Management's Discussion and Analysis of Financial Condition and Results of Operations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Memphis, Tennessee
March 2, 2021

Outdoor Home Services Holdings, LLC
Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands)

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
Net revenue	\$ 1,414,262	\$ 1,408,635	\$ 1,369,089
Cost of services rendered and products sold	892,694	922,856	903,387
Gross profit	521,568	485,779	465,702
Selling and administrative expenses	225,347	252,077	250,108
Marketing expenses	119,673	88,619	78,939
Amortization expense	53,139	53,304	62,305
Restructuring charges and other costs	9,256	8,468	16,695
Operating income	114,153	83,311	57,655
Interest expense, net	84,654	86,020	77,445
Debt refinance expense	11,330	9,121	-
Investment expense (income)	(410)	(509)	116
Net income (loss) before income taxes	18,579	(11,321)	(19,906)
Income tax expense	485	397	281
Net income (loss)	18,094	(11,718)	(20,187)
Other comprehensive loss, net of taxes	(14,556)	(795)	(743)
Total comprehensive income (loss)	\$ 3,538	\$ (12,513)	\$ (20,930)

See accompanying notes to the consolidated financial statements.

Outdoor Home Services Holdings, LLC
Consolidated Statements of Financial Position

(In thousands)

	As of	
	January 2, 2021	December 31, 2019
Current assets:		
Cash and cash equivalents	\$ 112,206	\$ 62,192
Receivables, less allowances of \$4,480 and \$5,667, respectively	30,896	44,659
Inventories	26,272	31,021
Prepaid expenses and other assets	24,316	15,783
Receivables for insured claims	15,511	16,447
Deferred customer acquisition costs	22,211	20,627
Total current assets	231,412	190,729
Property and equipment, net	167,094	152,765
Intangible assets, net	680,070	716,172
Goodwill	209,165	208,696
Operating lease right-of-use assets	161,072	169,473
Deferred customer acquisition costs	29,005	31,101
Deferred income taxes	1,417	1,354
Other assets	32,940	31,157
Total assets	\$ 1,512,175	\$ 1,501,447
Current liabilities:		
Current portion of long-term debt	\$ 25,203	\$ 18,780
Accounts payable	43,439	36,825
Accrued payroll and related expenses	52,982	27,189
Accrued claims and related expenses	29,844	30,666
Deferred revenue	163,721	141,719
Current portion of operating lease liabilities	35,037	33,907
Other	22,909	8,920
Total current liabilities	373,135	298,006
Long-term debt, less current portion	1,437,864	1,168,058
Long-term operating lease liabilities, less current portion	127,462	136,499
Deferred income taxes	2,027	2,685
Other long-term obligations	68,613	46,471
Commitments and contingencies (see Note 16)		
Members' deficit:		
Members' deficit	(481,275)	(149,177)
Accumulated other comprehensive loss	(15,651)	(1,095)
Total members' deficit	(496,926)	(150,272)
Total liabilities and members' deficit	\$ 1,512,175	\$ 1,501,447

See accompanying notes to the consolidated financial statements.

Outdoor Home Services Holdings, LLC
Consolidated Statements of Members' Equity (Deficit)

(In thousands)

	Members' equity (deficit)	Accumulated other comprehensive income (loss)	Total members' equity (deficit)
Balance at December 31, 2017	\$ 108,441	\$ 443	\$ 108,884
Accounting policy change (Note 2)	23,144	-	23,144
Balance at January 1, 2018	131,585	443	132,028
Net loss	(20,187)	-	(20,187)
Foreign currency translation, net of tax	-	(743)	(743)
Tax distributions	(12,658)	-	(12,658)
Stock-based compensation	3,137	-	3,137
Issuance of members' units	750	-	750
Repurchase of members' units	(4,963)	-	(4,963)
Exercise of options	1,429	-	1,429
Dividends paid	(169)	-	(169)
Balance at December 31, 2018	98,924	(300)	98,624
Net loss	(11,718)	-	(11,718)
Unrealized losses on derivatives, net of tax	-	(1,266)	(1,266)
Foreign currency translation, net of tax	-	471	471
Stock-based compensation	2,741	-	2,741
Issuance of members' units	825	-	825
Repurchase of members' units	(8,631)	-	(8,631)
Exercise of options	2,496	-	2,496
Dividends paid	(234,162)	-	(234,162)
Other	348	-	348
Balance at December 31, 2019	(149,177)	(1,095)	(150,272)
Net income	18,094	-	18,094
Unrealized losses on derivatives, net of tax	-	(15,023)	(15,023)
Foreign currency translation, net of tax	-	467	467
Stock-based compensation	2,737	-	2,737
Repurchase of members' units	(4,338)	-	(4,338)
Exercise of options	580	-	580
Dividends paid	(349,000)	-	(349,000)
Other	(171)	-	(171)
Balance at January 2, 2021	\$ (481,275)	\$ (15,651)	\$ (496,926)

See accompanying notes to the consolidated financial statements.

Outdoor Home Services Holdings, LLC
Consolidated Statements of Cash Flows

(In thousands)

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
Cash and cash equivalents at beginning of period	\$ 62,192	\$ 114,452	\$ 90,463
Cash flows provided from operating activities:			
Net income (loss)	18,094	(11,718)	(20,187)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:			
Depreciation expense	46,826	47,633	51,050
Amortization expense	53,139	53,304	62,305
Stock-based compensation expense	2,737	2,741	3,137
Deferred customer acquisition costs, long-term	2,096	(3,373)	(4,584)
Amortization of debt issuance and discount costs	5,499	4,874	3,630
Loss on refinance of debt	11,330	9,121	-
Reserves for claims, long-term	3,443	(935)	(1,713)
Restructuring charges net of cash paid	3,341	(5,474)	4,732
Changes in working capital, net of acquisitions	73,642	220	(16,026)
Other, net	(992)	(481)	(292)
Net cash provided from operating activities	<u>219,155</u>	<u>95,912</u>	<u>82,052</u>
Cash flows used for investing activities:			
Additions to property and equipment	(30,353)	(25,043)	(20,212)
Business acquisitions	(11,785)	(17,972)	(19,913)
Asset sales and other	1,055	950	2,052
Net cash used for investing activities	<u>(41,083)</u>	<u>(42,065)</u>	<u>(38,073)</u>
Cash flows used for financing activities:			
Issuance of long-term debt	275,102	225,000	-
Revolver borrowings	153,000	15,000	-
Revolver payments	(153,000)	(15,000)	-
Payments of long-term debt	(21,621)	(64,652)	(16,233)
Debt issuance and discount costs paid	(28,610)	(14,904)	-
Issuance of members' units	-	825	750
Repurchase of members' units	(4,338)	(8,631)	(4,963)
Exercise of stock options of Parent	580	2,497	1,429
Members' distributions	(349,171)	(246,242)	(973)
Net cash used for financing activities	<u>(128,058)</u>	<u>(106,107)</u>	<u>(19,990)</u>
Increase (decrease) in Cash and cash equivalents	50,014	(52,260)	23,989
Cash and cash equivalents at end of period	<u>\$ 112,206</u>	<u>\$ 62,192</u>	<u>\$ 114,452</u>

See accompanying notes to the consolidated financial statements.

Outdoor Home Services Holdings, LLC

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(Dollar amounts in thousands, except as otherwise specified)

(1) Basis of Presentation, the Distribution Transaction, and the Merger and Acquisition

The Distribution Transaction and the Merger and Acquisition

On January 14, 2014, ServiceMaster Global Holdings, Inc., the indirect parent corporation of The ServiceMaster Company (ServiceMaster) and now known as Terminix Global Holdings, completed a separation transaction resulting in the spin-off of the assets and certain liabilities of the business (the TruGreen Business) that comprised the lawn, tree and shrub care services previously conducted by ServiceMaster (the Distribution Transaction). Following the Distribution Transaction, the operations of the TruGreen Business were transferred to TruGreen Holding Corporation (THC) which operated the business as a stand-alone entity through its wholly owned subsidiary TruGreen L.P. (TruGreen). Clayton, Dubilier & Rice, LLC (CD&R) managed a private equity fund which owned the majority of the stock of THC.

On April 13, 2016, THC was sold to a separate private equity fund managed by CD&R for cash in an arms-length transaction. Simultaneously, THC contributed TruGreen to its newly formed subsidiary, Outdoor Home Services Holdings, LLC (OHS), through which THC acquired Scotts LawnService (SLS), a business recently carved out from Scotts Miracle-Gro (Scotts or SMG). The combined business incorporates substantially all of the operations and assets of THC and SLS and operates under the TruGreen brand. Principal operations of the combined business are conducted through TruGreen L.P. As a result of the sale of THC and the acquisition of SLS (the Merger and Acquisition), Scotts owned approximately 30% of OHS, with a private equity fund managed by CD&R holding the majority of the remaining interest through its majority ownership in OHS's ultimate parent company Outdoor Home Services, Inc. (OHS Inc. or the Parent). On March 19, 2019, OHS Inc. and its subsidiaries purchased the remaining equity interest held by Scotts in the Company of approximately 30%.

Basis of Presentation

The consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP), and include the accounts of OHS and its subsidiaries as of January 2, 2021 and December 31, 2019, and for the years ended January 2, 2021, and December 31, 2019 and 2018. References to the Company, we, us, and our, refer to OHS. All consolidated subsidiaries of OHS are wholly owned. Intercompany transactions and balances have been eliminated. The consolidated financial statements include the effects of both the Merger and Acquisition and the Distribution Transaction.

Effective January 1, 2020, the board of directors of the Company approved a change in the Company's year end from a calendar year ending on December 31 to a 52/53-week year ending on the Saturday closest to December 31. This change better aligns our consolidated financial performance reporting with business activities and simplifies our internal processes. The Company's first 53-week year will occur in fiscal year 2025. We made the fiscal year change on a prospective basis, so the change did not impact the Company's calendar year results for any prior year, and it did not materially impact the comparability of 2020 to prior years. The annual periods referred to in these consolidated financial statements are January 1, 2020 to January 2, 2021 and January 1 to December 31, 2019 and 2018.

(2) Significant Accounting Policies

(a) *Use of Estimates*

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions required under GAAP which may differ from actual results. The areas requiring the use of significant management estimates relate to the allowance for uncollectible receivables, the possible outcome of outstanding litigation, accruals for income tax liabilities as well as deferred income

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tax accounts, the deferral and amortization of customer acquisition costs, reserves for customer discounts, estimated lease terms and discount rates of lease-related assets and liabilities, useful lives for depreciation and amortization expense, self-insurance reserves, the goodwill impairment assessment, and the valuation of tangible and intangible assets.

(b) Cash and Cash Equivalents

Cash and cash equivalents includes demand and short-term deposits and investments with banks or financial institutions.

(c) Working Capital

A summary of the changes in working capital, net of acquisitions, presented in the consolidated statements of cash flows is as follows:

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
Receivables	\$ 14,961	\$ (7,787)	\$ (1,387)
Inventories and other current assets	(4,676)	928	(23,451)
Accounts payable	4,008	7,262	(2,239)
Deferred revenue	19,458	(4,144)	1,155
Accrued liabilities	39,891	3,961	9,896
Total	\$ 73,642	\$ 220	\$ (16,026)

(d) Revenue

On January 1, 2018, we adopted Accounting Standards Codification (ASC) Topic 606, “Revenue from Contracts with Customers” (ASC 606). In connection therewith, we capitalized \$26.1 million in deferred customer acquisition costs and recorded a net increase to opening Members’ Equity of \$23.1 million, net of tax.

(e) Allowance for Uncollectible Receivables

The allowance for uncollectible receivables is based on our assessment of the collectability of customer accounts. We regularly review our allowance for uncollectible amounts by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer’s ability to pay. As such, these factors may change over time causing the reserve level to vary. A summary of activity in the allowance for doubtful accounts for the year ended January 2, 2021 is as follows:

Beginning balance	\$ 5,667
Charge to costs and expenses ¹	10,402
Write-offs and other	(25,453)
Recoveries	13,864
Ending balance	\$ 4,480

¹ Included within Selling and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

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(f) Inventory

Inventories are recorded at the lower of cost (primarily on a weighted average cost basis) or net realizable value. Our inventory primarily consists of fertilizer and other chemicals to be used on customers' premises. In December 2020, we paid for approximately \$9.7 million of inventory to be received after year end which has been recorded in Prepaid expenses and other assets in the consolidated statements of financial position as title had not passed to the Company as of January 2, 2021.

(g) Deferred Pre-Season Customer Acquisition, Advertising and Other Production Costs

Certain pre-season customer acquisition costs, primarily sales labor costs other than commissions, which can be shown to have resulted in a successful sale, are deferred and recognized in the year incurred in proportion to revenue recognized and are not deferred beyond the calendar year end.

Certain pre-season advertising and production costs are deferred and recognized in proportion to revenue over the year. These costs are not deferred beyond the calendar year end. Advertising costs incurred after the production season are expensed in the year the initial advertising occurs.

(h) Property and Equipment, Intangible Assets and Goodwill

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred. When properties or equipment are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in operating income.

Intangible assets consist primarily of customer relationships and indefinite-lived trade names.

Fixed assets and intangible assets with finite lives are primarily depreciated and amortized on a straight-line basis over their estimated useful lives except for customer relationships which are amortized on a modified basis to reflect the expected timing of cash flows over the estimated duration of the relationships. These lives are based on our previous experience for similar assets, potential market obsolescence, and other industry and business data. As required by GAAP for the impairment or disposal of long-lived assets, our long-lived assets, including fixed assets and definite-lived intangible assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Changes in the estimated useful lives or in the asset values could cause us to adjust its book value or future expense accordingly.

As required under GAAP, goodwill and intangible assets with indefinite useful lives are not amortized but are subject to assessment for impairment by applying a fair-value based test on an annual basis or more frequently if circumstances indicate a potential impairment. We evaluated the Company's reporting unit and trade name for impairment during the fourth quarter of each year, and no impairment was recognized during the years ended January 2, 2021, and December 31, 2019 and 2018.

(i) Debt Issuance Costs

Debt issuance costs, comprised of original issue discounts and deferred financing costs, relate to term debt and line-of-credit arrangements. Debt issuance costs related to term debt are direct deductions from the carrying amount of the related debt in the liability section of the consolidated statements of financial position, and costs associated with the line-of-credit arrangements are classified in Other assets in the consolidated statements of financial position. These costs are amortized using the effective interest method over the life of the related debt. Amortization of debt issuance costs for the years ended January 2, 2021, and December 31, 2019 and 2018, was \$3.9 million, \$3.7 million and \$2.7 million,

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respectively, and is included within Interest expense in the consolidated statements of operations and comprehensive income (loss).

(j) *Financial Instruments*

We estimate the fair value of financial instruments at a price that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants in the principal market for the asset or liability. The valuation techniques require inputs that we categorize using a three level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1) and (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable. See Notes 8, 9 and 15 for information relating to the fair value of financial instruments.

Derivative instruments

We have entered into specific financial arrangements in the normal course of business to manage certain market risks, with a policy of matching positions and limiting the terms of contracts to relatively short durations. The effect of derivative financial instrument transactions could have a material impact on our financial statements. We do not hold or issue derivative financial instruments for trading or speculative purposes. We have hedged a portion of our annual fuel consumption and the interest payments on a portion of our variable rate debt using fuel swap contracts and interest rate swap agreements, respectively.

To qualify for hedge accounting, the hedging instrument must be highly effective at reducing the risk from the exposure being hedged. Further, we must formally document the hedging relationship at inception, and, on at least a quarterly basis, continually reevaluate the relationship to ensure it remains highly effective through the life of the hedge.

All swap agreements entered into to manage market risks are classified as cash flow hedges and, as such, the effective portion of changes in the fair value of the hedging instrument are initially recorded in Accumulated other comprehensive income (loss). These amounts are reclassified into earnings in the same period in which the settlement of the hedged item (debt interest or fuel expense) affects earnings. Cash flows related to derivatives are classified as operating activities in the consolidated statements of cash flows.

Derivative instruments are recorded in the consolidated statements of financial position as either an asset or liability at fair value. Our fair value estimates incorporate forward interest rate and fuel price curves obtained from third-party market data providers. The fair value of each contract is the sum of the expected future settlements between the contract counterparties, discounted to present value. We review the forward price curves obtained from third-party market data providers and related changes in fair value for reasonableness utilizing information available to us from other published sources.

Other financial instruments

Other financial instruments, which potentially subject the Company to financial and credit risk, consist principally of receivables. The majority of our receivables have little concentration of credit risk due to

Outdoor Home Services Holdings, LLC

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the large number of customers with relatively small balances and their dispersion across geographical areas. We maintain an allowance for losses based upon the expected collectability of receivables. The period end carrying amounts of receivables, accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments.

(k) Income Taxes

The Company is a limited liability company that is treated as a partnership for federal income tax purposes. Consequently, the taxable income of the Company is not subject to federal income tax in the United States jurisdiction; rather, the taxable income passes through to its members, who in turn are liable for federal income tax on their allocable share of taxable income. Most states also require this “pass through” for state tax reporting purposes. As some jurisdictions do impose income taxes at the partnership level, there is a component of state income tax included in the Company’s effective tax rate. Additionally, the Company has a Canadian subsidiary that is subject to Canadian income tax.

We account for income taxes using an asset and liability approach in accordance with ASC Topic 740, “Income Taxes” for the expected future tax consequences of events that have been recognized in their financial statements or tax returns. Deferred income taxes are provided to reflect the differences between the tax bases of assets and liabilities and their reported amounts in the financial statements.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Valuation allowances are established when necessary to reduce deferred income tax assets to the amounts expected to be realized. We record a liability for unrecognized tax benefits resulting from any uncertain tax positions taken or expected to be taken in our tax returns. We recognize potential interest and penalties related to uncertain tax positions in income tax expense.

(l) Acquisitions

Acquisitions are accounted for using the acquisition method in accordance with ASC Topic 805, “Business Combinations,” and accordingly, the results of operations of acquired businesses have been included in the financial statements since their dates of acquisition. The assets and liabilities of these businesses were recorded in the financial statements at their estimated fair values as of the acquisition dates.

(m) Segment Reporting

All of our business is conducted as one reportable segment. The Company derives substantially all of its revenue from customers in the United States with less than 0.5 percent of revenue generated from franchisees and less than 3 percent generated in Canada during the years ended January 2, 2021, and December 31, 2019 and 2018. The Company had \$14.8 million and \$13.3 million of identifiable assets located outside of the United States at January 2, 2021 and December 31, 2019, respectively.

As the functional currency of the Company’s Canadian subsidiary is the local currency, its assets and liabilities are translated at the exchange rate in effect at year-end and income and expense accounts are translated at the average rate of exchange prevailing during the year with the resulting translation gains and losses included in Accumulated other comprehensive income (loss) within members’ equity (deficit).

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(Dollar amounts in thousands, except as otherwise specified)

(n) *Recent Accounting Guidance*

As summarized in the following table, we adopted three Accounting Standards Updates (ASU) during 2020 with no material impact on our consolidated financial statements, and we are currently assessing the impact of ASU 2020-04:

<u>ASU</u>	<u>Topic</u>	<u>Method of Adoption</u>
2016-13	Credit Losses	Modified retrospective
2017-04	Goodwill and Other	Prospective
2018-13	Fair Value Measurement	Prospective
2020-04	Reference Rate Reform	Not yet adopted

Effective January 1, 2019, we adopted ASC Topic 842, "Leases" (ASC 842), which generally requires lessees to recognize assets and liabilities for all leases including embedded leases in other contractual arrangements.

(o) *Subsequent Events*

Events subsequent to the balance sheet date are evaluated through the date the financial statements are available to be issued, to determine whether they require recognition in the consolidated financial statements. These events have been evaluated through March 2, 2021, and we have not identified any subsequent events that would require recognition or disclosure in the consolidated financial statements or accompanying notes.

(3) **Revenue Recognition, Deferred Revenue and Customer Acquisition Costs**

Revenue recognition

We derive all our revenue from customers and franchisees in the United States and Canada by providing lawn, tree/shrub and mosquito services to residential and commercial customers. These revenue types have similar characteristics and do not require disaggregation.

At contract inception, we assess the services promised in the contract, and for each promise we determine if it represents a distinct performance obligation. To identify the performance obligations, we consider all of the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

Services can be provided on a one-time or a recurring basis through continuous service contracts. Contracts with customers for recurring services continue until canceled by either party. Revenues from services are recognized at the agreed-upon transaction price over time as the services are provided. Except for certain pre-season production costs as more fully discussed in Note 2, associated service costs are expensed as incurred and primarily include production labor, vehicle and chemical expenses. Upon completion of service, a receivable is recorded related to this revenue as we have an unconditional right to receive payment. All accounts receivables are recorded within Receivables, less allowances, in the consolidated statements of financial position. Payments are typically received shortly after services have been rendered.

We do not disclose the value of unsatisfied performance obligations as the initial contract service period is less than one year. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to taxing authorities.

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Deferred revenue

Deferred revenue is recorded when cash payments are received in advance of the performance of services, including when the amounts are refundable. We do not adjust the promised amount of consideration for the effects of financing components because at contract inception, the period of time between the performance of services and the customer payment is one year or less. Amounts associated with these payments are recognized as revenue upon completion of services. Contracts for recurring services may include a discount on services provided subsequent to the initial service, which results in a portion of the transaction price being allocated to the future discounted service and thereby generates deferred revenue for consistent revenue recognition on a straight-line basis for all services performed under the contract.

Changes in deferred revenue for the years ended January 2, 2021 and December 31, 2019 were as follows:

Balance, December 31, 2018	\$ 143,172
Deferral of revenue	440,706
Recognition of deferred revenue	(442,159)
Balance, December 31, 2019	<u>141,719</u>
Deferral of revenue	473,400
Recognition of deferred revenue	(451,398)
Balance, January 2, 2021	<u><u>\$ 163,721</u></u>

Costs to obtain a customer contract

Commissions related to customer acquisition costs, which are incremental and direct costs of obtaining a customer, are capitalized and amortized on a modified basis over five years to reflect the expected timing of cash flows over the estimated duration of the customer relationship period. These capitalized customer acquisition costs at January 2, 2021 and December 31, 2019 were \$51.2 million and \$51.7 million, respectively, of which the current portion was \$22.2 million and \$20.6 million, respectively. These costs are included in Deferred customer acquisition costs in the current and long-term assets sections of the consolidated statements of financial position. Amortization for the years ended January 2, 2021, and December 31, 2019 and 2018, was \$26.5 million, \$23.0 million and \$18.2 million, respectively, and is included in Selling and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

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(4) Acquisitions

During the years ended January 2, 2021, and December 31, 2019 and 2018, we completed ten, eight and four lawn care business acquisitions, respectively, as follows:

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
Accounts receivable and other assets	\$ 860	\$ 651	\$ 1,785
Vehicle and service equipment	282	1,492	1,818
Customer relationships	17,149	21,767	24,645
Other intangibles	1,590	2,048	2,141
Deferred revenue	(2,544)	(2,724)	(5,590)
Net assets acquired	17,337	23,234	24,799
Goodwill	186	686	487
Total purchase price, net of cash acquired	17,523	23,920	25,286
Less seller financed debt, net	(6,551)	(5,135)	(5,373)
Cash purchase price	\$ 10,972	\$ 18,785	\$ 19,913

As of January 2, 2021, provisional amounts were estimated for the fair values of tangible and identifiable intangible assets acquired and liabilities assumed as of the respective closing dates of the purchase transactions of third-party lawn care businesses acquired after December 31, 2019. The final allocations of the respective purchase prices for the third-party lawn care businesses will be determined at a later date and are dependent upon a number of factors, including the final valuation of assets acquired and liabilities assumed and the resolution of purchase price adjustments pursuant to the transactions. The purchase price allocations may change upon the receipt of additional and more detailed information, and such changes could result in a material change to the accompanying consolidated financial statements. For the year ended December 31, 2019, previously reported provisional amounts have been adjusted to actual valuation amounts for all third-party acquisitions in 2019 and are reflected as such in the supplemental cash flow information above. Adjustments were primarily related to reallocations from Customer relationships to Accounts receivable and other assets and Goodwill. Included in the Business acquisitions line within the investing section of the consolidated statements of cash flows for the year ended January 2, 2021 is \$0.8 million of cash paid related to the finalization of acquisitions from 2019.

(5) Property and Equipment

The table below summarizes the property and equipment, including assets acquired under finance leases, of the Company at January 2, 2021 and December 31, 2019. These amounts reflect the preliminary purchase price allocations related to the lawn care businesses acquired after December 31, 2019, which may yield different results when finalized.

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	Est. Life (years)	As of	
		January 2, 2021	December 31, 2019
Machinery, production equipment and vehicles (1)	3-9	\$ 219,763	\$ 187,778
Technology	3-7	88,514	69,690
Buildings and improvements	10-40	57,204	55,445
Office equipment, furniture and fixtures	5-7	5,100	5,535
Land	N/A	14,063	14,063
		<u>384,644</u>	<u>332,511</u>
Less accumulated depreciation		<u>(217,550)</u>	<u>(179,746)</u>
		<u>\$ 167,094</u>	<u>\$ 152,765</u>

(1) Includes vehicle assets under finance leases as more fully discussed in Note 6.

Depreciation of property and equipment, including assets held under finance leases, for the years ended January 2, 2021, and December 31, 2019 and 2018, was \$46.8 million, \$47.6 million and \$51.6 million, respectively.

(6) Leases

Real estate

We lease the majority of our branch properties, as well as certain other corporate office space and customer service centers. These real estate leases are operating leases. Most of our real estate leases require that we pay taxes, insurance and maintenance applicable to the leased premises, and these costs are generally variable as they are based on actual costs incurred. We have elected to combine known costs and base rent into a single lease component in determining the right-of-use assets and liabilities for our real estate leases. Our real estate leases typically have initial terms of 5 – 10 years and many contain renewal options.

Vehicles

We also lease approximately two-thirds of our vehicle fleet. The majority of the active vehicle fleet leases are subject to a single fleet management services agreement (the “Fleet Agreement”) which, among other things, allows us to obtain fleet vehicles through a leasing program. The maximum contractual terms under the Fleet Agreement are 4 - 8 years. The Fleet Agreement allows for leases to be structured as either finance leases or operating leases for accounting purposes. All leases under the Fleet Agreement as of December 31, 2018 were operating leases for accounting purposes, while all new vehicles leased under the Fleet Agreement are structured as finance leases effective January 1, 2019. The lease rental payments include an interest component calculated using a variable rate based on one-month LIBOR plus other contractual adjustments and a borrowing margin of 1.2% and 2.2% for operating and finance leases, respectively. Other variable payments under the Fleet Agreement relate primarily to vehicle taxes, license, and registration costs.

We have an option under the Fleet Agreement to cancel the fleet vehicle leases at any time after the first year of the lease. If the lease is cancelled after the first year, we are required to make a final payment equivalent to the excess, if any, of the depreciated book value, as defined in the Fleet Agreement, over the net sales proceeds. In determining the estimated lease life in accordance with ASC 842, we estimate the point-in-time at which the depreciated book value approximates the net sales proceeds, and we would no longer be economically compelled to remain in the lease. While we anticipate leasing the vehicles for the full contract term, the estimated lease lives under ASC 842 range from 3 – 7 years for production vehicles and 1 – 3 years for non-production vehicles. As of January 2, 2021, if we were to cancel the fleet vehicle leases at the end of the estimated lease lives under ASC 842, we would be required to make maximum residual value guarantee

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payments, before any potential offset from sales proceeds, of \$41.9 million which we estimate would approximate the fair market values of the vehicles at the time of cancellation. If we keep the vehicles under the Fleet Agreement for the full contract term of the leases as anticipated, no residual value payments would be required.

As of January 2, 2021, we have entered into a commitment to lease additional vehicles in 2021 with annual payments of approximately \$6.4 million under the terms of the Fleet Agreement.

Certain vehicles leased outside of the Fleet Agreement include residual value guarantees which represent the estimated fair value of the leased vehicle at the end of the lease term that we have agreed to pay. As of January 2, 2021, the residual value guarantees totaled approximately \$5.1 million.

Our leases do not contain restrictive financial covenants.

Supplemental Balance Sheet Information

	<u>Classification</u>	<u>January 2, 2021</u>	<u>December 31, 2019</u>
Assets			
Operating lease assets	Operating lease right-of-use assets	\$ 161,072	\$ 169,473
Finance lease assets	Property and equipment, net (1)	46,339	24,655
Total lease assets		<u>\$ 207,411</u>	<u>\$ 194,128</u>
Liabilities			
Current			
Operating	Current portion of operating lease liabilities	\$ 35,037	\$ 33,907
Finance	Current portion of long-term debt	10,043	4,895
Noncurrent			
Operating	Long-term operating lease liabilities, less current portion	127,462	136,499
Finance	Long-term debt, less current portion	38,330	20,072
Total lease liabilities		<u>\$ 210,872</u>	<u>\$ 195,373</u>

(1) Net of accumulated depreciation of \$10,919 and \$2,528 as of January 2, 2021 and December 31, 2019, respectively.

Components of Lease Cost

	Year Ended	
	<u>January 2, 2021</u>	<u>December 31, 2019</u>
Operating lease cost	\$ 51,795	\$ 51,751
Variable lease cost	12,713	10,369
Short-term lease cost	753	742
Finance lease cost		
Depreciation of financed assets	7,773	2,528
Interest on lease liabilities	2,180	881
Total lease cost	<u>\$ 75,214</u>	<u>\$ 66,271</u>

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Prior to the adoption of ASC 842, the Company's leases of property and equipment were classified as operating leases in accordance with ASC 840. Operating lease expense was \$53,133 for the year ended December 31, 2018 under ASC 840.

Lease Term and Discount Rate

Operating lease right-of-use (ROU) assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the estimated lease lives. The implicit rate is not readily determinable for most of our leases since we do not have access to all information necessary to determine base rent, such as any initial direct costs incurred by lessors. As such, we have elected under ASC 842 to apply a portfolio approach using an estimated incremental borrowing rate to determine the initial present value of lease payments over the estimated lease lives, which is based on market and Company specific information. The weighted average remaining lease term and discount rates are presented in the table below:

	As of	
	January 2, 2021	December 31, 2019
Weighted average remaining lease term (years):		
Operating leases	5.4	5.7
Finance leases	5.5	5.6
Weighted average discount rate:		
Operating leases	6.80%	7.34%
Finance leases	5.96%	6.29%

Supplemental Cash Flow Information

	Year Ended	
	January 2, 2021	December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 51,814	\$ 52,185
Operating cash flows from financing leases	2,180	881
Financing cash flows from financing leases	7,360	2,194
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	27,055	17,369
Finance leases	30,339	27,174

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Maturity of Lease Liabilities

Fiscal Year	Operating Leases	Finance Leases	Total
2021	\$ 44,870	\$ 12,873	\$ 57,743
2022	39,679	11,354	51,033
2023	33,236	9,272	42,508
2024	26,238	8,348	34,586
2025	18,105	7,469	25,574
2026 and thereafter	32,130	6,768	38,898
Total future minimum lease payments	194,258	56,084	250,342
Less: interest	(31,759)	(7,711)	(39,470)
Present value of lease liabilities	<u>\$ 162,499</u>	<u>\$ 48,373</u>	<u>\$ 210,872</u>

(7) **Goodwill and Intangible Assets**

The table below summarizes the changes in goodwill for the years ended January 2, 2021 and December 31, 2019, and reflects the preliminary purchase price allocations related to the lawn care businesses acquired during the year ended January 2, 2021, which may yield different results when finalized:

Balance at December 31, 2018	\$ 216,941
Purchase price allocation adjustments	(8,648)
Third-party acquisitions, net	403
Balance at December 31, 2019	208,696
Purchase price allocation adjustments	283
Third-party acquisitions, net	186
Balance at January 2, 2021	<u>\$ 209,165</u>

The table below summarizes the other intangible asset balances and reflects the preliminary purchase price allocations related to the businesses acquired after December 31, 2019, which may yield different results when finalized:

	Amortization Period	Gross	Accumulated Amortization	Net
As of January 2, 2021:				
Trade name (1)	N/A	\$ 490,000	\$ -	\$ 490,000
Customer relationships	10 years	448,441	(262,225)	186,216
Other	3 - 5 years	15,189	(11,335)	3,854
Total		<u>\$ 953,630</u>	<u>\$ (273,560)</u>	<u>\$ 680,070</u>
As of December 31, 2019:				
Trade name (1)	N/A	\$ 490,000	\$ -	\$ 490,000
Customer relationships	10 years	433,049	(210,652)	222,397
Other	3 - 5 years	13,431	(9,656)	3,775
Total		<u>\$ 936,480</u>	<u>\$ (220,308)</u>	<u>\$ 716,172</u>

(1) Not subject to amortization.

The weighted-average remaining useful lives of Customer relationships and Other is 6.2 years and 3.2 years, respectively, as of January 2, 2021.

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Amortization expense, primarily related to customer relationships, was \$53.1 million, \$53.3 million and \$62.3 million for the years ended January 2, 2021, and December 31, 2019 and 2018, respectively. For existing intangible assets, we anticipate future amortization expense as follows:

Fiscal Year					
2021	2022	2023	2024	2025	2026 and thereafter
\$ 44,365	\$ 39,032	\$ 34,247	\$ 29,574	\$ 25,603	\$ 17,249

(8) Long-Term Debt

The components of long-term debt are as follows:

	As of	
	January 2, 2021	December 31, 2019
First Lien Credit Facility term loan, net of unamortized original issuance discount and debt issuance costs of \$19,485 and \$9,257, respectively	\$ 1,130,515	\$ 998,255
Second Lien Credit Facility term loan, net of unamortized original issuance discount and debt issuance costs of \$10,124 and \$5,896, respectively	264,876	144,104
Seller financed debt, net of discounts of \$2,276 and \$2,702, respectively	19,303	19,512
Finance lease obligations, net of discounts of \$7,711 and \$4,389, respectively (see Note 6)	48,373	24,967
First Lien Credit Facility revolving commitment	-	-
Total long-term debt	\$ 1,463,067	\$ 1,186,838
Less current portion	(25,203)	(18,780)
Long-term debt, net of current portion	\$ 1,437,864	\$ 1,168,058

The Company's debt, excluding finance lease obligations, matures as follows for each of the next five fiscal years and thereafter:

Fiscal Year					
2021	2022	2023	2024	2025	2026 and thereafter
\$ 18,680	\$ 18,459	\$ 15,238	\$ 13,699	\$ 13,003	\$1,367,500

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The components of interest expense for the periods presented are as follows:

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
First Lien Credit Facility term loan ¹	\$ 54,636	\$ 56,868	\$ 48,162
Second Lien Credit Facility term loan	19,702	21,683	24,333
Finance lease obligations	2,180	881	-
First Lien Credit Facility revolver	3,280	2,296	1,960
Amortization of debt issuance and discount costs	5,429	4,874	3,640
Other, net	(573)	(582)	(650)
Total interest expense, net	\$ 84,654	\$ 86,020	\$ 77,445
Supplemental cash flow information:			
Cash paid for interest	\$ 79,082	\$ 84,494	\$ 73,572

¹ Includes the impact from interest rate swaps

(a) First Lien Credit Facility

Term loan and revolver

On March 19, 2019, we amended our First Lien Credit Facility to provide a term loan of \$965 million and a revolver borrowing capacity of \$187 million. Proceeds, along with existing cash of the Company, were used to pay off the existing term loan and fund an equity distribution of \$234.2 million for the purchase of all the membership units held by Scotts. We accounted for this amendment as a debt modification and recorded expense of \$8.5 million for debt issuance and discount costs and out-of-pocket expenses during the year ended December 31, 2019. On July 26, 2019, we borrowed an additional \$50 million and used the proceeds to prepay an equivalent amount on the Second Lien Credit Facility. We incurred \$0.6 million for debt issuance and discount costs and out-of-pocket expenses related to the July 2019 borrowing.

On November 2, 2020, we amended our First Lien Credit Facility and entered into a new Second Lien Credit Facility to provide new term loans of \$1,150 million and \$275 million, respectively. Proceeds, along with existing cash of the Company, were used to pay off the existing term loans and fund an equity distribution of \$349 million. We treated a majority of the First Lien transaction as a debt modification, and accounted for the remainder and the Second Lien transaction as debt extinguishments. Accordingly, we recognized debt refinance expense of \$11.3 million related to new debt issuance costs and the write-off of unamortized debt issuance and discount costs in the consolidated statements of operations and comprehensive income (loss) for the year ended January 2, 2021.

The new First Lien Credit Facility term loan is payable quarterly (with the first principle payment due on March 31, 2021) in aggregate annual amounts equal to 1.00% of the original principal amount, and a final balloon payment of all unpaid principal and accrued interest is due on November 2, 2027. In addition, annual mandatory prepayments are payable beginning with the year ending January 1, 2022 at an amount equal to 50% of Excess Cash Flow, as defined, if and to the extent Excess Cash Flow exceeds \$5 million. Any mandatory prepayment for Excess Cash Flow for the year ended January 2,

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2021, under the pre-existing First Lien Credit Facility, is no longer applicable as a result of the November 2020 credit agreement amendment.

We have the option to prepay the term loan. All borrowings under the First Lien Credit Facility are secured by the capital stock of OHS and the capital stock of GreenLawn International Holdings, LLC and GreenLawn, Ltd. (the TruGreen Subsidiaries).

Borrowings under the First Lien Credit Facility revolver can be made in the form of loans, letters of credit, or swing line loans. In conjunction with amending First Lien Credit Facility, \$177 million of the revolving commitment was amended to mature on November 2, 2025, and the remaining \$10 million will mature on March 19, 2024. The available borrowing capacity under the revolver was as follows:

	As of	
	January 2, 2021	December 31, 2019
Borrowing credit capacity	\$ 187,000	\$ 187,000
Less: Outstanding revolving loan amounts	-	-
Less: Letters of credit	(33,786)	(33,786)
Available borrowing credit capacity	<u>\$ 153,214</u>	<u>\$ 153,214</u>

As a result of uncertainty surrounding the COVID-19 pandemic, on March 23, 2020, we borrowed \$153 million under the revolver to increase cash reserves. On June 1, 2020, the revolving loan was repaid in full.

Interest and interest rate swaps

Interest for the First Lien Credit Facility is the “Adjusted LIBOR Rate,” as defined, including a floor of 0.75%, plus the “Applicable Margin,” as defined, of 4.00%. Prior to amending the facility on November 2, 2020, the “Adjusted LIBOR Rate,” as defined, included a 0.00% floor, plus an “Applicable Margin,” as defined, of 3.75%. The interest rates at January 2, 2021 and December 31, 2019 were 4.75% and 5.55%, respectively. Each letter of credit on the revolver was charged a commission at an annual rate of 5.13% during the year ended December 31, 2018, and annual rates ranging from 3.88% to 5.13% and 3.38% to 3.88% during the years ended December 31, 2019 and January 2, 2021, respectively. Commitment fees on unutilized portions of the revolver are calculated at an annual rate of 0.38%. Commissions and commitment fees are included in Interest expense in the consolidated statements of operations and comprehensive income (loss).

Effective July 31, 2019, we entered into three three-year interest rate swap agreements with an aggregate notional amount of \$700 million, on which we pay a fixed rate of 1.60% and receive a floating rate based on one-month LIBOR. During the term of the agreements, the effective interest rate on \$700 million of the term loan is fixed at a rate of 1.60% plus our Applicable Margin.

Covenants

Under the First Lien Credit Facility, we are required to maintain a maximum first lien secured leverage ratio tested on a quarterly basis at any time when average daily revolver utilization over the last four fiscal quarters exceeds 35% of the aggregate borrowing capacity of the revolver. In addition, the facility contains other Company related covenants that, among other things, restrict the declaration of dividends, further indebtedness and investments in unrestricted subsidiaries without the lenders’ prior

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consent. As of January 2, 2021, we were in compliance with all required covenants under the First Lien Credit Facility.

(b) *Second Lien Credit Facility*

On March 19, 2019, we amended our \$200 million Second Lien Credit Facility to redefine the Maximum Incremental Facilities Amount as it related to defined terms of the amended First Lien Credit Facility. In July 2019 we borrowed an additional \$50 million under the First Lien Credit Facility and prepaid an equivalent amount on the Second Lien Credit Facility.

As described above, in November 2020, we entered into a new Second Lien Credit Facility to provide a new term loan of \$275 million. The new Second Lien Credit Facility term loan is due and payable on November 2, 2028, and accrues interest, payable quarterly, at the “Adjusted LIBOR Rate,” as defined, including a floor of 0.75%, plus the “Applicable Margin,” as defined, of 8.50%. Prior to amending the facility on November 2, 2020, interest for the Second Lien Credit Facility was fixed at a 12% rate per annum. The interest rates as of January 2, 2021 and December 31, 2019 were 9.25% and 12%, respectively.

The facility contains Company related covenants that, among other things, restrict the declaration of dividends, further indebtedness and investments in unrestricted subsidiaries without the lenders’ prior consent. As of January 2, 2021, we were in compliance with all required covenants under the Second Lien Credit Facility.

The Second Lien Credit Facility cannot be prepaid in the first year following issuance. Any prepayments made in the 2nd or 3rd year following issuance are subject to 2% and 1% prepayment penalties, respectively. Following the 3rd anniversary of issuance, the Company has the option to prepay the Second Lien Credit Facility term loan without penalty. Borrowings are secured by the capital stock of OHS and the TruGreen Subsidiaries and are junior to the First Lien Credit Facility.

(c) *Seller Financed Debt*

In connection with acquisitions of lawn care businesses, the Company has used seller financed debt to fund a portion of its acquisitions. The debt instruments issued to the respective sellers have final payments due at various dates through July 2025. The Company accretes the discount on seller financed debt and recognizes interest expense through the end of the payment period using the effective interest rate method, with an effective interest rate of 6.50%.

(d) *Fair value measurement*

The estimated fair value of our debt, excluding finance leases, was \$1,449 million and \$1,192 million as of January 2, 2021 and December 31, 2019, respectively. We estimated the fair values of our First and Second Lien Credit Facilities based on available market prices for the same or similar instruments which are considered significant other observable inputs (Level 2) within the fair value hierarchy. We estimated the fair value of the seller financed debt as of January 2, 2021 and December 31, 2019 based on our incremental borrowing rates at year end for instruments with similar maturities, which ranged from 4.17% to 4.27% and 4.61% to 4.72%, respectively.

(9) *Derivative Instruments*

During March 2020 and May 2019, we entered into fuel swap contracts to mitigate the financial impact of fluctuations in fuel prices for approximately 50% and 80% of our expected remaining fuel purchases for the respective fiscal years. As of January 2, 2021 and December 31, 2019, our fuel swap contracts to pay fixed

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prices for fuel were fully matured, the effects of which have been recognized in the consolidated statements of operations and comprehensive income (loss) for the years then ended.

During July 2019, we entered into three-year interest rate swap agreements to mitigate the financial impact of fluctuations in interest rates associated with the First Lien Credit Facility term loan. Under the terms of these agreements, we pay a fixed rate of interest on the stated notional amount and receive a floating rate of interest (based on one-month LIBOR) on the stated notional amount. Therefore, during the term of the swap agreements, the effective interest rate on the portion of the term loan equal to the notional amount is fixed at the stated rates in the interest rate swap agreements plus our incremental borrowing margin. As of January 2, 2021, and December 31, 2019, we had interest rate swap contracts to pay fixed prices for interest with an aggregate notional amount of \$700 million, maturing in July 2022.

We did not enter into any derivative instruments during the year ended December 31, 2018. The carrying amount and estimated fair value of our derivative instruments that are recorded at fair value on a recurring basis for the periods presented are as follows:

	Consolidated Statement of Financial Position Location	Fair Value Hierarchy	As of	
			January 2, 2021	December 31, 2019
Financial Assets:				
Interest rate swaps	Prepaid expenses and other assets	2	\$ -	\$ 85
Total Financial Assets			\$ -	\$ 85
Financial Liabilities:				
Interest rate swaps	Other current liabilities	2	\$ 10,428	\$ -
Interest rate swaps	Other long-term obligations	2	5,934	1,351
Total Financial Liabilities			\$ 16,362	\$ 1,351

The following table summarizes the activity in accumulated other comprehensive income (loss), net of tax:

	Unrealized Gains (Losses) on Fuel Swaps	Unrealized Gains (Losses) on Interest Swaps
Balance as of December 31, 2018	\$ -	\$ -
Other comprehensive loss before reclassifications	31	(166)
Less: Gains (losses) reclassified to earnings	31	1,100
Balance as of December 31, 2019	-	(1,266)
Other comprehensive loss before reclassifications	(1,900)	(21,978)
Less: Gains (losses) reclassified to earnings	(1,900)	(6,955)
Balance as of January 2, 2021	\$ -	\$ (16,289)

The amount expected to be reclassified into earnings during the next 12 months includes unrealized losses related to open interest rate swaps. Specifically, as the underlying forecasted transactions occur during the next 12 months, the hedging losses in Accumulated other comprehensive income (loss) expected to be

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recognized in earnings is a loss of \$10 million as of January 2, 2021. The amounts that are ultimately reclassified into earnings will be based on actual interest rates at the time the positions are settled and may differ materially from the amount noted above.

(10) Members' Deficit

In connection with the Merger and Acquisition, all existing shares of THC were repurchased or exchanged on a one to one basis for shares of OHS's parent company, Outdoor Home Services, Inc. Each OHS, Inc. share holds a representative membership unit in OHS. OHS has one authorized class of limited liability company interests consisting of common units. As of January 2, 2021, OHS has 73,152,281 membership units issued and outstanding.

As of January 1, 2018, the Company adopted ASC 606 using the modified retrospective transition method as allowed in the new standard. Under the modified retrospective approach, which does not require restatement of previously reported periods, the Company recorded a one-time adjustment to opening equity to adjust for the cumulative impact of the change in the new revenue recognition standard. Additional information and disclosures required by this standard are more fully discussed in Note 2.

(11) Stock-Based Compensation

Following the Merger and Acquisition, the board of directors of OHS, Inc. adopted the Outdoor Home Services Inc. Stock Incentive Plan (the OSIP). The OSIP provides for all equity offerings including the sale of shares of OHS, Inc. stock to the directors and certain employees of OHS, Inc. and its majority owned subsidiaries (including OHS), as well as the grant of both restricted stock units (RSUs) and stock options (options) to purchase shares of OHS, Inc. An RSU is a right to receive a share of stock and distributions thereon in the future. The board of directors, or a committee designated by it, selects the individuals eligible to participate in the OSIP and determines the specific number of RSUs or options to be granted or shares to be offered to an individual.

A maximum of 9,000,000 shares of OHS, Inc. stock is authorized for issuance to employees under the OSIP. OHS, Inc. currently intends to satisfy any need for shares of common stock associated with the vesting of RSUs, exercise of options or issuance of shares under the OSIP through those shares available for issuance or any shares repurchased, forfeited, or surrendered from participants in the OSIP.

In addition to stock authorized for issuance to employees under the OSIP, shares of THC previously issued to employees rolled over to OHS, Inc. in the Merger and Acquisition (Rollover Shares) were authorized for issuance under the OSIP. Any Rollover Shares repurchased, forfeited or surrendered are not available for future use in the OSIP.

All option grants under the OSIP have been, and will be, nonqualified options with a per share exercise price no less than the fair market value of one share of OHS, Inc. stock on the grant date. Any stock options granted will generally have a term of ten years, and vesting will be subject to an employee's continued employment. The board of directors, or a committee designated by it, may accelerate the vesting of an option or RSU at any time. In addition, in the event of a Change in Control (as defined in the OSIP), all then outstanding options (whether vested or unvested) and RSUs shall be canceled in exchange for a payment as determined by the OSIP unless an alternative award is substituted with substantially equivalent terms and economic value as determined by the board of directors. Vesting of options will also be accelerated in the event of an employee's death or disability (as defined in the OSIP). Upon a termination for cause (as defined in the OSIP), all options held by an employee are immediately canceled. Following a termination without cause, vested options will generally remain exercisable through the earliest of the expiration of their term or three

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months following termination of employment (one year in the case of death, disability or retirement). Unless sooner terminated by the board of directors, the OSIP will remain in effect until April 13, 2026.

In May 2019, the Company's board of directors declared a cash dividend of \$0.15 per common share that was paid to stockholders of record on May 21, 2019. The OSIP authorizes the board of directors to adjust the exercise price of the options and/or make a cash payment to the option holders to preserve the intrinsic value of such options as the board of directors deems appropriate in the event of certain extraordinary events affecting the value of the shares of OHS, Inc. common stock. The board of directors determined that the special dividend is an extraordinary event for which such adjustments are appropriate. As such, the exercise price of each option was reduced by the actual amount of the dividend per share value, \$0.15, but not below a per share price of \$1.79. Holders of options with a per share exercise price of less than \$1.79 were paid an amount equal to \$0.15 per share for each underlying vested option subject to applicable withholding requirements.

In November 2020, the Company's board of directors declared a cash dividend of \$4.86 per common share that was paid to stockholders of record on November 2, 2020. In connection with this dividend, the exercise price of each option was reduced by the actual amount of the dividend per share value, \$4.86, but not below the New Floor Price, \$0.24 per share. To the extent the exercise price could not be reduced because of the New Floor Price, the excess amount by which the exercise price would have been reduced but for the New Floor Price was paid to the option holder in cash upon vesting of the option.

Share Activity

In 2020, 2019 and 2018, OHS, Inc. completed equity offerings to certain of the Company's directors and employees pursuant to the OSIP. The shares sold in connection with these equity offerings, which are subject to and governed by the terms of the OSIP, were as follows:

Fiscal Year	Shares	Weighted average share price
2020	-	\$ -
2019	150,581	\$ 5.48
2018	144,230	\$ 5.20

The per share value was based on the fair market value of OHS, Inc. common stock as of the purchase/grant dates, as determined by the board of directors, or its designated committee.

Option and RSU Activity

Generally, options granted under the OSIP vest in four equal annual installments, subject to an employee's continued employment. The stated vesting period in an option grant is the requisite service period over which the related compensation cost will be recognized on a straight-line basis. The fair value of each option award was estimated on the grant date using the Black Scholes option valuation model that incorporates the assumptions presented in the following table. For options granted in 2020, 2019 and 2018, the expected volatilities were based on the historical and implied volatilities of the publicly traded stock of a group of companies comparable to OHS, Inc. Compensation expense related to the issuance of options to OHS directors and employees is pushed down from OHS, Inc. and recorded in the consolidated statements of operations and comprehensive income (loss) of OHS.

The expected life represents the period of time that options granted are expected to be outstanding and was calculated using the simplified method as outlined by the SEC in Staff Accounting Bulletins No. 107 and

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110. The risk free interest rates were based on the U.S. Treasury securities with terms similar to the expected lives of the options as of the grant dates.

<u>Assumption</u>	<u>Fiscal Year</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Expected volatility	40%	40%	40%
Expected dividend yield	- %	- %	- %
Expected life (in years)	5 - 7	6 - 7	5 - 6
Risk-free interest rate	0.4% - 0.8%	1.4% - 2.6%	2.8% - 2.9%

The weighted-average grant-date fair value of the options granted during the years ended January 2, 2021, and December 31, 2019 and 2018, was \$2.43, \$2.44 and \$2.21, respectively. The Company has applied a forfeiture assumption of 10.0 percent per annum in the recognition of the expense related to options granted during the years ended January 2, 2021, and December 31, 2019 and 2018. A summary of option activity under the OSIP is presented below:

	<u>Number of stock options</u>	<u>Number of options exercisable</u>	<u>Weighted average exercise price (\$)</u>	<u>Weighted average remaining contractual term (in years)</u>
Total as of December 31, 2017	7,183,850	2,391,395	2.33	7.8
Granted to employees	2,365,843		5.20	
Exercised	(1,021,260)		1.46	
Forfeited	(1,566,346)		4.02	
Expired	(65,236)		1.86	
Total as of December 31, 2018	6,896,851	3,496,175	3.26	7.6
Granted to employees	1,461,678		5.75	
Exercised	(1,143,809)		2.07	
Forfeited	(310,211)		3.83	
Expired	(152,866)		2.91	
Total as of December 31, 2019	6,751,643	3,489,006	3.88	7.3
Granted to employees	239,835		6.15	
Exercised	(1,134,936)		0.51	
Forfeited	(235,153)		4.77	
Expired	(148,096)		3.64	
Total as of January 2, 2021	<u>5,473,293</u>	3,681,306	0.41	6.8

No RSUs were outstanding or granted by OHS, Inc. during the years ended January 2, 2021, and December 31, 2019 and 2018.

Stock based compensation expense was \$2.7 million, \$2.7 million and \$3.1 million for the years ended January 2, 2021, and December 31, 2019 and 2018, respectively. As of January 2, 2021 and December 31, 2019, there was \$3.7 million and \$6.1 million of total unrecognized compensation cost related to non-vested stock options which are expected to be recognized over a weighted average period of 1.9 years and 2.5 years, respectively.

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(12) Income Taxes

The components of net income (loss) before income taxes are as follows:

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
U.S.	\$ 17,448	\$ (11,020)	\$ (19,841)
Foreign	1,131	(301)	(65)
Total	\$ 18,579	\$ (11,321)	\$ (19,906)

The components of the Company's provision (benefit) for income taxes are as follows:

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
Current provision (benefit)			
Domestic:			
Federal	\$ -	\$ -	\$ -
State and local	648	365	989
Foreign	453	85	179
	1,101	450	1,168
Deferred provision (benefit)			
Domestic:			
Federal	-	-	-
State and local	(586)	41	(804)
Foreign	(30)	(94)	(83)
	(616)	(53)	(887)
Total	\$ 485	\$ 397	\$ 281

Cash paid for taxes, net of refunds, was \$0.5 million, \$0.6 million and \$0.6 million for the years ended January 2, 2021, and December 31, 2019 and 2018, respectively.

The reconciliation of the U.S. federal statutory tax rate to the Company's effective income tax rate is as follows:

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
Tax at U.S. federal statutory rate	0.0%	0.0%	0.0%
State and local income taxes, net of U.S. federal benefit	0.3	(3.6)	(0.9)
Canada and other, including foreign rate differences	2.3	0.1	(0.5)
Effective tax rate	2.6%	(3.5)%	(1.4)%

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The effective tax rate for the years ended December 31, 2019 and 2018 was negative because the Company incurred tax expense in some states, as well as Canada, although its consolidated operations resulted in an overall loss before income tax.

Deferred income taxes result from temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities used for income tax purposes. Significant components of the Company's deferred income tax assets and liabilities are presented below:

	As of	
	January 2, 2021	December 31, 2019
Deferred tax assets:		
Receivables allowances	\$ 63	\$ 99
Accrued expenses	155	231
Accrued insurance	162	97
Stock-based compensation	24	9
Net operating loss and tax credit carryforwards	109	275
Intangible assets	1,560	1,498
Other	187	59
Total deferred tax assets	2,260	2,268
Deferred tax liabilities:		
Prepaid expenses	(273)	(314)
Intangible assets	(2,328)	(2,952)
Property and equipment	(269)	(333)
Total deferred tax liabilities	(2,870)	(3,599)
Net deferred tax liabilities	\$ (610)	\$ (1,331)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. We expect that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

As of January 2, 2021, OHS had no federal or state net operating losses, and had tax credit carryforwards of \$0.1 million which will begin to expire in 2031.

In the ordinary course of business, the Company is subject to review by domestic and foreign taxing authorities. Our U.S. federal and Canadian income tax returns are subject to examination for 2017 and all subsequent years, while our most significant state income tax return is subject to examination for 2016 and after. We had no significant tax benefits related to income tax issues for the Company that have not been recognized for financial reporting purposes for the years ended January 2, 2021, and December 31, 2019 and 2018. Our policy is to recognize potential interest and penalties related to our tax positions within the tax provision. We did not accrue or reverse any interest or penalties through the tax provision during the years ended January 2, 2021, and December 31, 2019 and 2018, and had no accrual for the payment of interest and penalties as of January 2, 2021 and December 31, 2019.

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(13) Restructuring Charges and Other Costs

The Company incurred restructuring charges and other costs related to the following activities:

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
Business transformation	\$ 7,204	\$ 6,047	\$ 4,550
Executive hiring, relocation, and severance	230	1,600	9,274
Acquisitions	1,312	839	1,847
Pandemic expenses and other	510	(18)	1,024
	\$ 9,256	\$ 8,468	\$ 16,695
Supplemental cash flow information:			
Cash paid for restructuring charges	\$ 5,915	\$ 13,942	\$ 11,963

(14) Related Party Transactions

The Company maintains consulting agreements with CD&R (CD&R Agreements) under which CD&R provides the Company with on-going consulting and management advisory services. The amounts incurred for these services were \$3.0 million, \$3.0 million and \$2.1 million for the years ended January 2, 2021, and December 31, 2019 and 2018, respectively. As of January 2, 2021 and December 31, 2019, all amounts under the CD&R Agreements had been paid.

Following the Merger and Acquisition, the Company entered into consulting agreements with SMG (SMG Agreements) under which SMG provided the Company with on-going consulting and management advisory services until March 19, 2019. Under the SMG Agreements, the Company recorded \$0.2 million and \$0.9 million for the years ended December 31, 2019 and 2018.

On March 19, 2019, OHS Inc. and its subsidiaries purchased the remaining equity interest held by Scotts in the Company of approximately 30% (the Member's Equity Purchase). In connection therewith, net proceeds from the refinance of existing debt, as more fully discussed in Note 8, together with existing cash of the Company, were used to fund a dividend of \$234.2 million for the purchase of the membership units held by Scotts.

As of December 31, 2018, CD&R and SMG held \$41.6 million and \$18.4 million, respectively, of the Company's debt payable under the Second Lien Credit Facility. In conjunction with the Member's Equity Purchase on March 19, 2019, CD&R and Scotts entered into an Assignment and Assumption Agreement pursuant to which CD&R purchased all loans held by Scotts. On July 26, 2019, a portion of the Second Lien Credit Facility was repaid including \$15.0 million held by CD&R. On November 2, 2020, the remaining \$45.0 million of the Second Lien Credit Facility held by CD&R was repaid in full.

The Company's Amended and Restated Limited Liability Company Agreement requires annual tax distribution payments to be made to the members. The final tax distribution payment of \$11,854 relating to the year ended December 31, 2018 was paid January 2, 2019 and represented a current liability as of December 31, 2018. There were no amounts accrued as of January 2, 2021 and December 31, 2019.

Outdoor Home Services Holdings, LLC

Notes to the Consolidated Financial Statements

(Dollar amounts in thousands, except as otherwise specified)

Supplemental cash flow information related to Members' distributions for the periods presented was as follows:

	Year Ended		
	January 2, 2021	December 31, 2019	December 31, 2018
Dividends	\$ 349,000	\$ 234,162	\$ 169
Tax distributions	171	12,080	804
	<u>\$ 349,171</u>	<u>\$ 246,242</u>	<u>\$ 973</u>

In connection with the Distribution Transaction, we entered into a transition services agreement pursuant to which ServiceMaster and its subsidiaries provided specified services to the Company while we executed an orderly transition of employees and other support arrangements from ServiceMaster to the Company. Most services provided under the transition services agreement terminated at various specified times through the end of 2016, while some limited services continued through June 2018. Under this transition services agreement, the Company incurred \$0.8 million for the year ended December 31, 2018 of fees due to ServiceMaster. These expenses are included in Cost of services rendered and products sold and Selling and administrative expenses in the consolidated statements of operations and comprehensive income (loss). There were no amounts owed to ServiceMaster for these transactions as of January 2, 2021 and December 31, 2019.

(15) Employee Benefit Plans

Employee 401(k) Plan

The Company's Employee 401(k) Plan (the TruGreen Profit Sharing and Retirement Plan), which covers all employees with 90 days of service, allows participants to make contributions from 1 percent to 75 percent of their annual compensation to the plan, up to the Internal Revenue Code limits. As a safe harbor plan under the Qualified Automatic Contribution Arrangement (QACA), the Company makes a matching contribution on behalf of each participant who contributes a portion of their compensation to the plan in an amount equal to 100 percent of elective contributions made by each participant up to the first 1 percent of compensation and 50 percent of elective contributions made by each participant for the next 5 percent of compensation. Company matching contributions vest over a two-year period contingent upon continued employment. Matching contribution expense was \$11.2 million, \$11.2 million and \$10.2 million for the years ended January 2, 2021, and December 31, 2019 and 2018, respectively.

Deferred Compensation Plan

The Deferred Compensation Plan (DCP) is a nonqualified plan for certain highly compensated employees. The DCP is funded through employee contributions. The Company, in its sole discretion by action of the board of directors, may elect to make discretionary contributions to the plan annually. Participants are immediately vested in their contributions while the contributions of the Company are vested over five years. The Company elected not to contribute to the DCP during the years ended January 2, 2021, and December 31, 2019 and 2018.

The fair value of the deferred compensation trust assets was \$2.6 million and \$2.4 million and is reported in Other assets within the consolidated statements of financial position at January 2, 2021 and December 31, 2019, respectively. Our fair value estimates incorporate quoted market prices for the underlying mutual funds. An equal and offsetting liability representing future compensation payments due to plan participants is recorded in Other long-term obligations within the consolidated statements of financial position. Net

Outdoor Home Services Holdings, LLC

Notes to the Consolidated Financial Statements

(Dollar amounts in thousands, except as otherwise specified)

unrealized gains and losses are recorded in the Company's consolidated statements of operations and comprehensive income (loss).

(16) Commitments and Contingencies

In the normal course of business, we enter into service agreements with customers that incorporate indemnification provisions. While the maximum amount to which the Company may be exposed under such agreements cannot be estimated, we do not expect these guarantees and indemnifications to have a material effect on our business, financial condition, results of operations, or cash flows.

We carry insurance policies on insurable risks at levels that we believe to be appropriate, including workers' compensation, auto, and general liability risks. We purchase insurance policies from third-party insurance carriers which typically incorporate significant deductibles or self-insured retentions. We are responsible for all claims that fall below the retention limits. While all claims originating prior to the Distribution Transaction are the responsibility of an affiliate of Terminix Global Holdings (Terminix), formerly ServiceMaster Global Holdings, we are the originating obligor, and therefore have recorded liabilities of \$14.1 million and \$15.1 million as of January 2, 2021 and December 31, 2019, respectively, for these amounts in Accrued claims and related expenses and Other long-term obligations in the consolidated statements of financial position. As we believe Terminix has the intent and ability to satisfy these liabilities, we have recorded an equal and offsetting receivable in Prepaid expenses and other assets and Other assets in the consolidated statements of financial position. We are solely responsible for all claims originating subsequent to the Distribution Transaction, and as such, have recorded liabilities of \$63.8 million and \$58.0 million as of January 2, 2021 and December 31, 2019, respectively, for these claims in Accrued claims and related expenses and Other long-term obligations in the consolidated statements of financial position. We have also recorded corresponding receivables from third-party carriers for the claims amounts in excess of our deductible or self-retention limits of \$27.7 million and \$25.3 million at January 2, 2021 and December 31, 2019, respectively, in Prepaid expenses and other assets and Other assets in the consolidated statements of financial position.

In determining the accrual for self-insured claims, we use historical claims experience to establish both the current year accruals and the provisions for incurred losses. These provisions and related accruals include known claims, as well as incurred but not reported claims. We adjust the estimate of accrued self-insured claims when required to reflect changes in factors such as health care costs, accident frequency, and claim severity.

We have exposure to certain liabilities with respect to existing or potential claims, lawsuits, and other proceedings. We accrue for these liabilities when it is probable that future costs will be incurred and when such costs can be reasonably estimated.

In the ordinary course of conducting business activities, we become involved in judicial, administrative, and regulatory proceedings involving both private parties and governmental authorities. These proceedings include insured and uninsured matters that are brought on an individual, collective, representative and class action basis, or other proceedings, involving regulatory, employment, general and commercial liability, automobile liability, wage and hour, environmental and other matters. At this time, we do not expect any of these proceedings to have a material effect on our reputation, business, financial position, results of operations, or cash flows; however, we can give no assurance that the results of any such proceedings will not materially affect our reputation, business, financial position, results of operations, and cash flows.

Impact of the Novel Coronavirus Pandemic

A novel strain of coronavirus (COVID-19) has resulted in a worldwide health pandemic (the Pandemic). The Pandemic has affected every region where we operate, resulting in business slowdowns and shutdowns. In

Outdoor Home Services Holdings, LLC

Notes to the Consolidated Financial Statements

(Dollar amounts in thousands, except as otherwise specified)

these financial statements and related disclosures, we have assessed the current impact of the Pandemic on our financial condition, results of operations, and cash flows, as well as our estimates and accounting policies. Refer to discussion regarding revolver borrowings in Note 8 and employer payroll tax deferral described below.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and permitted most companies to defer payment of the 6.2% employer share of Social Security payroll taxes from the date it was signed into law through December 31, 2020. As the deferred amount is due in two equal installments on December 31, 2021 and December 31, 2022, we have recorded \$11.6 million of deferred payroll taxes both in Accrued payroll and related expenses and in Other long-term obligations in the consolidated statements of financial position as of January 2, 2021.

GUARANTEE OF PERFORMANCE

For value received, Outdoor Home Services Holdings, LLC, a Delaware limited liability company (the "Guarantor"), located at 1790 Kirby Parkway, Suite 300, Memphis, Tennessee 38138, absolutely and unconditionally guarantees to assume the duties and obligations of TruGreen Limited Partnership,, located at 1790 Kirby Parkway, Forum, II, Suite 300, Memphis, Tennessee 38138 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2021 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Memphis, Tennessee, on the 4 day of November, 2021.

Guarantor:

OUTDOOR HOME SERVICES HOLDINGS LLC

By: 

Name: Kevin E. Mann

Title: SVP, Secretary & Chief Legal Officer

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Outdoor Home Services Holdings, LLC

Condensed Consolidated Financial Statements (Unaudited)

July 3, 2021 and July 4, 2020

Outdoor Home Services Holdings, LLC

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Outdoor Home Services Holdings, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(In thousands)

	Three Months Ended		Six Months Ended	
	July 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Net revenue	\$ 489,398	\$ 483,296	\$ 681,266	\$ 679,609
Cost of services rendered and products sold	280,397	268,511	439,489	435,170
Gross profit	209,001	214,785	241,777	244,439
Selling and marketing expenses	96,943	91,222	133,887	127,620
General and administrative expenses	20,014	19,057	41,762	40,325
Amortization expense	15,984	18,497	21,084	24,313
Restructuring charges and other costs	1,342	2,122	2,317	2,564
Operating income	74,718	83,887	42,727	49,617
Interest expense, net	25,264	20,201	50,444	41,723
Debt refinance expense	-	(48)	-	321
Investment expense (income)	(166)	(445)	(311)	15
Net income before income taxes	49,620	64,179	(7,406)	7,558
Income tax expense (benefit)	1,134	152	585	298
Net income (loss)	48,486	64,027	(7,991)	7,260
Other comprehensive income (loss), net of taxes	2,496	3,003	5,397	(21,521)
Total comprehensive income (loss)	\$ 50,982	\$ 67,030	\$ (2,594)	\$ (14,261)

See accompanying notes to the condensed consolidated financial statements.

Outdoor Home Services Holdings, LLC
Condensed Consolidated Statements of Financial Position (Unaudited)
(In thousands)

	As of	
	July 3, 2021	January 2, 2021
Current assets:		
Cash and cash equivalents	\$ 127,631	\$ 112,206
Receivables, less allowances of \$7,493 and \$4,480, respectively	72,058	30,896
Inventories	39,919	26,272
Prepaid expenses and other assets	97,139	39,827
Deferred customer acquisition costs	39,272	22,211
Total current assets	376,019	231,412
Property and equipment, net	175,705	167,094
Intangible assets, net	669,200	680,070
Goodwill	209,372	209,165
Operating lease right-of-use assets	154,680	161,072
Deferred customer acquisition costs	34,315	29,005
Other assets	38,860	34,357
Total assets	\$ 1,658,151	\$ 1,512,175
Current liabilities:		
Current portion of long-term debt	\$ 28,413	\$ 25,203
Accounts payable	88,640	43,439
Accrued payroll	43,122	52,982
Accrued insurance claims	30,428	29,844
Deferred revenue	273,091	163,721
Current portion of operating lease liabilities	34,519	35,037
Other	25,930	22,909
Total current liabilities	524,143	373,135
Long-term debt, less current portion	1,439,757	1,437,864
Long-term operating lease liabilities, less current portion	121,915	127,462
Other long-term obligations	72,091	70,640
Commitments and contingencies (see Note 13)		
Members' deficit:		
Members' deficit	(489,500)	(481,275)
Accumulated other comprehensive loss	(10,255)	(15,651)
Total members' deficit	(499,755)	(496,926)
Total liabilities and members' deficit	\$ 1,658,151	\$ 1,512,175

See accompanying notes to the condensed consolidated financial statements.

Outdoor Home Services Holdings, LLC
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Six Months Ended	
	July 3, 2021	July 4, 2020
Cash and cash equivalents at beginning of period	\$ 112,206	\$ 62,192
Cash flows provided from operating activities:		
Net income (loss)	(7,991)	7,260
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization expense	44,230	46,887
Stock-based compensation expense	1,095	1,547
Deferred customer acquisition costs, long-term	(5,310)	(4,013)
Amortization of debt issuance and discount costs	2,385	2,629
Debt refinance expense	-	321
Reserves for claims, long-term	1,310	985
Restructuring charges, net of cash paid	1,212	45
Changes in working capital, net of acquisitions	12,767	61,201
Other, net	47	(5)
Net cash provided from operating activities	<u>49,745</u>	<u>116,857</u>
Cash flows used for investing activities:		
Additions to property and equipment	(15,471)	(11,416)
Business acquisitions	(5,662)	(7,383)
Asset sales and other	814	446
Net cash used for investing activities	<u>(20,319)</u>	<u>(18,353)</u>
Cash flows used for financing activities:		
Revolver borrowings	-	153,000
Revolver payments	-	(153,000)
Payments of long-term debt	(12,671)	(8,508)
Issuance and repurchase of members' units, net	(1,065)	(3,331)
Exercise of stock options of Parent	100	285
Members' tax distributions	(365)	(10)
Net cash used for financing activities	<u>(14,001)</u>	<u>(11,564)</u>
Increase in Cash and cash equivalents	<u>15,425</u>	<u>86,940</u>
Cash and cash equivalents at end of period	<u>\$ 127,631</u>	<u>\$ 149,132</u>

See accompanying notes to the condensed consolidated financial statements.

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

(1) Basis of Presentation, the Distribution Transaction, and Acquisition

The Distribution Transaction and Acquisition

On January 14, 2014, ServiceMaster Global Holdings, Inc., the indirect parent corporation of The ServiceMaster Company (ServiceMaster) and now known as Terminix Global Holdings, completed a separation transaction resulting in the spin-off of the assets and certain liabilities of the business (the TruGreen Business) that comprised the lawn, tree and shrub care services previously conducted by ServiceMaster (the Distribution Transaction). Following the Distribution Transaction, the operations of the TruGreen Business were transferred to TruGreen Holding Corporation (THC) which operated the business as a stand-alone entity through its wholly owned subsidiary TruGreen L.P. (TruGreen).

On April 13, 2016, THC contributed TruGreen to its newly formed subsidiary, Outdoor Home Services Holdings, LLC (OHS), through which THC acquired Scotts LawnService, a business carved out from Scotts Miracle-Gro. The combined business operates under the TruGreen brand, with principal operations conducted through TruGreen. A private equity fund managed by Clayton, Dubilier & Rice (CD&R) owns a majority interest in OHS through its majority ownership in OHS's ultimate parent company Outdoor Home Services, Inc. (OHS Inc. or the Parent).

Basis of Presentation

The unaudited condensed consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP), and include the accounts of OHS and its subsidiaries as of July 3, 2021 and January 2, 2021, and for the three and six months ended July 3, 2021 and July 4, 2020. References to the Company, we, us, and our, refer to OHS. All consolidated subsidiaries of OHS are wholly owned. Intercompany transactions and balances have been eliminated.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of OHS and the notes thereto for the year ended January 2, 2021. Certain significant accounting policies and other disclosures normally provided have been omitted since such items are disclosed in those annual audited consolidated financial statements.

The unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for any interim period are not necessarily indicative of the results that might be achieved for a full year.

We reclassified prior year financial statements to conform to the current presentation, which included classifying selling and marketing expenses together in one line, and general and administrative expenses together in a separate line. This reclassification had no effect on net income (loss) or operating cash flows.

The Company employs a 52/53-week fiscal year ending on the Saturday closest to December 31. In 52-week fiscal years such as 2021 and 2020, each of the Company's quarterly periods comprise 13 weeks, and they are referred to as three month periods throughout the unaudited condensed consolidated financial statements.

(2) Significant Accounting Policies

(a) Use of Estimates

The preparation of the unaudited condensed consolidated financial statements requires management to make certain estimates and assumptions required under GAAP which may differ from actual results. The areas requiring the use of significant management estimates relate to the allowance for

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

uncollectible receivables, the possible outcome of outstanding litigation, accruals for income tax liabilities as well as deferred income tax accounts, the deferral and amortization of customer acquisition costs, reserves for customer discounts, estimated lease terms and discount rates of lease-related assets and liabilities, useful lives for depreciation and amortization expense, self-insurance reserves, the goodwill impairment assessment, and the valuation of tangible and intangible assets.

(b) *Revenue Recognition, Deferred Revenue and Customer Acquisition Costs*

Revenue recognition

We derive all our revenue from customers and franchisees in the United States and Canada by providing lawn, tree/shrub and mosquito services to residential and commercial customers. These revenue types have similar characteristics and do not require disaggregation.

Services can be provided on a one-time or a recurring basis through continuous service contracts. Contracts with customers for recurring services continue until canceled by either party. Revenues from services are recognized at the agreed-upon transaction price over time as the services are provided. Except for certain pre-season production costs as more fully discussed in Note 2(d), associated service costs are expensed as incurred and primarily include production labor, vehicle and chemical expenses. Upon completion of service, a receivable is recorded related to this revenue as we have an unconditional right to receive payment. All accounts receivable are recorded within Receivables, less allowances, in the unaudited condensed consolidated statements of financial position. Payments are generally received shortly after services have been rendered.

Deferred revenue

Deferred revenue is recorded when cash payments are received in advance of the performance of services, including when the amounts are refundable. We do not adjust the promised amount of consideration for the effects of financing components because at contract inception, the period of time between the performance of services and the customer payment is one year or less. Amounts associated with these payments are recognized as revenue upon completion of services. Contracts for recurring services may include a discount on services provided subsequent to the initial service, which results in a portion of the transaction price being allocated to the future discounted service and thereby generates deferred revenue for consistent revenue recognition on a straight-line basis for all services performed under the contract.

Due to the seasonal nature of our services, deferred revenue generally increases during our first and fourth quarters as customers make prepayments for services to be rendered over the next twelve months. Changes in deferred revenue for the six months ended July 3, 2021 were as follows:

Balance, January 2, 2021	\$ 163,721
Deferral of revenue	325,841
Recognition of deferred revenue	(216,471)
Balance, July 3, 2021	<u>\$ 273,091</u>

Costs to obtain a customer contract

Commissions related to customer acquisition costs, which are incremental and direct costs of obtaining a customer, are capitalized and amortized on a modified basis over five years to reflect the expected timing of cash flows over the estimated duration of the customer relationship period. These capitalized customer acquisition costs at July 3, 2021 and January 2, 2021 were \$58.8 million and \$51.2 million,

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

respectively, of which the current portion was \$24.4 million and \$22.2 million, respectively. These costs are included in Deferred customer acquisition costs in the current and long-term assets sections of the unaudited condensed consolidated statements of financial position. Amortization for the three and six months ended July 3, 2021 was \$10.3 million and \$13.3 million, respectively, and \$9.6 million and \$12.3 million for the three and six months ended July 4, 2020, respectively, and is included in Selling and marketing expenses in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

(c) *Allowance for Uncollectible Receivables*

The allowance for uncollectible receivables is based on our assessment of the collectability of customer accounts. We regularly review our allowance for uncollectible amounts by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. As such, these factors may change over time causing the reserve level to vary. A summary of activity in the allowance for doubtful accounts for the six months ended July 3, 2021 is as follows:

Beginning balance	\$	4,480
Charge to costs and expenses ¹		3,410
Write-offs and other		(4,932)
Recoveries		4,535
Ending balance	\$	<u>7,493</u>

¹ Included within Selling and marketing expenses in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

(d) *Deferred Pre-Season Customer Acquisition, Advertising and Other Production Costs*

Certain pre-season customer acquisition costs, primarily sales labor costs other than commissions, which can be shown to have resulted in a successful sale, are deferred and recognized in the year incurred in proportion to revenue recognized, and are not deferred beyond the calendar year end. These deferred pre-season customer acquisition costs amount to \$14.8 million as of July 3, 2021 and are included in the current portion of Deferred customer acquisition costs in the unaudited condensed consolidated statement of financial position.

Certain pre-season advertising and production costs are deferred and recognized in proportion to revenue over the year. These costs are not deferred beyond the calendar year end. Advertising costs incurred after the production season are expensed in the year the initial advertising occurs. Deferred advertising and other production costs approximated \$58.4 million as of July 3, 2021, and are included in Prepaid expenses and other assets in the unaudited condensed consolidated statement of financial position.

(e) *Income Taxes*

The Company is a limited liability company that is treated as a partnership for federal income tax purposes. Consequently, the taxable income of the Company is not subject to federal income tax in the United States jurisdiction; rather, the taxable income passes through to its members, who in turn are liable for federal income tax on their allocable share of taxable income. Most states also require this "pass through" for state tax reporting purposes. As some jurisdictions do impose income taxes at the partnership level, there is a component of state income tax included in the Company's effective tax rate. Additionally, the Company has a Canadian subsidiary that is subject to Canadian income tax.

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

ASC 740 generally requires that we determine interim period taxes by applying an anticipated annual effective tax rate, excluding significant unusual or infrequently occurring items, to year-to-date income or loss before income taxes. However, due to significant volatility in estimating the Company's annual effective tax rate, we believe on an interim basis estimated taxes based upon year-to-date income or loss before income taxes is the best estimate of the effective tax rate for the interim period.

Deferred income taxes result from temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities used for income tax purposes. We recorded deferred income tax assets of \$1.1 million and \$1.4 million within Other assets, and deferred income tax liabilities of \$2.0 million within Other long-term obligations, in the unaudited condensed consolidated statements of financial position as of July 3, 2021 and January 2, 2021, respectively.

As of July 3, 2021 and January 2, 2021, the Company has no tax benefits reflected in tax returns that have not been recognized for financial reporting purposes.

Cash paid for taxes, net of refunds, was \$1.2 million for the six months ended July 3, 2021, and insignificant for the six months ended July 4, 2020.

(f) Recent Accounting Guidance

We are currently assessing the impact of Accounting Standards Update (ASU) 2020-04 – Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting, as amended by ASU 2021-01.

(g) Subsequent Events

Events subsequent to the balance sheet date are evaluated through the date the financial statements are available to be issued, to determine whether they require recognition in the unaudited condensed consolidated financial statements. These events have been evaluated through August 3, 2021, and are further described in Note 14.

(3) Working Capital

A summary of the changes in working capital, net of acquisitions, presented in the unaudited condensed consolidated statements of cash flows is as follows:

	Six Months Ended	
	July 3, 2021	July 4, 2020
Receivables	\$ (41,090)	\$ (40,214)
Inventories and other current assets	(86,531)	(71,323)
Accounts payable	41,967	53,637
Deferred revenue	106,582	93,811
Accrued liabilities	(8,161)	25,290
Total	<u>\$ 12,767</u>	<u>\$ 61,201</u>

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

(4) Acquisitions

During the six months ended July 3, 2021 and July 4, 2020, we completed eight and nine lawn care business acquisitions, respectively, as follows:

	Six Months Ended	
	July 3, 2021	July 4, 2020
Accounts receivable and other assets	\$ 81	\$ 57
Vehicle and service equipment	731	280
Customer relationships	9,416	13,090
Other intangibles	886	1,232
Deferred revenue	(2,788)	(1,627)
Net assets acquired	8,326	13,032
Goodwill	195	95
Total purchase price, net of cash acquired	8,521	13,127
Less seller financed debt, net	(2,859)	(5,744)
Cash purchase price	\$ 5,662	\$ 7,383

As of July 3, 2021, provisional amounts were estimated for the fair values of tangible and identifiable intangible assets acquired and liabilities assumed as of the respective closing dates of the purchase transactions of third-party lawn care businesses acquired after July 4, 2020. The final allocations of the respective purchase prices for the third-party lawn care businesses will be determined at a later date and are dependent upon a number of factors, including the final valuation of assets acquired and liabilities assumed and the resolution of purchase price adjustments pursuant to the transactions. The purchase price allocations may change upon the receipt of additional and more detailed information, and such changes could result in a material change to the accompanying unaudited condensed consolidated financial statements.

(5) Property and Equipment

The table below summarizes the property and equipment, including assets acquired under finance leases, of the Company at July 3, 2021 and January 2, 2021. These amounts reflect the preliminary purchase price allocations related to the lawn care businesses acquired after July 4, 2020, which may yield different results when finalized.

	Est. Life (years)	As of	
		July 3, 2021	January 2, 2021
Machinery, production equipment and vehicles (1)	3-9	\$ 235,696	\$ 219,763
Technology	3-7	98,762	88,514
Buildings and improvements	10-40	58,339	57,204
Office equipment, furniture and fixtures	5-7	5,126	5,100
Land	N/A	14,063	14,063
		411,986	384,644
Less accumulated depreciation		(236,281)	(217,550)
		\$ 175,705	\$ 167,094

(1) Includes vehicle assets under finance leases as more fully discussed in Note 6.

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

Depreciation of property and equipment, including assets held under finance leases, was \$11.2 million and \$23.1 million for the three and six months ended July 3, 2021, respectively, and \$10.3 million and \$22.3 million for the three and six months ended and July 4, 2020, respectively.

(6) Leases

We lease the majority of our branch properties, as well as certain other corporate office space and customer service centers, through operating leases with typical terms of 5 – 10 years plus renewal options. We also lease approximately two-thirds of our vehicle fleet. The majority of the active vehicle fleet leases are subject to a single fleet management services agreement (the “Fleet Agreement”) which, among other things, allows us to obtain fleet vehicles through a leasing program with contractual terms of 4 – 8 years, and estimated lease lives under ASC 842 ranging from 3 – 7 years for production vehicles and 1 – 3 years for non-production vehicles. The Fleet Agreement allows for leases to be structured as either finance leases or operating leases for accounting purposes. All leases under the Fleet Agreement as of December 31, 2018 were operating leases for accounting purposes, while all new vehicles leased under the Fleet Agreement are structured as finance leases effective January 1, 2019. The lease rental payments include an interest component calculated using a variable rate based on one-month LIBOR plus other contractual adjustments and a borrowing margin of 1.2% and 2.2% for operating and financing leases, respectively. If we were to cancel the fleet vehicle leases at the end of the estimated lease lives under ASC 842, we would be required to make residual value guarantee payments, which we estimate would approximate the fair market values of the vehicles at the time of cancellation. If we keep the vehicles under the Fleet Agreement for the full contract term of the leases as anticipated, no residual value payments would be required.

Certain vehicles leased outside of the Fleet Agreement include residual value guarantees which represent the estimated fair value of the leased vehicle at the end of the lease term that we have agreed to pay. As of July 3, 2021, the residual value guarantees totaled approximately \$4.1 million.

As of July 3, 2021, we have entered into a commitment to lease additional vehicles in 2021 with annual payments of approximately \$3.3 million under the terms of the Fleet Agreement.

Supplemental Balance Sheet Information

	<u>Classification</u>	<u>July 3, 2021</u>	<u>January 2, 2021</u>
Assets			
Operating lease assets	Operating lease right-of-use assets	\$ 154,680	\$ 161,072
Finance lease assets	Property and equipment, net (1)	53,754	46,339
Total lease assets		<u>\$ 208,434</u>	<u>\$ 207,411</u>
Liabilities			
Current			
Operating	Current portion of operating lease liabilities	\$ 34,519	\$ 35,037
Finance	Current portion of long-term debt	12,733	10,043
Noncurrent			
Operating	Long-term operating lease liabilities, less current portion	121,915	127,462
Finance	Long-term debt, less current portion	43,296	38,330
Total lease liabilities		<u>\$ 212,463</u>	<u>\$ 210,872</u>

(1) Net of accumulated depreciation of \$16,055 and \$10,919 as of July 3, 2021 and January 2, 2021, respectively.

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

Components of Lease Cost

	Three Months Ended		Six Months Ended	
	July 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Operating lease cost	\$ 12,459	\$ 12,961	\$ 25,204	\$ 26,550
Variable lease cost	3,221	2,853	6,460	6,330
Short-term lease cost	114	117	275	245
Finance lease costs:				
Depreciation of financed assets	2,940	1,427	5,585	2,739
Interest on lease liabilities	725	437	1,419	830
Total lease cost	\$ 19,459	\$ 17,795	\$ 38,943	\$ 36,694

Supplemental Cash Flow Information

	Six Months Ended	
	July 3, 2021	July 4, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 24,977	\$ 26,589
Operating cash flows from financing leases	1,419	830
Financing cash flows from financing leases	5,300	2,614
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	11,467	17,306
Finance leases	12,792	8,432

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

(7) Intangible Assets

The table below summarizes the intangible asset balances and reflects the preliminary purchase price allocations related to the businesses acquired after July 4, 2020, which may yield different results when finalized:

	<u>Amortization Period</u>	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
As of July 3, 2021:				
Trade name (1)	N/A	\$ 490,000	\$ -	\$ 490,000
Customer relationships	10 years	457,927	(282,809)	175,118
Other	3 - 5 years	16,089	(12,007)	4,082
Total		<u>\$ 964,016</u>	<u>\$ (294,816)</u>	<u>\$ 669,200</u>
As of January 2, 2021:				
Trade name (1)	N/A	\$ 490,000	\$ -	\$ 490,000
Customer relationships	10 years	448,441	(262,225)	186,216
Other	3 - 5 years	15,189	(11,335)	3,854
Total		<u>\$ 953,630</u>	<u>\$ (273,560)</u>	<u>\$ 680,070</u>

(1) Not subject to amortization.

Amortization expense, primarily related to customer relationships, was \$16.0 million and \$21.1 million for the three and six months ended July 3, 2021, respectively, and \$18.5 million and \$24.3 million for the three and six months ended July 4, 2020, respectively.

(8) Long-Term Debt

The components of long-term debt are as follows:

	<u>As of</u>	
	<u>July 3, 2021</u>	<u>January 2, 2021</u>
First Lien Credit Facility term loan, net of unamortized original issuance discount and debt issuance costs of \$18,333 and \$19,485, respectively	\$ 1,125,917	\$ 1,130,515
Second Lien Credit Facility term loan, net of unamortized original issuance discount and debt issuance costs of \$9,691 and \$10,124, respectively	265,309	264,876
Seller financed debt, net of discounts of \$2,225 and \$2,276, respectively	20,915	19,303
Finance lease obligations, net of discounts of \$7,924 and \$7,711, respectively (see Note 6)	56,029	48,373
First Lien Credit Facility revolving commitment	-	-
Total long-term debt	<u>\$ 1,468,170</u>	<u>\$ 1,463,067</u>
Less current portion	(28,413)	(25,203)
Long-term debt, net of current portion	<u>\$ 1,439,757</u>	<u>\$ 1,437,864</u>

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

On November 2, 2020, we amended our First Lien Credit Facility and entered into a new Second Lien Credit Facility to provide new term loans. Proceeds, along with existing cash of the Company, were used to pay off existing term loans and fund an equity distribution to owners. The principal balance of the First Lien Credit Facility term loan is payable quarterly in an aggregate annual amount equal to 1.00% of the original principal balance, and a final balloon payment of all unpaid principal and accrued interest is due on November 2, 2027. In addition, annual mandatory prepayments are payable beginning with the year ending January 1, 2022, at an amount equal to 50% of Excess Cash Flow, as defined, if and to the extent Excess Cash Flow exceeds \$5 million. The Second Lien Credit Facility term loan is due and payable on November 2, 2028.

First Lien Credit Facility revolver

Borrowings under the First Lien Credit Facility revolver can be made in the form of loans, letters of credit, or swing line loans. The maturity date for \$177 million of the revolving commitment is November 2, 2025, and the remaining \$10 million will mature on March 19, 2024. The available borrowing capacity under the revolver was as follows:

	As of	
	July 3, 2021	January 2, 2021
Borrowing credit capacity	\$ 187,000	\$ 187,000
Less: Outstanding revolving loan amounts	-	-
Less: Letters of credit	(37,867)	(33,786)
Available borrowing credit capacity	\$ 149,133	\$ 153,214

As a result of uncertainty surrounding the COVID-19 pandemic, on March 23, 2020, we borrowed \$153 million under the revolver to increase cash reserves. On June 1, 2020, the revolving loan was repaid in full.

Interest and interest rate swaps

The components of interest expense for the periods presented are as follows:

	Three Months Ended		Six Months Ended	
	July 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
First Lien Credit Facility term loan ¹	\$ 16,423	\$ 12,668	\$ 32,812	\$ 27,022
Second Lien Credit Facility term loan	6,430	4,550	12,860	9,300
Finance lease obligations	724	430	1,419	830
First Lien Credit Facility revolver	557	1,575	1,108	2,370
Amortization of debt issuance and discount costs	1,160	1,304	2,344	2,629
Other, net	(30)	(326)	(99)	(428)
Total interest expense, net	\$ 25,264	\$ 20,201	\$ 50,444	\$ 41,723

Supplemental cash flow information:

Cash paid for interest	\$ 47,925	\$ 38,736
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¹ Includes the impact from interest rate swaps

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

Interest for the First Lien Credit Facility is 4.00% plus LIBOR, including a LIBOR floor of 0.75%. The interest rate at July 3, 2021 and January 2, 2021 was 4.75%. Each letter of credit on the revolver was charged fees at an annual combined rate of 3.88% during the six months ended July 3, 2021, and an annual combined rate ranging from 3.38% to 3.88% during the six months ended July 4, 2020. Commitment fees on unutilized portions of the revolver are calculated at an annual rate of 0.50% during the six months ended July 3, 2021, and July 4, 2020. Letter of credit and commitment fees are included in Interest expense in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

Effective July 31, 2019, we entered into three three-year interest rate swap agreements with an aggregate notional amount of \$700 million, on which we pay a fixed rate of 1.60% and receive a floating rate based on one-month LIBOR. During the term of the agreements, the effective interest rate on \$700 million of the First Lien Credit Facility term loan is fixed at a rate of 1.60% plus our Applicable Margin, as defined (4.00% at July 3, 2021 and January 2, 2021).

Interest for the Second Lien Credit Facility is 8.50% plus LIBOR, including a LIBOR floor of 0.75%, and is payable quarterly. The interest rate at July 3, 2021 and January 2, 2021 was 9.25%.

Covenants

As of July 3, 2021, we were in compliance with all required covenants under the First Lien Credit Facility and Second Lien Credit Facility.

Seller financed debt

In connection with acquisitions of lawn care businesses, we use seller financed debt to fund a portion of our acquisitions. The debt instruments issued to the respective sellers have final payments due at various dates through June 2026. The Company accretes the discount on seller financed debt and recognizes interest expense through the end of the payment period using the effective interest rate method, with an effective interest rate of 6.50%.

(9) Derivative Instruments

We did not have any outstanding fuel swap contracts at January 2, 2021, or during the six months ended July 3, 2021. During March 2020, we entered into fuel swap contracts to mitigate the financial impact of fluctuations in fuel prices. As of July 4, 2020, we had fuel swap contracts to pay fixed prices for fuel with an aggregate notional quantity of 3.5 million gallons, which matured through December 31, 2020. These fuel swap contracts effectively provided a fixed price for approximately 50% of our expected remaining fuel purchases for the year.

During July 2019, we entered into three-year interest rate swap agreements to mitigate the financial impact of fluctuations in interest rates associated with the First Lien Credit Facility term loan. Under the terms of these agreements, we pay a fixed rate of interest on the stated notional amount and receive a floating rate of interest (based on one-month LIBOR) on the stated notional amount. Therefore, during the term of the swap agreements, the effective interest rate on the portion of the term loan equal to the notional amount is fixed at the stated rates in the interest rate swap agreements plus our incremental borrowing margin. As of July 3, 2021, and January 2, 2021, we had interest rate swap contracts to pay fixed prices for interest with an aggregate notional amount of \$700 million, maturing in July 2022.

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

The carrying amount and estimated fair value of our derivative instruments that are recorded at fair value on a recurring basis for the periods presented are as follows:

	Consolidated	Fair Value	As of	
			Statement of Financial	Hierarchy
	Position Location		2021	2021
Financial Liabilities:				
Interest rate swaps	Other current liabilities	2	\$ 10,465	\$ 10,428
Interest rate swaps	Other long-term obligations	2	787	5,934
Total Financial Liabilities			<u>\$ 11,252</u>	<u>\$ 16,362</u>

The following table summarizes the activity in accumulated other comprehensive income (loss), net of tax:

	Unrealized
	Gains (Losses)
	on Interest
	Swaps
Balance as of January 2, 2021	(16,289)
Other comprehensive loss before reclassifications	(145)
Less: Gains (losses) reclassified to earnings	(5,233)
Balance as of July 3, 2021	<u>\$ (11,201)</u>

The amount expected to be reclassified into earnings during the next 12 months includes unrealized losses related to open interest rate swaps. Specifically, as the underlying forecasted transactions occur during the next 12 months, the hedging losses in Accumulated other comprehensive income (loss) expected to be recognized in earnings is a loss of \$10.5 million as of July 3, 2021. The amounts that are ultimately reclassified into earnings will be based on actual interest rates at the time the positions are settled and may differ materially from the amount noted above.

(10) Members' Deficit and Stock-Based Compensation

The Company's stock incentive plan (the Outdoor Home Services, Inc. Stock Incentive Plan) provides for granting equity awards to the Company's executives, officers or other employees, including the sale of shares of OHS, Inc. stock, as well as the grant of both restricted stock units (RSUs) and stock options (options) to purchase shares of OHS, Inc. Each OHS, Inc. share holds a representative membership unit in OHS. OHS has one authorized class of limited liability company interest consisting of common units, and had 73,336,375 and 73,152,281 units issued and outstanding as of July 3, 2021 and January 2, 2021, respectively. No RSUs were outstanding or granted by OHS, Inc. during the six months ended July 3, 2021 or during the year ended January 2, 2021.

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

The table below summarizes the changes in members' deficit:

	Members' equity (deficit)	Accumulated other comprehensive income (loss)	Total members' equity (deficit)
Balance at January 2, 2021	\$ (481,275)	\$ (15,651)	\$ (496,926)
Net loss	(7,991)	-	(7,991)
Derivative activity, net of tax	-	5,088	5,088
Foreign currency translation, net of tax	-	308	308
Stock-based compensation	1,095	-	1,095
Repurchase of members' units	(1,065)	-	(1,065)
Exercise of options	101	-	101
Members' tax distributions	(365)	-	(365)
Balance at July 3, 2021	<u>\$ (489,500)</u>	<u>\$ (10,255)</u>	<u>\$ (499,755)</u>

Stock based compensation expense was \$0.4 million and \$1.1 million for the three and six months ended July 3, 2021, respectively, and \$0.7 million and \$1.5 million for the three and six months ended July 4, 2020, respectively. As of July 3, 2021, there was \$2.4 million of total unrecognized compensation cost related to non-vested stock options which are expected to be recognized over a weighted average period of 1.5 years.

A summary of option activity under the OSIP during the six months ended July 3, 2021 is presented below:

	Number of stock options	Number of options exercisable	Weighted average exercise price (\$)	Weighted average remaining contractual term (in years)
Total as of January 2, 2021	5,473,293	3,681,306	0.41	6.8
Granted to employees	-		-	
Exercised	(339,540)		0.30	
Forfeited	(74,377)		1.19	
Expired	(56,683)		0.61	
Total as of July 3, 2021	<u>5,002,693</u>	3,601,667	0.32	5.9

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

(11) Restructuring Charges and Other Costs

The Company incurred restructuring charges and other costs related to the following activities:

	Three Months Ended		Six Months Ended	
	July 3, 2021	July 4, 2020	July 3, 2021	July 4, 2020
Business transformation	\$ 960	\$ 934	\$ 1,934	\$ 1,288
Executive hiring, relocation, and severance	264	-	264	-
Acquisitions	87	786	64	1,005
Pandemic expense and other	31	402	55	271
	\$ 1,342	\$ 2,122	\$ 2,317	\$ 2,564

Supplemental cash flow information:

Cash paid for restructuring charges		\$ 1,105	\$ 2,519
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(12) Related Party Transactions

The Company maintains a consulting agreement with CD&R under which CD&R provides the Company with on-going consulting and management advisory services. The amounts incurred and paid for these services were \$0.8 million and \$1.5 million for each of the three and six months ended July 3, 2021 and July 4, 2020, respectively.

(13) Commitments and Contingencies

In the normal course of business, we enter into service agreements with customers that incorporate indemnification provisions. While the maximum amount to which the Company may be exposed under such agreements cannot be estimated, we do not expect these guarantees and indemnifications to have a material effect on our business, financial condition, results of operations, or cash flows.

We carry insurance policies on insurable risks at levels that we believe to be appropriate, including workers' compensation, auto, and general liability risks. We purchase insurance policies from third-party insurance carriers which typically incorporate significant deductibles or self-insured retentions. We are responsible for all claims that fall below the retention limits. While all claims originating prior to the Distribution Transaction are the responsibility of an affiliate of Terminix Global Holdings (Terminix), formerly ServiceMaster Global Holdings, we are the originating obligor, and therefore have recorded liabilities of \$14.1 million as of July 3, 2021 and January 2, 2021, for these amounts in Accrued claims and related expenses and Other long-term obligations in the unaudited condensed consolidated statements of financial position. As we believe Terminix has the intent and ability to satisfy these liabilities, we have recorded an equal and offsetting receivable in Prepaid expenses and other assets and Other assets in the unaudited condensed consolidated statements of financial position. We are solely responsible for all claims originating subsequent to the Distribution Transaction, and as such, have recorded liabilities of \$70.7 million and \$63.8 million as of July 3, 2021 and January 2, 2021, respectively, for these claims in Accrued claims and related expenses and Other long-term obligations in the unaudited condensed consolidated statements of financial position. We have also recorded corresponding receivables from third-party carriers for the claims amounts in excess of our deductible or self-retention limits of \$34.4 million and \$27.7 million at July 3, 2021 and January 2, 2021, respectively, in Prepaid expenses and other assets and Other assets in the unaudited condensed consolidated statements of financial position.

Outdoor Home Services Holdings, LLC

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in thousands, except as otherwise specified)

In determining the accrual for self-insured claims, we use historical claims experience to establish both the current year accruals and the provisions for incurred losses. These provisions and related accruals include known claims, as well as incurred but not reported claims. We adjust the estimate of accrued self-insured claims when required to reflect changes in factors such as health care costs, accident frequency, and claim severity.

We have exposure to certain liabilities with respect to existing or potential claims, lawsuits, and other proceedings. We accrue for these liabilities when it is probable that future costs will be incurred and when such costs can be reasonably estimated.

In the ordinary course of conducting business activities, we become involved in judicial, administrative, and regulatory proceedings involving both private parties and governmental authorities. These proceedings include insured and uninsured matters that are brought on an individual, collective, representative and class action basis, or other proceedings, involving regulatory, employment, general and commercial liability, automobile liability, wage and hour, environmental and other matters. At this time, we do not expect any of these proceedings to have a material effect on our reputation, business, financial position, results of operations, or cash flows; however, we can give no assurance that the results of any such proceedings will not materially affect our reputation, business, financial position, results of operations, and cash flows.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and permitted most companies to defer payment of the 6.2% employer share of Social Security payroll taxes from the date it was signed into law through December 31, 2020. As the deferred amount is due in two equal installments on December 31, 2021 and December 31, 2022, we recorded \$11.6 million of deferred payroll taxes both in Accrued payroll and in Other long-term obligations in the consolidated statements of financial position as of July 3, 2021 and January 2, 2021.

(14) Subsequent Events

Subsequent to July 3, 2021, we acquired two lawn care businesses for cash and seller financed debt, net of discount, of \$4.8 million. We expect to record intangible assets, including goodwill, of approximately \$5.5 million, and net working capital and equipment of \$(0.7) million related to these acquisitions. These intangible assets are based on a preliminary purchase price allocation which may yield different results when finalized.

Exhibit F

RENEWAL FRANCHISE AGREEMENT

**TRUGREEN LIMITED PARTNERSHIP
RENEWAL FRANCHISE AGREEMENT**

THIS AGREEMENT is made and entered into this _____, 2021 (“Effective Date”), by and between **TruGreen Limited Partnership**, a Delaware limited partnership, with its principal offices at 1790 Kirby Parkway, Forum II, Suite 300, Memphis, Tennessee 38138, (“Franchisor”), and _____, a (sole proprietor, limited partnership, corporation), whose principal address is _____ (“Franchisee”).

1. **PREAMBLES AND ACKNOWLEDGMENTS**

A. **PREAMBLES.**

Franchisor operates and franchises certain service business offering services and programs for the care and maintenance of lawns, trees and shrubs. Franchisor uses and licenses certain trademarks (“Marks”), including “TruGreen” and may hereafter adopt, use and license additional or substitute trademarks, in connection with the operation of TruGreen franchise businesses (collectively “TruGreen businesses”). TruGreen businesses sell programs and services authorized by Franchisor and use Franchisor’s methods, procedures, standards, specifications and the Marks (collectively referred to as the “System”), which Franchisor may improve, further develop or otherwise modify from time to time.

Franchisee is an existing TruGreen franchisee that operates a TruGreen business under a TruGreen franchise agreement (the “Existing Agreement”). The Existing Agreement has expired or will expire soon and Franchisee desires to renew its franchise under the terms of this Agreement.

B. **ACKNOWLEDGMENTS.**

Franchisee has read this Agreement and Franchisor’s Franchise Disclosure Document and accepts the provisions of this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the consistency of those standards at all TruGreen businesses in order to protect and preserve the goodwill of the Marks. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that the nature of TruGreen businesses may change over time, that an investment in a TruGreen business involves business risks, and that the success of the venture is largely dependent upon Franchisee’s business abilities and efforts.

Franchisee has not received or relied upon any guaranty or assurance, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisor’s officers, directors, employees and agents act only in a representative capacity in their dealings with Franchisee. Franchisee has not received or relied upon any representations by Franchisor or its officers, directors, employees or agents that are contrary to the terms of this Agreement. Franchisee represents to Franchisor, as an inducement to its entering into this Agreement, that Franchisee has made no misrepresentations in obtaining the franchise. Nothing in this Agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document Franchisor furnished to Franchisee.

Franchisee acknowledges and agrees that as of the Effective Date, the Existing Agreement has terminated or expired with no further force and effect, except for those terms and conditions that expressly survive that termination or expiration of the Existing Agreement.

2. **GRANT AND RESTRICTIONS ON RIGHTS.**

A. **GRANT OF FRANCHISE/BEST EFFORTS.**

Subject to the provisions of this Agreement, Franchisor grants to Franchisee the right to operate a TruGreen business (“Franchise”), performing and selling the Basic and Beneficial Services and Products (defined in Section 2.B) only within the geographic area set forth in the attached Exhibit A (“Authorized Territory”) and to use the System in

the Authorized Territory, for a five (5) year renewal term commencing on the date of this Agreement. The license granted to Franchisee is personal in nature, may not be used outside the Authorized Territory and does not include the right to offer or sell any products or services over the Internet or through other channels of distribution except in accordance with and consistent with law and with Franchisor's written policies, as may be from time to time modified. Franchisee will not have the right to sublicense or subfranchise any of its rights under this Agreement. If Franchisee is a corporation, partnership or limited liability company, Franchisee represents and agrees that _____ ("Named Principal") has and shall maintain at least a twenty percent (20%) equity interest in Franchisee during all times that he is designated as the Named Principal by Franchisee. Franchisee (and the Named Principal) shall continuously exert best efforts to promote and enhance the Franchise and not engage in any other business or activity that may conflict with their obligations under this Agreement.

B. TRUGREEN PROGRAM/CONFLICTING INTEREST.

Franchisee agrees that the Franchise shall offer to perform and sell all basic services and programs consisting of the application of fertilizers, herbicides, fungicides, insecticides, and other products such as lime and seed, that are designed to promote the healthy, vigorous growth of plant material, together with core aeration for turf and pruning for trees and shrubs that Franchisor from time to time requires for TruGreen businesses operating in Franchisee's locale or region ("Basic Services and Programs"). Franchisee also shall offer for sale through the Franchise all additional services and programs that Franchisor authorizes from time to time for TruGreen businesses operating in Franchisee's locale or region ("Beneficial Services and Programs"), some of which Franchisor may designate as optional, in which case Franchisee is not required to offer such services or programs. Franchisor shall have the right to make additions, amendments and deletions to the Basic Services and Programs and Beneficial Services and Programs and to redesignate optional Beneficial Services and Programs as required Beneficial Services and Programs, and vice versa. Franchisee shall not offer or sell in connection with the Franchise any services or programs, or use any equipment or supplies of the Franchise or the Franchise Premises (as defined in Section 3) in any other business or for any other purpose.

Franchisee acknowledges that Franchisor would be unable to protect the Confidential Information (as defined in Section 7) or to encourage a free exchange of ideas and information among TruGreen businesses, if franchisees of TruGreen businesses were permitted, directly or indirectly, to hold interests in or perform services for a Competitive Business (as defined below). Neither Franchisee, any of Franchisee's shareholders, partners or members (if Franchisee is a corporation, partnership or limited liability company), nor any members of his or their immediate families, shall during the term of this Agreement:

1. have any direct or indirect interest in, or be a beneficial owner of, a Competitive Business located or operating within the Authorized Territory or within an Authorized Territory of any other TruGreen business (whether operated by Franchisor, its affiliates or other franchisees of Franchisor); or
2. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business.

The term "Competitive Business" means any business offering care or maintenance services or products for lawns, trees or shrubs or pest control services, including, without limitation, services or products the same as, or similar to, the Basic and Beneficial Services and Programs. Notwithstanding anything to the contrary contained herein Franchisee shall not be prohibited from operating other TruGreen businesses under franchise agreements with Franchisor or from owning securities in a Competitive Business, if such securities are listed on a stock exchange or traded on the over-the-counter market and represent less than five percent (5%) of that class of securities issued and outstanding.

C. RESERVATION OF RIGHTS.

Provided Franchisee and its affiliates are in full compliance with this Agreement and all other agreements with Franchisor or any of its affiliates, Franchisor (and its affiliates) shall not operate or grant franchises for the operation of other TruGreen businesses located within the Authorized Territory. Except as provided for in this Agreement, Franchisor (and all of its affiliates) reserves all rights, including without limitation, the right:

1. to operate and grant to others the right to operate TruGreen businesses outside the Authorized Territory on such terms and conditions as Franchisor deems appropriate;

2. to operate and grant to others the right to operate businesses, whether located within or outside the Authorized Territory, identified by the Marks or other trademarks or service marks, offering and selling products or services other than those authorized to be offered by the Franchisee, which shall include, but not be limited to, the sale of products on a retail and home delivery basis, interior plant care services, golf course application services, and landscape maintenance services which consist of (a) landscape architecture, design consulting and construction; (b) installation and removal of turf, trees and shrubs; (c) irrigation systems installation and maintenance and water management; and (d) landscape maintenance including mowing, pruning and edging (“Landscape Maintenance”);

3. to sell products and services authorized for sale in TruGreen businesses under the Marks or other trademarks or service marks through dissimilar channels of distribution including by electronic means, such as the Internet and by websites Franchisor establishes;

4. to operate and grant others the right to operate businesses, whether located within or outside the Authorized Territory, under trademarks or service marks other than the Marks, offering or selling products and services the same or similar to those products and services offered by the Franchisee, including without limitation the Basic Services and Programs and Beneficial Services and Programs; and

5. to advertise the System on the Internet (or any other existing or future form of electronic commerce), including all digital marketing, and to create, operate, maintain and modify, or discontinue the use of a website using the Marks.

D. ADDITIONAL CUSTOMERS.

If Franchisor directly acquires customers from a third party in the Authorized Territory, then Franchisor shall have the option, but not the obligation, to first give Franchisee an option to purchase for a fee the right to provide lawn care services to the acquired customers located within the Franchisee’s Authorized Territory.

1. The fee for Franchisee to provide services to such acquired customers shall be ninety percent (90%) of the third party’s gross revenue attributable to those acquired customers in the Authorized Territory during the twelve (12) month period ending on the last day of the month preceding the date of the notice provided to Franchisee.

2. Franchisor will offer Franchisee the option to purchase the acquired customers within one hundred and twenty (120) days after Franchisor acquires the customers. Within thirty (30) days of Franchisor offering the acquired customers to Franchisee and stating the fee therefore, Franchisee shall notify Franchisor of Franchisee’s intent to pay the fee to service the acquired customers. If Franchisee chooses to pay the fee, then Franchisee must pay such fee in full to Franchisor within sixty (60) days of Franchisor first notifying Franchisee of the option to pay the fee to Franchisor to provide services to such acquired customers. Thereafter, Franchisee shall service the acquired customers pursuant to the terms of this Agreement, including without limitation paying applicable royalty payments on Gross Receipts from the acquired customers. For purposes of preserving goodwill, Franchisee agrees that nothing herein shall prevent Franchisor from servicing the acquired customers prior to Franchisee electing to pay the fee and beginning to service such customers, and Franchisor doing so shall not be a breach of this Agreement.

3. If Franchisee is for any reason either unwilling or unable to pay the fee to service the acquired customers or to perform services for the acquired customers within the time frame identified above, then Franchisor may either continue to service the acquired customers and solicit and service new customers in the Authorized Territory under the Marks or different trademarks, or allow another third-party to service and solicit and service the acquired customers under trademarks other than the Marks.

E. **NATIONAL AND REGIONAL ACCOUNTS.**

Notwithstanding Section 2.C., Franchisor shall have the right to offer, sell, service and coordinate any of the Basic and Beneficial Programs or Services to any National or Regional Account (as defined below) within the Authorized Territory, provided that Franchisor shall first offer Franchisee the opportunity to perform such services and sell such programs on the terms and conditions that Franchisor has established with such National or Regional Account. If Franchisee fails to accept such offer in the manner Franchisor specifies, Franchisor shall have the right, or may authorize other franchisees or third parties, to perform such services for, and/or sell such programs to, such National or Regional Accounts. The term "National or Regional Account" shall mean any customer (including a commercial establishment and governmental agency) that has one (1) or more locations outside the Authorized Territory for which the services and products of TruGreen businesses are applicable.

3. **DEVELOPMENT OF BUSINESS.**

A. **PREMISES.**

Franchisee has developed and at all times must maintain in accordance with the required System Standards (as defined in Section 9) within the Authorized Territory (i) an office from which the Franchise is operated, (ii) maintenance, repair and warehouse facilities, and (iii) a fill and wash water recycling system ("Recycling System") (collectively referred to as the "Franchise Premises"). Franchisee shall notify Franchisor of the location of the Franchise Premises within five (5) days after its relocation.

B. **PERFORMANCE OBLIGATIONS.**

Franchisee's Gross Receipts for each Franchise Year (as defined in Section 6(B) below), must be three percent (3%) or greater than the Franchisee's Gross Receipts for the previous Franchise Year. If Franchisee does not maintain the minimum Gross Receipts described above, Franchisor may terminate this Agreement, terminate Franchisee's rights in the Authorized Territory, as described in Section 15, or elect not to renew franchisee's rights under this Agreement. Franchisor will establish the minimum Gross Receipts for any renewal term.

C. **FRANCHISEE'S HIRING AND TRAINING OF EMPLOYEES.**

Franchisee will control and be solely responsible for the day-to-day operation of its TruGreen business. Franchisee will hire all employees of the Franchise, and be exclusively responsible for the terms of their employment, including the soliciting, hiring, firing, compensation, scheduling, benefits, disciplining, and all other personnel decisions respecting the Franchise employees without any influence or advice from Franchisor.

4. **TRAINING AND GUIDANCE.**

A. **TRAINING.**

If Franchisee has not previously owned or managed a TruGreen business, then Franchisee and the manager of the Franchise shall attend and successfully complete a training and certification program on agronomic and certain business aspects of operating a TruGreen business at such time and place as Franchisor designates. Franchisor may require Franchisee and its manager(s) to attend and successfully complete periodic or additional training or certification programs, provided that any successor manager of the Franchise shall not be required to successfully complete any certification program prior to, or as a condition of, employment with Franchisee. Franchisor shall not charge any fees for attendance at any such training or certification programs. Franchisee shall be responsible for all compensation and expenses incurred in connection with any training or certification programs. Franchisee shall replace any manager who fails to complete successfully any certification program within one (1) year after employment or who otherwise is not qualified to manage a TruGreen business.

B. **GUIDANCE.**

Franchisor shall furnish guidance to Franchisee, at no additional charge to Franchisee, with respect to the

System. Such guidance shall, at Franchisor's discretion, be furnished in the form of Franchisor's confidential operating manual ("Operating Manual"), bulletins and other written materials, consultations by telephone or in person at Franchisor's offices or at the Franchise Premises and by means of other communications media. Franchisor may, at Franchisee's request, provide special assistance for which Franchisee shall be required to pay the fees and charges that Franchisor's establishes from time to time.

C. **OPERATING MANUAL.**

Franchisee acknowledges and agrees that Franchisor has provided them access to the current Operating Manual, either as a hard copy or an electronic format. The Operating Manual, which may consist of several manuals or aids, will contain mandatory and suggested System Standards (as defined in Section 9) and information relating to Franchisee's other obligations under this Agreement. Any required specifications, standards and operating procedures exist to protect Franchisor's interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. Franchisee agrees to comply fully with such mandatory System Standards. Franchisor may modify the Operating Manual from time to time to reflect changes in System Standards. Franchisee shall keep its copy of the Operating Manual current. If a dispute relating to the contents of the Operating Manual develops, the master copy Franchisor maintains at its principal office or on-line will be controlling. Franchisee may not copy any part of the Operating Manual, except as Franchisor authorizes.

5. **MARKS.**

A. **OWNERSHIP AND GOODWILL OF MARKS.**

Franchisee acknowledges that Franchisee has no interest in or to the Marks, and Franchisee's right to use the Marks is derived solely from this Agreement and is limited to conducting its business pursuant to and in compliance with this Agreement. Any unauthorized use of any of the Marks by Franchisee constitutes a breach of this Agreement and an infringement of Franchisor's rights in and to the Marks. This Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee's usage of the Marks and any goodwill established thereby will inure to the exclusive benefit of Franchisor or its affiliates. All provisions of this Agreement applicable to the Marks will apply to any additional or substitute trademarks, service marks and trade dress Franchisor authorizes for use by Franchisee. Franchisee shall not at any time during or after the term of this Agreement contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

B. **FRANCHISEE'S USE OF THE MARKS.**

Franchisee agrees to use the Marks as the sole identification of the Franchise, provided that Franchisee shall identify itself as the independent owner of the TruGreen business in the manner Franchisor prescribes. Franchisee shall not use any Mark as part of any corporate or legal business name or in any other manner Franchisor does not expressly authorize in writing, subject to Franchisor's rights described in this Agreement. Franchisee agrees to obtain fictitious or assumed name registration as may be required under applicable law. Franchisee agrees that all forms and stationery shall prominently include the phrase, "An independent business licensed to serve you by TruGreen Limited Partnership."

C. **DISCONTINUANCE OF USE OF MARKS.**

If, at any time, Franchisor determines that Franchisor and/or Franchisee will modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks, service marks or trade dress, Franchisee agrees to comply with Franchisor's directions, at Franchisee's expense, within a reasonable time after notice of the directions. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Mark or promotion of a substitute trademark, service mark or trade dress.

D. **NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's

use of any Mark, or claim by any person of any rights in any Mark, and Franchisee shall not communicate with any person, other than Franchisor and its counsel, in connection with any such infringement challenge or claim. Franchisor shall have sole discretion to take action as it deems appropriate and the right to control exclusively any litigation or U.S. Patent and Trademark Office or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Mark. Franchisee will sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of Franchisor's counsel, may be necessary or advisable to protect and maintain the interests of Franchisor in any litigation or other proceeding or to otherwise to protect and maintain Franchisor's interests in the Marks.

E. LITIGATION.

Franchisee will have no obligation to and will not, without Franchisor's prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. Franchisee will, however, immediately notify Franchisor of any claims or complaints made against Franchisee respecting the Marks and will, at its expense, cooperate in all respects with Franchisor in any court or other proceedings involving the Marks. Franchisor will pay the cost and expense of all litigation Franchisor incurs, including attorneys' fees, specifically relating to the Marks. Franchisor and its legal counsel will have the right to control and conduct any litigation relating to the Marks.

F. INDEMNIFICATION OF FRANCHISEE.

Franchisor agrees to indemnify Franchisee against and to reimburse Franchisee for all damages for which it is held liable in any proceedings arising out of its authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs it reasonably incurs in defending any such claim brought against it or any such proceeding in which it is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceeding and has otherwise complied with this Agreement. Franchisor, at its discretion, shall be entitled to defend any proceeding arising out of Franchisee's use of any Mark pursuant to this Agreement, and if Franchisor undertakes the defense of such proceeding, Franchisor shall have no obligation to indemnify or reimburse Franchisee for any fees or disbursements of counsel retained by Franchisee.

G. RESTRICTIONS ON INTERNET AND WEBSITE USE.

Franchisor retains the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, any website using the Marks. Franchisee has the right to access Franchisor's public websites. Except in a manner consistent with law, with Franchisor's written policies, including but not limited to any internet-related or social media policy, any of which may be from time to time modified, and in accordance with any additional restrictions below, Franchisee will not: (1) link or frame Franchisor's website without Franchisor's advance written consent; (2) conduct any business or offer to sell or advertise any products or services on the Internet (or any other existing or future form of electronic communication) including e-mail marketing or other digital marketing; (3) create or register any new Internet domain name in any connection with Franchisee's franchise without Franchisor's advance written consent; and (4) use any e-mail address which Franchisor has not authorized for use in operating the Franchise. Franchisee will not register, as Internet domain names, any of the Marks now or hereafter owned by Franchisor or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar. Notwithstanding the foregoing, upon sixty (60) days' notice, Franchisor may require that Franchisee create and maintain a website to promote the Franchise pursuant to the standards described in the Operating Manual. Franchisee must create and maintain such website at Franchisee's expense. It is Franchisee's responsibility to protect itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures and attacks.

6. **FEES.**

A. **FRANCHISEE FEE.**

Concurrently with the execution of this Agreement, Franchisee shall pay Franchisor a franchise renewal fee in the amount of \$_____.

B. **ROYALTY FEES.**

Franchisee agrees to pay Franchisor a monthly royalty fee, payable on or before the fifteenth (15) day of each of Franchisor's fiscal months (as defined in the Operating Manual), on the Gross Receipts of the Franchise during the preceding fiscal month, in the following amounts during each Franchise Year (defined below):

1. Eight percent (8%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year total \$500,000 or less;

2. Seven and one-half percent (7.5%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year exceed \$500,000;

3. Seven percent (7%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year exceed \$1,500,000;

4. Six percent (6%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year exceed \$3,000,000; or

5. Five percent (5%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year exceed \$5,000,000.

Any excess royalty payment shall be applied pursuant to Section 6.E. or otherwise applied against succeeding royalty payment.

Each Franchise Year shall be the twelve (12) month period commencing on the first day of the calendar year and ending on December 31st of each year.

C. **DEFINITION OF "GROSS RECEIPTS."**

The term "Gross Receipts" shall mean the total of all amounts received by Franchisee from the performance of services and the sale of products in connection with the Franchise (including all amounts prepaid by customers, whether or not Franchisee has performed the required services, and all amounts received from the servicing of National or Regional Accounts), whether for cash, by check, credit card or barter, but excluding all federal, state or municipal sales, service or taxes collected from customers and paid to the appropriate taxing authority.

D. **INTEREST ON LATE PAYMENTS.**

All amounts which Franchisee owes to Franchisor or any of its affiliates (including contributions to the Advertising Fund pursuant to Section 10.B) shall bear interest after their due date at the highest contract rate of interest permitted by law, not to exceed one and one half percent (1.5%) per month. Notwithstanding the foregoing, Franchisee's failure to pay all amounts when due shall constitute a breach of this Agreement and grounds for termination, as provided in Section 15.

E. **APPLICATION OF FRANCHISEE PAYMENTS.**

Notwithstanding any designation by Franchisee, Franchisor shall have sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for royalties, Advertising Fund contributions, purchases from Franchisor or any of its affiliates, interest or any other indebtedness to Franchisor or any of its affiliates.

7. **CONFIDENTIAL INFORMATION.**

Franchisor possesses certain proprietary and confidential information (“Confidential Information”) relating to the operation of TruGreen businesses, which includes: (a) formulas, programs, methods, techniques, formats, specifications, systems, procedures, knowledge and experience in the development and operation of TruGreen businesses; (b) sales, marketing and advertising programs and techniques for TruGreen businesses; (c) knowledge of specifications for, and suppliers of, certain products, materials, supplies, vehicles and equipment; and (d) knowledge of operating results and financial performances of TruGreen businesses, other than the Franchisee. Franchisor will disclose certain Confidential Information to Franchisee solely for its use in operating the TruGreen business.

The Confidential Information is proprietary and includes Franchisor’s trade secrets. Franchisee shall: (1) not acquire any interest in the Confidential Information; (2) not use the Confidential Information in any other business or capacity, Franchisee acknowledging that such use would constitute an unfair method of competition; (3) maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (4) not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other tangible form; and (5) adopt and implement all reasonable procedures including those that Franchisor prescribes from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure to, and the use of nondisclosure agreements with its employees. Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Franchisee’s disclosure and use of the Confidential Information shall not apply to: (i) information, processes or techniques which are or become generally known in the lawn care industry, other than through disclosure (whether deliberate or inadvertent) by Franchisee, provided Franchisee shall have obtained Franchisor’s prior written consent to such disclosure or use, which consent shall not be unreasonably withheld; and (ii) disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided Franchisee shall have used its best efforts and afforded Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be disclosed.

Franchisee acknowledges the importance to all TruGreen businesses of exchanging ideas, concepts, methods and techniques relating to the Franchise developed by Franchisee and/or its employees. Accordingly, Franchisee agrees fully and promptly to disclose to Franchisor all such ideas, concepts, methods and techniques. If adopted by Franchisor for TruGreen businesses, Franchisor shall have the right, without charge, to use and authorize other TruGreen businesses to use such ideas, concepts, methods and techniques.

8. **AUTHORIZED VEHICLES, EQUIPMENT, SIGNS, PRODUCTS AND SUPPLIES.**

A. **AUTHORIZED VEHICLES, EQUIPMENT AND SIGNS.**

Franchisee agrees to use only such types, models or brands of vehicles, equipment and signs that Franchisor approves for TruGreen businesses as meeting its specifications and standards, including standards and specifications for quality, design, warranties, appearance, function and performance. Franchisee shall purchase or lease approved brands, models or types of vehicles, equipment and signs only from suppliers approved by Franchisor (which may include Franchisor and/or any of its affiliates). Franchisor may from time to time modify the list of approved types, models, brands, and/or suppliers, and Franchisee shall not, after receipt of notice of such modification, reorder any type, model or brand, or from any supplier, that is no longer approved.

B. **AUTHORIZED PRODUCTS AND SUPPLIES.**

Franchisee agrees to use only such types, models or brands of products and supplies that Franchisor approves for TruGreen businesses as meeting its specifications and standards, including standards and specifications for quality,

design, warranties, appearance, function and performance. Such products and supplies may be purchased from any supplier. Franchisor may from time to time modify the list of approved types, models or brands of products and supplies, and Franchisee shall not, after receipt of notice of such modification, reorder any type, model or brand that is no longer approved.

C. **FRANCHISOR'S SALE OF AUTHORIZED VEHICLES, EQUIPMENT, SIGNS, PRODUCTS AND SUPPLIES.**

Franchisor may offer to sell to TruGreen businesses such approved vehicles, equipment, signs, products and supplies as determined by Franchisor from time to time. Provided Franchisee and all of its affiliates are in full compliance with all of the provisions of this Agreement and with all other agreements executed with Franchisor or any of its affiliates, Franchisee may purchase reasonable quantities of such approved products, vehicles, equipment, signs and supplies from Franchisor at Franchisor's prices, as periodically published in Franchisor's price lists (which shall be subject to change upon ten (10) days' notice), and on such shipping and credit terms and with such delivery schedules, as Franchisor at its sole discretion may determine from time to time. Franchisee explicitly acknowledges that Franchisor's obligations under this Section 8.C. shall be subject to the provisions of Section 19.C., including without limitation, shortages in the availability of approved products, vehicles, equipment, signs or supplies. In the event of a shortage of any approved product, vehicle, equipment, sign or supply, Franchisor may offer to Franchisee amounts of available inventories of such approved products, vehicles, equipment, signs and supplies on a substantially pro-rata basis for all TruGreen businesses (including Franchisor owned TruGreen businesses) as reasonably determined by Franchisor, provided Franchisee shall have purchased such approved products, vehicles, equipment, signs or supplies from Franchisor during the entire twelve (12) month period prior to such shortage. FRANCHISOR AND/OR ITS AFFILIATES DISCLAIM ALL WARRANTIES, WHETHER EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ON ANY PRODUCTS, VEHICLES, EQUIPMENT, SIGNS OR SUPPLIES SOLD BY IT OR ITS AFFILIATES.

D. **PROCEDURES FOR OBTAINING APPROVAL OF ALTERNATE TYPES, MODELS, BRANDS AND SUPPLIERS.**

If Franchisee desires to offer or sell any type, brand or model of vehicle, equipment, sign, product or supplies or desires to purchase any vehicle, equipment or sign from any supplier that is not then approved by Franchisor, Franchisee shall notify Franchisor of its desire to do so and shall submit to Franchisor such specifications, samples, and/or other information as may be requested by Franchisor. Franchisor shall notify Franchisee within thirty (30) days whether Franchisee is authorized to purchase such type, model or brand of product, vehicle, equipment, sign or supplies from such supplier, as applicable. Franchisor may approve or disapprove types, brands or suppliers, at its sole discretion and may impose reasonable inspection and supervision fees on suppliers to cover Franchisor's costs incurred in making such determination.

9. **SYSTEM STANDARDS.**

Franchisor will establish mandatory and suggested specifications, standards, methods and operating procedures ("System Standards"). The development and operation of the Franchise in accordance with Franchisor's mandatory System Standards is essential to preserve the goodwill of the Marks. Franchisee shall develop and operate the Franchise in accordance with each and every mandatory System Standard, as periodically modified, supplemented or deleted by Franchisor. System Standards may govern any and all aspects of the development and operation of the Franchise, including without limitation, the following:

- (a) appearance and maintenance of the Franchise Premises;
- (b) types, models and brands of authorized vehicles, equipment, signs, products, materials and supplies; alterations, maintenance and replacement of vehicles, equipment and signs; and procedures for obtaining approval of other types, models and/or brands;

- (c) approved suppliers (including Franchisor and/or its affiliates) of vehicles, equipment and signs; and procedures for obtaining approval of other suppliers;
- (d) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of the Franchise;
- (e) sales and marketing activities, advertising and promotional activities, customer contact programs, and materials and media required or authorized for use in such activities and programs;
- (f) use of the Marks and trademark registration notices;
- (g) training, dress and appearance of employees;
- (h) implementation of Franchisee's own certification program for its managers and other employees;
- (i) minimum days and hours of operation;
- (j) determination of Basic and Beneficial Services and Programs and the solicitation, sale and application of such services and products;
- (k) participation in warranty and guarantee programs and in market research, surveys and testing and service development programs;
- (l) management by Franchisee (or the Named Principal) or by a full time manager who has successfully completed Franchisor's training program; designation of any successor Named Principal, who shall have and maintain at least a twenty percent (20%) equity interest in Franchisee and who is subject to Franchisor's reasonable prior approval; communication to Franchisor of the identity of managers; and other matters relating to the management of the Franchise; communication to Franchisor of the identity of managers; and other matters relating to the management of the Franchise;
- (m) acceptance of credit cards, other payment systems and check verification services;
- (n) bookkeeping, accounting and record keeping systems and forms and maintenance of such systems and forms at the Franchise Premises; methods, formats, content and frequency of reports to Franchisor of sales, revenue, financial performance and condition, tax returns and other operating and financial information;
- (o) types, amounts, terms and conditions and approved underwriters and brokers of comprehensive general liability, product liability, employer's liability, worker's compensation, motor vehicle, business interruption, crime loss, fire and other insurance coverage as required pursuant to Section 21 of this Agreement;
- (p) observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and Franchisor and its affiliates; and notification of Franchisor in the event any action, suit or proceeding is commenced against Franchisee; and
- (q) regulation of such other elements and aspects of the development or operation of TruGreen businesses as Franchisor determines from time to time to be required to preserve or enhance the efficient operation, image or goodwill of TruGreen businesses and the Marks.

Modifications of System Standards may obligate Franchisee to invest additional capital in the TruGreen businesses and/or incur higher operating costs.

10. **ADVERTISING AND PROMOTION.**

A. **ADVERTISING BY FRANCHISEE.**

Franchisee shall spend at least four percent (4%) of Gross Receipts on approved local advertising and promotion for its Franchise each Franchise Year. On or before February 28 and August 31 of each Franchise Year, Franchisee must provide Franchisor with an itemization of its local marketing activities for the prior six (6) month period.

For purposes of these minimum advertising requirements, advertising expenditures shall include the cost of telephone directory listings and Yellow Pages advertising (see below), amounts contributed to the Advertising Fund pursuant to Section 10.B., and amounts expended for advertising media such as newspapers, billboards and displays, magazines, posters, direct mail, television, radio and collateral promotional and novelty items and, if not provided by Franchisor, the cost of producing approved materials necessary to participate in these media, including advertising agency commissions related to the production of such advertising. Advertising expenditures shall not include the cost of signage or displaying the Marks on vehicles or otherwise as required by this Agreement, premiums, discounts, free offers, employee incentive programs and other payments and expenditures that Franchisor determines to be inappropriate.

Franchisee shall list and advertise the Franchise in the principal regular (white pages) and classified (Yellow Pages) telephone directories distributed within the Authorized Territory, in such directory categories that Franchisor specifies, utilizing Franchisor's standard forms of listing and classified directory advertisements.

Prior to their use, samples of all advertising and promotional materials not prepared or previously approved by Franchisor, or which vary from Franchisor's standard advertising and promotional materials, must be submitted to Franchisor for its prior written approval. Franchisee shall not use any advertising or promotional materials that Franchisor has disapproved.

B. **ADVERTISING FUND.**

Recognizing the value of advertising to the goodwill and public image of TruGreen businesses, Franchisor has established and administers an advertising fund ("Advertising Fund"). Franchisee shall contribute an amount specified by Franchisor from time to time, not to exceed three percent (3%) of the Gross Receipts of the Franchise, payable monthly together with the Royalties due hereunder. Franchisor will not modify the contribution amount more than once in any calendar year. Franchisor will announce any change to the contribution amount by December 1st and such change will be in effect the following March 1st. Any contributions to the Advertising Fund will be credited towards Franchisee's required local advertising and promotion requirements described in Section 10(A) above.

Franchisor shall direct all marketing programs financed by the Advertising Fund, with sole discretion over the creative concepts, materials and endorsements used therein. The Advertising Fund may be used to pay for the costs of preparing and producing such marketing materials and programs as Franchisor may determine, including without limitation the costs of digital marketing, preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising, market surveys and other public relations activities; use of advertising agencies to assist therein; and promotional brochures and other marketing materials for TruGreen businesses.

The Advertising Fund shall be accounted for separately from Franchisor's other funds and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration of the Advertising Fund and its marketing programs. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions of all TruGreen businesses to the Advertising Fund in that year, and the Advertising Fund may borrow from Franchisor or other lenders or cover deficits of the Advertising Fund or invest any surplus for future use. All interest earned on monies contributed to the Advertising fund will be used to pay expenses of the Advertising fund before other assets of the Advertising Fund are expended. A statement of monies collected and costs incurred by the Advertising Fund

shall be prepared annually by Franchisor and furnished to Franchisee upon written request for the most recent fiscal year.

The Advertising Fund is intended to enhance recognition of the Marks and the purchase of services and products offered by franchised TruGreen businesses. Although Franchisor will endeavor to utilize the Advertising Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all franchised TruGreen businesses, there is no assurance that expenditures by the Advertising Fund in any geographic area or for any Basic or Beneficial Products or Services will be proportionate to the contributions to the Advertising Fund by franchised TruGreen businesses operating in that geographic area or selling such Basic or Beneficial Products or Services. There is no assurance that any franchised TruGreen business will benefit directly or in proportion to its contribution to the Advertising Fund from the development or placement of advertising or marketing materials. Except as expressly provided in this Section 10.B, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Advertising Fund.

C. PARTICIPATION IN CERTAIN PROGRAMS AND PROMOTIONS.

Franchisee will use its best efforts to promote and advertise the Franchise and will participate in all advertising, marketing and promotional programs, campaigns and initiatives that Franchisor establishes in the manner Franchisor directs. Franchisor may set minimum and maximum prices on all products and services sold at or in connection with the Franchise, subject to applicable law.

11. PERIODIC REPORTS.

Franchisee shall furnish to Franchisor on such forms as Franchisor prescribes from time to time: (1) by the fifteenth (15th) day after each fiscal month of Franchisor (as defined in the Operating Manual), a report on the Gross Receipts derived from the Franchise during such fiscal month; (2) by the thirtieth (30th) day after each fiscal quarter of Franchisor (as defined in the Operating Manual), a profit and loss statement for the Business for such fiscal quarter and the year-to-date and a balance sheet and Franchisee's description of the financial condition as of the end of such fiscal quarter, and (3) within ten (10) days after Franchisor's request, exact copies of federal and state income, service, sales and any other tax returns, business records, bookkeeping and accounting records, copies of customer lists, copies of customer service contracts and invoices and other information as Franchisor may periodically require ("Records"). Franchisor also may require Franchisee to have prepared and reviewed by an independent certified public accountant, within ninety (90) days after the end of the Franchisee's fiscal year, a fiscal year-end balance sheet and income statement and statement of cash flow of the Business for such fiscal year, all signed and verified by Franchisee in the manner Franchisor prescribes. Franchisee also must provide Franchisor with a calendar year operating budget by March 30th for that calendar year in the form that Franchisor requires. Franchisor shall have the right to use and disclose data derived from reports and statements submitted to Franchisor as it deems necessary or useful, provided Franchisor shall exert reasonable efforts to prevent unauthorized disclosure or use of any customer lists during the term of this Agreement after the termination or expiration (without renewal) of this Agreement. Franchisor will own all customer lists, and related customer data, and Franchisor may use or disclose Franchisee's customer lists, in Franchisor's discretion.

From and after the date Franchisor notifies Franchisee that Franchisee is "not in good standing" (as defined below) until six (6) months after Franchisor notifies Franchisee that Franchisee is back in good standing, then in addition to furnishing the periodic reports required above, Franchisee shall furnish to Franchisor on such forms as Franchisor prescribes from time to time: (1) by the fifteenth (15th) day after each fiscal month of Franchisor (as defined in the Operating Manual) a profit and loss statement for the Franchise for such fiscal month of Franchisor and for the year-to-date and a balance sheet and Franchisee's description of the financial condition as of the end of such fiscal month; and (2) by the thirtieth (30th) day after each fiscal quarter of Franchisor (as defined in the Operating Manual) a list of all customers serviced by the Franchise during such fiscal quarter.

Franchisee shall be deemed to be "not in good standing" if: (a) any payment for the purchase of products, vehicles, equipment, signs or supplies from Franchisor or any of its affiliates is more than ninety (90) days past due; (b) Franchisee at any time exceeds its credit limit, as determined by Franchisor from time to time, for the purchase of products, vehicles, equipment, signs or supplies from Franchisor or any of its affiliates; or (c) any royalty payment, Advertising Fund contribution or any other amount due and owing to Franchisor is more than sixty (60) days past due.

Notwithstanding the foregoing requirements for additional reporting, Franchisee's failure to pay all amounts when due shall constitute a breach of this Agreement and grounds for termination, as provided in Section 15. Franchisee's compliance with the additional reporting requirements contained herein shall not in any manner constitute performance of its obligations in lieu of timely payment, and Franchisor's notification that Franchisee is not in good standing and acceptance of the additional reports shall not in any manner be deemed a waiver of its right to require strict performance with Franchisee's obligations under this Agreement or an acquiescence with Franchisee's failure to strictly perform its obligations under this Agreement.

12. **INSPECTIONS AND AUDITS.**

A. **FRANCHISOR'S RIGHT TO INSPECT THE BUSINESS.**

Franchisor and its designated agents shall have the right to any reasonable time and upon twenty-four (24) hours prior notice (written or oral) to Franchisee to: (1) inspect the Business Premises; (2) observe and video tape the operations of the Franchise, including the performance of services at customer premises; (3) remove samples of any products, materials or supplies for testing and analysis; (4) meet with personnel and customers of the Franchise; and (5) inspect and copy any books, records and documents relating to the operation of the Franchise. Franchisee agrees to cooperate fully with Franchisor in connection with such activities.

B. **FRANCHISOR'S RIGHT TO AUDIT.**

Franchisor may, at all reasonable times and without prior notice to Franchisee, examine, audit, or request copies of the Records, or cause the Records to be inspected and audited. Franchisee shall fully cooperate with Franchisor's representatives and independent accountants hired by Franchisor to conduct any such inspection or audit. Franchisee must maintain all Records and supporting documents at all times at the Business Premises. Franchisee will fully cooperate with Franchisor's representative and independent accountants hired to conduct any examination or audit.

C. **RESULT OF AUDIT; UNREPORTED NET REVENUES.**

If any inspection or audit discloses an understatement of the Gross Receipts of the Franchise then Franchisee shall pay to Franchisor, within seven (7) days after the receipt of the inspection or audit report, the royalties and Advertising Fund contributions (if any) due on the amount of such understatement, plus interest (as provided in Section 6.D.) from the date originally due until the date of payment. Further, if such inspection or audit is made necessary by Franchisee's failure to furnish reports, supporting records or other information as herein required, or Franchisee's failure to furnish such reports, records or information on a timely basis, or if an understatement of Gross Receipts for the period of any audit is understated by greater than two percent (2%), Franchisee shall reimburse Franchisor for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of Franchisor's employees. The foregoing remedies shall be in addition to Franchisor's other remedies and rights under this Agreement or applicable law.

13. **TRANSFER.**

A. **BY FRANCHISOR.**

This Agreement is fully transferable by Franchisor and shall inure to the benefit of any transferee or other legal successor to Franchisor's interest herein.

B. **FRANCHISEE MAY NOT TRANSFER WITHOUT APPROVAL OF FRANCHISOR.**

The rights and duties created by this Agreement are personal to Franchisee (or, if Franchisee is a corporation, partnership or Limited Liability Company, its owners). Accordingly, neither Franchisee nor its owners may transfer the Franchise without Franchisor's prior written approval. Any transfer without such approval shall constitute a breach of this Agreement and shall be void and have no effect.

The phrase “transfer the Franchise” or words of similar import shall mean the voluntary, involuntary, direct or indirect assignment, sale, sublicense, sublease, collateral assignment, granting of a security interest, gift, or other transfer or disposition of this Agreement, any interest in this Agreement, the ownership of the Franchise or the assets, revenues or income of the Franchise (including any marketing lists, customer lists, canceled customer lists or potential customer lists) in one or more transactions, including without limitation: (1) any transfer or issuance of a legal or beneficial ownership interest in Franchisee or of any instrument convertible to a beneficial ownership interest in Franchisee; (2) any merger or consolidation of Franchisee; (3) any transfer in a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (4) any transfer upon the death of Franchisee or an owner of Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession; or (5) any foreclosure upon the Franchise or the transfer, surrender or loss by Franchisee of possession, control or management of the Franchise. A marketing list, customer list, canceled customer list or potential customer list may be assigned or transferred only to the assignee(s) of this Agreement in connection with an assignment or transfer of this Agreement.

C. CONDITIONS FOR APPROVAL OF TRANSFER.

If Franchisee and, if Franchisee is a corporation, partnership or limited liability company, its owners, are in full compliance with this Agreement, then, subject to the provisions of Section 13.E., Franchisor shall not unreasonably withhold its approval of a transfer that meets all the applicable requirements of this Section. Franchisor may impose reasonable conditions on the transfer, the transferor(s) and/or the transferee(s), including without limitation, the following:

1. the proposed transferee and its owners must be individuals of good character and reputation, must have sufficient business experience, aptitude and financial resources to operate the Business and must otherwise meet Franchisor’s then applicable standards for TruGreen franchisees;
2. the transferee (or its approved partner, shareholder, or member) and its manager must have completed Franchisor’s training and certification program to Franchisor’s satisfaction;
3. the transferee (and its owners) must agree to be bound by all of the terms and conditions of this Agreement. Alternatively, Franchisor may require Franchisee to execute a mutual termination agreement with respect to this Agreement and require the transferee (and its owners) to execute Franchisor’s then current standard form of franchise agreement and related documents used in the state in which the Franchise is to be operated, provided such agreement shall contain the same percentages as this Agreement for royalties, advertising contributions, and advertising expenditures and a term that shall be the same as the remainder of the term of this Agreement;
4. Franchisee must pay Franchisor a transfer fee in an amount equal to Franchisor’s actual out of pocket expenses relating to the transfer and the training and certification of the transferee and its manager, not to exceed \$5,000;
5. except to the extent limited or prohibited by applicable law, Franchisee (and its owners) must execute a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates and their respective officers, directors, employees and agents;
6. if Franchisee (or any of its owners) finances any part of the sale price of the transferred interest, Franchisee and/or its transferring owners must agree that all obligations of the transferee, and security interests reserved by Franchisee or its owners in the assets of the Franchise, shall be subordinate to the transferee’s obligations to pay all amounts due to Franchisor and its affiliates; and
7. Franchisee and its owners must execute a non-competition covenant in favor of Franchisor and the transferee(s) agreeing that, for a period of at least eighteen (18) months, commencing on the effective date of the transfer, Franchisee and each of its owners will not hold any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business that is located or operating within the Authorized Territory or within the authorized territory of any other TruGreen business (whether

operated by Franchisor, its affiliates or franchisees of Franchisor) in operation on the effective date of transfer. The restrictions of this subsection shall not be applicable to (i) the ownership of share of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding; or (ii) the ownership or operation of other TruGreen franchises under a franchise agreement with Franchisor.

Franchisor may expand upon, and provide more details related to, the conditions for transfer and Franchisor's consent as described in this Section 13, and may do so in the Operating Manual or otherwise in writing. Franchisor's approval of a transfer of the franchise shall not constitute: (i) a representation by Franchisor as to the fairness of the terms of any contract between Franchisee and the transferee or the prospects of success of the transferee; or (ii) a waiver of Franchisor's claims against Franchisee (or its owners) or right to demand the transferee's exact compliance with the terms or conditions of this Agreement.

D. DEATH OR DISABILITY OF FRANCHISEE.

Upon the death or permanent disability of Franchisee or, if Franchisee is a corporation, partnership, or limited liability company the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall transfer its interest in this Agreement or in Franchisee to a third party approved by Franchisor. Such disposition of this Agreement or an interest in Franchisee (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to transfers contained in Sections 13.B and 13.C. Failure to transfer the interest in this Agreement or in Franchisee within said period of time shall constitute a breach of this Agreement. The term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee or an owner of a controlling interest in Franchisee from managing and/or supervising the Franchise for a period of ninety (90) days or more from the onset of such disability, impairment or condition.

E. FRANCHISOR'S RIGHT OF FIRST REFUSAL.

If Franchisee (or any of its owners) shall at any time determine to transfer the Franchise for consideration, Franchisee (or such owner) shall obtain a bona fide, executed written offer and earnest money deposit (in the amount of five percent (5%) or more of the offering price) from a responsible and fully disclosed purchaser and immediately deliver to Franchisor a true and complete copy of such offer. If the offeror proposes to buy any other property or rights from Franchisee or an affiliate of Franchisee, such proposal must be set forth in a separate, contemporaneous offer that is disclosed to Franchisor, and the price and terms of purchase offered to Franchisee (or its owners) for the transfer of the Franchise shall reflect the bona fide price offered for it and shall not reflect any value for any other property or rights.

Franchisor shall have the right, exercisable by written notice delivered to Franchisee or its owners within thirty (30) days from the date of delivery of an exact copy of such offer to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that the Franchisor may substitute cash for any form of payment proposed in such offer. Franchisor's credit shall be deemed equal to the credit of any proposed purchaser and Franchisor shall have not less than sixty (60) days to prepare for closing. Franchisor shall be entitled to purchase such interest subject to all representations and warranties, closing documents, and indemnities it may reasonably require, including without limitation, representations and warranties as to ownership and condition of and title to stock or ownership interests and/or assets, the validity of contracts and the extent of liabilities, contingent or otherwise of business whose ownership interest are purchased. If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to Franchisor's approval of the transfer as provided in Sections 13.B and 13.C., provided that if the sale to such purchaser is not completed within ninety (90) days after delivery of such offer to Franchisor, or if there is a material change in the terms of the sale, Franchisee shall promptly notify Franchisor, and Franchisor shall have an additional right of first refusal during the thirty (30) day period following either the expiration of such ninety (90) day period or the material change in the terms of the sale.

F. **PUBLIC AND PRIVATE OFFERINGS OF SECURITIES.**

In addition to the requirements set forth in Sections 13.B and 13.C, Franchisee (and its owners) shall not issue or sell, or offer to issue or sell, any securities of Franchisee, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining Franchisor's requirements and restrictions concerning use of information about Franchisor and its affiliates. Franchisor has the absolute right to refuse to consent to the issuance or sale of securities by Franchisee or its owners if the owners of Franchisee prior to such sale or issuance would own less than fifty-one percent (51%) of the equity and voting power of Franchisee after such sale or issuance and such issuance or sale would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or thereafter would require Franchisee to comply with the Securities Exchange Act of 1934, as amended.

14. **RENEWAL OF AGREEMENT.**

Franchisee has no right to renew its Franchise under this Agreement. If Franchisor grants Franchisee the right to renew its Franchise, Franchisee must satisfy the following conditions:

1. Franchisee has given written notice at least ninety (90) days but no more than one hundred and eighty (180) days before the end of the term of this Agreement of its desire to enter into a renewal agreement;
2. Franchisee has complied with this Agreement (and all other agreements between Franchisor and Franchisee) during its term, including the payment of all monetary obligations Franchisee owes to Franchisor or its affiliates, and has complied with all material operating and quality standards and procedures;
3. Franchisee maintains the Franchise Premises in accordance with Franchisor's then-current required System Standards and has added or replaced vehicles, equipment and signs and otherwise modified the Franchise to bring it into compliance with Franchisor's then-current required System Standards;
4. Franchisee completes, to Franchisor's satisfaction, any new training or refresher programs as Franchisor may reasonably require. Franchisee is responsible for travel, living and compensation costs of attendees;
5. Franchisee shall be obligated to reimburse Franchisor for the expenses it incurs in connection with such renewal, not to exceed \$5,000; and
6. Franchisor and Franchisee (and the owners of Franchisee) shall execute the form of franchise agreement (which may provide for different royalties, advertising contributions and expenditures, duration and other rights and obligations from those provided in this Agreement) and any ancillary agreements Franchisor then customarily uses in granting renewal franchises for the operation of TruGreen businesses, and Franchisee (and the owners of Franchisee) shall execute general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates and their respective officers, directors, employees, agents, successors and assigns. Failure by Franchisee (and its owners) to sign such agreements and releases within thirty (30) days after delivery thereof to Franchisee shall be deemed an election by Franchisee not to acquire a renewal franchise.

15. **TERMINATION OF AGREEMENT.**

A. **FRANCHISOR'S RIGHT TO TERMINATE AGREEMENT.**

Franchisor shall have the right to terminate this Agreement, effective upon delivery of notice of termination to Franchisee, if Franchisee (or any of its owners):

1. abandons or fails to actively operate the Franchise, unless the Franchise has been closed for a purpose approved by Franchisor;
2. surrenders or transfers control of the operation of the Franchise without Franchisor's prior written consent:
3. has made any material misrepresentation or omission in its application for the franchise;
4. is or has been convicted of, or pleads or has pleaded no contest to, a felony or other crime or offense or engages or has engaged in any conduct which may adversely affect the reputation of a TruGreen business or the goodwill associated with the Marks;
5. makes an unauthorized transfer of the Franchise or fails to transfer the Franchise or the interest of a deceased or disabled principal owner of Franchisee as herein required;
6. makes any unauthorized use or disclosure of any Confidential Information or uses, duplicates or discloses any portion of the Operating Manual in violation of this Agreement;
7. materially violates any health, safety or environmental law, ordinance or regulation or conducts the Franchise in a manner that presents a health or safety hazard and fails to cure such violation or cease such conduct within seventy-two (72) hours after written notice is delivered to Franchisee;
8. fails to accurately report the Gross Receipts of the Franchise or to make payments of any amounts due to Franchisor for royalties, Advertising Fund contributions or any other amounts due to Franchisor or its affiliates and does not correct such failure within ten (10) days after written notice of such failure is delivered to Franchisee;
9. intentionally understates the Gross Receipts of the Franchise in any report or financial statement;
10. fails to spend the minimum amount on approved local advertising and promotion;
11. fails to comply with any other provision of this Agreement or any required System Standard and does not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to Franchisee;
12. fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records or to pay when due the royalties, Advertising Fund contributions or other payments due to Franchisor or its affiliates or otherwise fails to comply with this Agreement or any System Standard, whether or not such failures to comply are corrected after notice is delivered to Franchisee;
13. makes an assignment for the benefit of creditors or an admission of its insolvency or inability to pay its obligations as they become due or has a petition filed for its dissolution;
14. fails to generate the minimum Gross Receipts; or
15. violates Section 2.B of this Agreement due to Franchisee's (or any of its owners, officers, directors or personal guarantors) involvement in a Competitive Business .

If the provisions of this Section 15.A are inconsistent with applicable law, the applicable law will apply.

B. TERMINATION OF AUTHORIZED TERRITORY.

In addition to Franchisor's right to terminate this Agreement if Franchisee fails to generate the minimum

Gross Receipts in any Franchise Year (as described in Section 3), Franchisor may elect to terminate Franchisee's rights in the Authorized Territory, as described in Section 2, without terminating this Agreement, effective thirty (30) days following delivery of notice of termination to Franchisee. If Franchisor terminates Franchisee's Authorized Territory rights, Franchisee's rights to continue operating the Franchise under this Agreement will continue. Franchisor will have the right, however, to establish, operate and franchise others to operate TruGreen businesses in Franchisee's Authorized Territory without restriction.

16. **RIGHTS AND OBLIGATIONS OF FRANCHISOR AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.**

A. **PAYMENT OF AMOUNTS OWNED TO FRANCHISOR.**

Franchisee agrees to pay Franchisor, within thirty (30) day after the effective date of termination or expiration (without renewal) of this Agreement, such royalties, Advertising Fund contributions, amounts owed for purchases by Franchisee from Franchisor or its affiliates, interest due on any of the foregoing and all other amounts owed to Franchisor or its affiliates which are then unpaid.

B. **USE OF MARKS.**

Franchisee agrees that, upon the termination or expiration (without renewal) of this agreement, Franchisee will:

1. not directly or indirectly at any time on in any manner identify itself or any business as a current or former TruGreen franchise, or as a franchisee of Franchisor, or use any Mark, any colorable imitation thereof or other indicia of a TruGreen franchise in any manner or for any purpose;

2. take such action as may be required to cancel or, at Franchisor's option, assign all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark;

3. promptly remove from the Franchise Premises and all vehicles and equipment, and discontinue using for any purpose, any and all signs, advertising materials, forms and other articles which display any of the Marks or any distinctive features, images or designs associated with TruGreen businesses;

4. at Franchisor's request, deliver to Franchisor all usable and authorized products, materials and supplies identified by the Marks in full cases or packages for credit at actual cost to Franchisee and dispose of all other products, materials and supplies identified by the Marks within thirty (30) days after the effective date of termination or expiration of this Agreement;

5. notify the telephone company and all telephone directory publishers of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified or other telephone directory listing associated with any Mark and authorize transfer to Franchisor or at its direction. As between Franchisee and Franchisor, Franchisor has the sole rights to and interest in all telephone and telecopy numbers and directory listings associated with the Mark. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any of its officers as Franchisee's attorney in fact, to direct the telephone company and all telephone directory publishers to transfer any telephone and telecopy numbers and directory listings relating to the Franchise to Franchisor or at its direction, should Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive evidence of Franchisor's exclusive rights in such telephone and telecopy numbers and directory listings and Franchisor's authority to direct their transfer; and

6. furnish Franchisor, within thirty (30) days after the effective date of termination or expiration, with evidence satisfactory to Franchisor or Franchisee's compliance with the foregoing obligations.

C. **CONFIDENTIAL INFORMATION AND CUSTOMER LISTS.**

Franchisee agrees that, upon termination or expiration (without renewal) of this Agreement, it will immediately cease to use any Confidential Information in any business or otherwise and return to Franchisor all copies of the Operating Manual and any other confidential materials which Franchisor has loaned to Franchisee. Franchisee also agrees that, upon termination or expiration (without renewal) of this Agreement, it will immediately cease to use all customer lists, potential customer lists, canceled customer lists, and marketing lists that were created or used in the Business, assign such lists to Franchisor, and provide Franchisor with copies of every list in electronic or hard-copy form.

D. **COVENANT NOT TO COMPETE.**

Franchisee and its owners agree that, upon termination or expiration (without renewal) of this Agreement, for a period of eighteen (18) months after the date of termination or expiration, neither Franchisee nor any of its owners, officers, directors or personal guarantors shall have any direct or indirect interest (through a member of the immediate families of Franchisee or any of its owners otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within the Authorized Territory or within the authorized territory of any other TruGreen business (whether operated by Franchisor, its affiliates or franchisees of Franchisor) in operation on the date of termination or expiration.

If Franchisee or its owners fail to abide by the foregoing covenant, and Franchisor seeks to enforce this covenant in a judicial or arbitration proceeding, Franchisee agrees that the foregoing covenant shall be for a period of time expiring eighteen (18) months after the date of the order enforcing the foregoing covenant. The restrictions of this Section 16.D. shall not be applicable to (i) the ownership of shares of a class of securities listed on a stock exchange or traded on the over the counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding; or (ii) the ownership or operation of other TruGreen franchises under a valid franchise agreement with Franchisor. Franchisee and its owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills, so that enforcement of the covenant made in this Section 16.D. will not deprive them of their personal goodwill or ability to earn a living.

Upon termination or expiration (without renewal) of this Agreement, Franchisor, its affiliates or other franchisees of Franchisor may, without any liability or obligation to Franchisee, perform services for, and sell products to, any customer located within the Authorized Territory, whether or not such customer was serviced by Franchisee at any time during the term of this Agreement.

E. **FRANCHISOR'S RIGHT TO PURCHASE THE BUSINESS.**

Upon termination or expiration (without renewal) of this Agreement, Franchisor shall have the right, but not the obligation, exercisable by giving written notice thereof within ten (10) days after the date of such termination or expiration, to purchase the Franchise. Franchisor shall purchase Franchisee's Franchise for the Franchise Purchase Price (as defined in Section 17.B) and in the manner described in Sections 17.B.1 – 6. upon termination or expiration of this Agreement. The closing shall occur not later than sixty (60) days following the date that Franchisor gives Franchisee its notice of its intent to purchase the Franchise. If Franchisor gives written notice that it will purchase the Franchise, at Franchisor's option this Agreement will be reinstated and extended until the closing and Franchisee must continue to operate the Franchise in full compliance with the terms of this Agreement until the closing. At the closing, Franchisor shall deliver to Franchisee an amount equal to ninety percent (90%) of the total amount of the Franchise Purchase Price in immediately available funds, and Franchisee shall deliver to Franchisor all of the assets purchased by Franchisor in form and manner reasonably satisfactory to Franchisor. No later than the date that is one hundred eighty (180) days after the closing date, Franchisor shall pay to Franchisee the remaining ten percent (10%) of the Franchise Purchase Price, subject to any working capital adjustments or other allowances specified in the purchase agreement.

F. **CONTINUING OBLIGATIONS.**

All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

17. **FRANCHISOR'S REPURCHASE OPTION**

A. **EVENTS CAUSING FRANCHISOR'S REPURCHASE OPTION TO ARISE.**

Franchisor hereby reserves and shall have the option (to be exercised in Franchisor's sole discretion) to purchase back from Franchisee all of Franchisee's rights under this Agreement pursuant to Section 17.B below upon the occurrence of one of the following events (each an "Event"):

1. Franchisor provides Franchisee with twelve (12) months' written notice of its intent to purchase back all of Franchisee's rights under this Agreement.

2. Within twelve (12) months of a transaction or related series of transactions, including, without limitation, a sale, purchase, merger, joint venture, consolidation, acquisition or similar transaction (a "Transaction") that results in one or more third parties owning fifty percent (50%) or more of the ownership interests in Franchisor, its general partner(s), affiliates, parents or other entity under common control ("Franchisor Parties") or fifty percent (50%) or more of the assets of any of the Franchisor Parties, Franchisor provides Franchisee with written notice of its intent to purchase back all of Franchisee's rights under this Agreement.

3. Within twelve (12) months of a Transaction that results in any of the Franchisor Parties owning fifty percent (50%) or more of the ownership interests in or assets of a third party that operates a system of business outlets (whether company-owned or franchises, or a combination thereof) involving the sale of lawn care services, tree and shrub care services and/or pest control services (in any combination), Franchisor provides Franchisee with written notice of its intent to purchase back all of Franchisee's rights under this Agreement.

4. Within twelve (12) months of any of the Franchisor Parties initiating definitive steps for a public offering or consummating a public offering, Franchisor provides Franchisee with written notice of its intent to purchase back all of Franchisee's rights under this Agreement.

B. **FRANCHISOR'S OPTION TO REPURCHASE FRANCHISEE'S RIGHTS.**

Upon the occurrence and final closing of any Event described above in Section 17.A. of this Agreement, Franchisee hereby grants to Franchisor the option to purchase back from Franchisee all of Franchisee's rights under this Agreement, upon the following terms and conditions:

1. Included within Franchisor's option to purchase back from Franchisee all of Franchisee's rights under this Agreement shall be all accounts receivable, and all of the intangible assets associated with the Franchise, and, in addition to such assets, Franchisee shall transfer to Franchisor all rights to Franchisee's lists of customers and all goodwill associated with the Franchise.

2. The purchase price ("Franchise Purchase Price") to be paid by Franchisor under this Article 14 to Franchisee for the assets described in Section 17.B.1 above, shall be an amount equal to the amount of Franchisee's Gross Receipts derived from the Franchise within the Authorized Territory during the most recently completed period of twelve (12) full calendar months prior to the date of closing of the purchase transaction. The final Franchise Purchase Price is subject to certain adjustments as provided in Section 17.B.3 below.

3. The Franchise Purchase Price as determined under this Section 17.B. shall be subject to reduction on a dollar-for-dollar basis in an amount equal to the amount by which the aggregate accounts

receivables of the Franchise being acquired that are less than ninety (90) days past due are exceeded by the total amount of the credit balances of the Franchise that are owing to Franchisor, as well as the remaining balance of pre-paid amounts received by Franchisee prior to the closing of any repurchase transaction as described herein.

4. As part of Franchisor's exercise of its option to purchase back from Franchisee all of Franchisee's rights, as provided under this Section 17.B., Franchisor shall also:

a. Purchase, at the market value for each item as determined solely by Franchisor in the exercise of its good faith discretion, all of Franchisee's usable equipment as of the date of closing that meets the following conditions: (1) such equipment is less than five years old and was used only in the Franchise, (2) each item of such equipment was purchased for a price of \$1,000 or more, (3) such equipment shall not include any aerators that are more than two (2) years old; and (4) the equipment was purchased in compliance with the terms of this Agreement.

b. Purchase at the then-current list price, which is determined as of the date of closing of Franchisor's option to purchase back, Franchisee's Franchisor-approved usable product inventory, as determined solely by Franchisor in the exercise of its good faith discretion, in original containers that was obtained by Franchisee from suppliers approved by Franchisor.

c. Purchase any service vehicles that meet Franchisor's then-current standards and that are less than five (5) years old at a price equal to the greater of the total of the then-current, which is determined as of the date of closing of Franchisor's option to purchase back, Kelley Blue Book wholesale price or the amount owed by Franchisee to any bank, lessor or other third-party for each of the service vehicles to be purchased.

d. Assume the leases for real property used in the Franchise; provided that Franchisor shall not be obligated to assume any lease (1) that has a remaining term of greater than three (3) years as of the date of closing, (2) for which the lessor is a third party affiliated with Franchisee or otherwise related in business or by family to Franchisee, or (3) that Franchisor has determined, in its sole discretion, that the real property that is the subject of the lease exhibits, or would exhibit, potential environmental contamination.

5. At the closing of any purchase transaction which occurs as a result of Franchisor's exercise of its option to purchase back from Franchisee all of Franchisee's rights under this Agreement, as described herein, Franchisee shall deliver to Franchisor all copies of its customer lists (in all forms of media), along with all customer records in Franchisee's possession, including, but not limited to, those customer records (in all forms of media) reasonably necessary in order to allow Franchisor to maintain the customer relationships commenced by Franchisee.

6. On the effective date of such purchase transaction which occurs as a result of Franchisor's exercise of its option to purchase back, this Agreement shall terminate. Franchisee hereby acknowledges that, following such termination it shall continue to be obligated to perform its obligations as set forth in Section 16 of this Agreement, including, without limitation, the obligations of the non-competition covenant set forth in Section 16.D of the Agreement. At the closing, Franchisor and Franchisee shall enter into an Asset Purchase and Franchise Termination Agreement, including a release of claims, and related documents in order to evidence the transaction in the form Franchisor requires.

7. The closing as described in this Section 17.B. shall occur as follows:

(a) If the option to purchase is exercised under Section 17.A.1 above, the closing shall occur as soon as possible following the end of the twelve (12) month notice period, but in no event shall the closing occur more than one hundred and twenty (120) days following the end of the twelve (12) month notice period;

(b) If the option to purchase is exercised under Sections 17.A.2, 17.A.3 or 17.A.4 above,

the closing shall occur as soon as possible following the date on which Franchisor provides Franchisee with notice of its exercise of the option, but in no event shall the closing occur more than one hundred and twenty (120) days following the date on which Franchisor provides Franchisee notice of its exercise of the option.

At the closing, Franchisor shall deliver to Franchisee an amount equal to ninety percent (90%) of the total amount of the Franchise Purchase Price in immediately available funds, and Franchisee shall deliver to Franchisor all of the assets purchased by Franchisor in form and manner reasonably satisfactory to Franchisor. No later than the date that is one hundred eighty (180) days after the closing date, Franchisor shall pay to Franchisee the remaining ten percent (10%) of the Franchise Purchase Price, subject to any working capital adjustments or other allowances specified in the purchase agreement.

8. Franchisee hereby agrees that the operation of a lawn care service, or tree and shrub care service, business within the Authorized Territory by Franchisor or any of its affiliates, or by a third party with the consent of Franchisor, following the Event shall not constitute a breach of Franchisor's obligations under this Agreement, and, in such circumstance, Franchisee hereby waives and releases Franchisor, any of its affiliates and any such third-parties from any and all claims and damages arising from the operation of a lawn care service business within the Authorized Territory following the Event.

9. Both parties hereto hereby acknowledge that the provisions of Section 13 of this Agreement regarding "Transfer," and the rights and obligations of each of the parties as set forth therein, shall continue to have application.

18. **RELATIONSHIP OF THE PARTIES.**

A. **INDEPENDENT CONTRACTORS.**

This Agreement does not create a fiduciary relationship between the parties. Franchisor and Franchisee are and shall be independent contractors, and nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. Franchisee shall conspicuously identify itself in all dealings with customers, suppliers, public officials, business personnel and others as the owner of a Franchise under a franchise agreement granted by Franchisor and place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as Franchisor may require from time to time.

B. **NO LIABILITY FOR ACTS OF OTHER PARTY.**

Neither Franchisor nor Franchisee shall make any express or implied agreements, warranties, guarantees or representations or incur any debts in the name or on behalf of the other, represent that their relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. Franchisor shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchise.

C. **TAXES.**

Franchisor shall have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon the Franchise, Franchisee's property or Franchisor, in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor). Payment of all such taxes shall be Franchisee's responsibility.

D. **INDEMNIFICATION.**

Franchisee agrees to indemnify, defend and hold harmless Franchisor, its affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnified Parties") against and to reimburse them for all claims, obligations and damages described in Section 18.B., any and all taxes described in Section 18.C. and any and all claims and liabilities directly or indirectly arising from the operation of the Franchise, from any breach of this Agreement by Franchisee, or from Franchisee's or Franchisee's employees' actions or

inactions. For purposes of this indemnification, “claims” shall include all obligations of any kind, including but not limited to, actual, consequential, exemplary and punitive damages and costs; reasonable attorney and expert witness fees, interest, court costs, other litigation expenses and travel and living expenses. Franchisor has the right to defend and/or settle any such claim against it in such manner as it deems appropriate or desirable. This indemnity shall continue in full force and effect after and notwithstanding the expiration or termination of this Agreement.

E. **REQUIREMENTS FOR PARTNERSHIP OR CORPORATE FRANCHISE.**

If Franchisee is at any time a partnership, corporation, or limited liability company the organizational documents of such partnership, corporation, or limited liability company shall recite that the issuance and assignment of any interest is restricted by the terms of this Agreement, and all certificates representing such interests shall bear a legend referring to the restrictions. Each general partner, shareholder, or member of Franchisee must execute an agreement, in the form Franchisor prescribes from time to time, undertaking to be bound jointly and severally by all provisions of this Agreement. Franchisee will furnish to Franchisor at any time upon request, in such form as Franchisor may require, a list of all record and beneficial owners reflecting their respective interests in Franchisee.

19. **MISCELLANEOUS.**

A. **SECURITY INTEREST.**

During the Term of this Agreement, Franchisee owns any and all customer lists, potential customer lists, canceled customer lists and marketing lists used in the Franchise and any and all books and records relating to such lists. Franchisee grants to Franchisor a security interest in the following described property, whether now owned or hereafter acquired by Franchisee, and any and all proceeds therefrom (collectively the “Collateral”), to secure the payment and performance of any and all past, present or future obligations, indebtedness and liabilities of Franchisee to Franchisor, howsoever created, arising or evidenced, and whether direct or indirect, absolute or contingent, due or to become due, or now or hereafter contracted or existing:

1. any and all customer lists, potential customer lists, canceled customer lists, and marketing lists; and
2. any and all books and records relating to such lists including without limitation, service record books and names and addresses of active accounts.

Franchisee shall execute and deliver such financing and continuation statements, and execute and deliver such further documents, as Franchisor may deem appropriate to perfect the security interest granted hereunder.

In the event that Franchisee shall default under any such obligation, indebtedness or liability to Franchisor, and there shall be any unpaid obligation, liability or indebtedness of Franchisee to Franchisor, howsoever created, arising or evidenced, and whether direct or indirect, absolute or contingent, or due or to become due, then Franchisor shall have the authority to sell, assign, lease or otherwise dispose of the Collateral, or any part thereof, at public or private sale, provided Franchisor shall give Franchisee at least five (5) days prior written notice of the time and place of any public sale or the time after which any private sale or any other intended disposition is to be made. The net proceeds realized upon any such disposition, after deduction for the expenses of holding, preparing for sale, selling or the like and reasonable attorneys’ fees and legal expenses incurred by Franchisor, shall be applied to the payment of the liabilities, indebtedness and obligations secured by the Collateral, as any surplus realized on such disposition and Franchisee shall remain liable for any deficiency, which Franchisee shall pay forthwith. Alternatively, Franchisor may retain the Collateral in satisfaction of the liabilities, indebtedness and obligations secured by the Collateral, as provided under applicable law.

B. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Every part of this Agreement shall be considered severable. If, for any reason, any part of this Agreement is held to be invalid, that ruling shall not impair the operation of such other parts of this Agreement as may remain otherwise intelligible. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its

scope in terms of area, business activity prohibited and/or length of time, but could be enforceable by reducing any part or all thereof, Franchisee and Franchisor agree that the same shall be enforced to the fullest extent permissible under applicable laws and public policies.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew the Franchise than is required hereunder, or the taking of some other action not required hereunder, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof. If any provision of this Agreement or any System Standard is invalid or unenforceable under applicable law, Franchisor shall have the right, in its sole discretion, to modify such invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable.

C. WAIVER OF OBLIGATIONS.

Franchisor and Franchisee may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to Franchisor's continuing review and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon delivery to Franchisee of ten (10) days prior written notice. Franchisor and Franchisee shall not be deemed to have waived any right, power or option reserved by this Agreement by virtue of (i) any custom or practice of the parties at variance with the terms hereof; (ii) any failure, refusal, or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations; (iii) any waiver, forbearance, delay, failure or omission by Franchisor to exercise any right, power or option, whether of the same, similar or different nature, with respect to other TruGreen businesses; or (iv) the acceptance by Franchisor of any payments due from Franchisee after any breach of this Agreement.

Neither Franchisor nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy or the voluntary or involuntary forgoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the laws, ruling orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) acts of God; (3) fires, strikes, embargoes, war or riot; or (4) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of royalties and Advertising Fund contributions due on any subsequent sales.

D. INJUNCTIVE RELIEF.

Nothing in this Agreement shall bar Franchisor's right to seek temporary restraining orders and preliminary injunctive relief against threatened conduct that will cause it irreparable harm or damage under customary equity rules. Franchisee agrees that Franchisor is entitled to such relief without bond, as determined by the Court, but upon due notice, in addition to such other relief as may be available at equity or law. Franchisee's sole remedy in the event of the entry of such order or injunction shall be the dissolution of such order or injunction, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such order or injunction being hereby expressly waived.)

E. RIGHTS OF PARTIES ARE CUMULATIVE.

The rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled by law to enforce.

F. COSTS AND ATTORNEYS' FEES.

The party prevailing in any judicial or arbitration proceeding (or appeal thereof) between the parties shall be awarded its costs, expenses and interest, including, but not limited to, reasonable attorneys' fees, whether incurred prior to, in preparation for, or in contemplation of, the filing of any claim, hearing or proceeding to enforce the

obligations of this Agreement. If Franchisor is required to engage legal counsel in connection with Franchisee's failure to promptly pay amounts owing to Franchisor, promptly submit when due any reports, information or records or otherwise comply with this Agreement, Franchisee shall reimburse Franchisor for any of the above-mentioned costs and expenses that it incurs.

G. GOVERNING LAW/CONSENT TO JURISDICTION.

All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. §§ 1, *et. seq.*). Except to the extent governed by the Federal Arbitration Act or other federal law, this Agreement and the relationship between Franchisor and Franchisee shall be governed by the substantive laws of the State of Tennessee, which shall prevail in the event of any conflict of law; provided that any provision (or part thereof) of this Agreement which is unenforceable under the laws of the State of Tennessee shall be enforced if enforceable under the laws of the State in which the Authorized Territory (or the majority thereof) is located. Franchisee (and its owners and personal guarantors) agrees that any action against Franchisee (and its owners and personal guarantors) which is not required to be arbitrated, or to enforce the arbitration provisions of this Agreement, shall be venued exclusively in any state or federal court in the judicial district in which Franchisor has its principal place of business. Franchisor also has the right to file any such suit against Franchisee in the federal or state court where the Franchise is located. Franchisee (and its owners and personal guarantors) irrevocably submits to the personal jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court. Franchisee (and its owners and personal guarantors) acknowledges and agrees that this Section shall survive the termination or expiration of this Agreement.

H. BINDING EFFECT.

This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest and shall not be modified except by written agreement signed by both Franchisee and Franchisor.

I. LIMITATIONS OF CLAIMS.

Any and all claims of Franchisee arising out of this Agreement or the relationship among the parties must be made by written notice to Franchisor within eighteen (18) months from the occurrence of the facts giving rise to such claim, except to the extent any applicable law or statute provides for a shorter period of time to bring a claim. If Franchisee fails to assert any such claim within the eighteen month time period, Franchisee agrees that any such claim is waived and Franchisee is barred from asserting any such claim against Franchisor.

J. WAIVER OF PUNITIVE AND CONSEQUENTIAL DAMAGES.

Except with respect to Franchisee's obligation to indemnify Franchisor for any type of claim pursuant to Section 18.D and except for claims by Franchisor against Franchisee or its owners for unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, the parties and their owners and guarantors waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages. Furthermore, Franchisee and its owners waive to the fullest extent permitted by law any right to or claim for prospective profits, or special, indirect or consequential damages.

K. ARBITRATION.

Except as otherwise provided in this Agreement, all controversies, disputes or claims arising between Franchisor, its affiliates and their respective officers, directors, agents, employees and attorneys (in their representative capacity) and Franchisee (and its owners and guarantors, if applicable) shall on written demand of either party, be resolved by binding arbitration administered by the American Arbitration Association or other agency agreed upon by the parties. All arbitration proceedings shall be conducted in Memphis, Tennessee, or the city of Franchisor's principal place of business at the time of any such demand for arbitration. All arbitration proceedings shall be heard by one Arbitrator in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. Except as limited by this Agreement, the Arbitrator shall have the right to award or include in the award any relief deemed proper under the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and attorneys' fees and costs. The award and decision of

the Arbitrator shall be conclusive and binding upon all parties to the arbitration proceeding, and judgment upon the award may be entered in any court of competent jurisdiction. If any party to the arbitration contests any award of the arbitrator, they agree to do so only in the United States District Court in which the arbitration award was entered. This Agreement to arbitrate shall continue in full force and effect after and notwithstanding the expiration or termination of this Agreement. All arbitration proceedings shall be conducted on an individual, not a class-wide, basis, and an arbitration proceeding pursuant to this Agreement shall not be consolidated with any other arbitration proceeding to which either Franchisor or Franchisee is a party.

L. DISPUTES NOT SUBJECT TO ARBITRATION.

The following disputes between Franchisor and Franchisee will not be subject to arbitration:

1. Any dispute involving Franchisor's trademarks or which arises under the Lanham Act, 15 U.S.C. § 1051, *et. seq.*;
2. Any dispute involving Franchisor's right to immediately terminate this Agreement pursuant to Section 15 of this Agreement;
3. Any dispute involving enforcement of covenants contained in paragraphs 16.D and 2.B of this Agreement; and
4. Any dispute involving the sale, transfer, assignment or renewal of this Agreement.

M. POWERS OR ARBITRATOR.

The authority of the arbitrator will be limited to making a decision and award relating to the interpretation or adherence of the written provisions of this Agreement. The arbitrator shall have no authority to add to, delete or modify in any manner the terms or provisions of this Agreement. The arbitrator will not have the right or authority to award punitive damages to either the Franchisor or the Franchisee and the parties expressly waive their right to plead or seek punitive damages.

N. PERFORMANCE DURING ARBITRATION.

The Franchisor and the Franchisee agree to comply with all the terms and conditions of this Agreement and will fully perform their respective obligations under this Agreement during the entire time of the arbitration process, including any appeals.

O. CONSTRUCTION.

The preambles and exhibits to this Agreement are a part of this Agreement, which constitutes the entire Agreement of the parties, and there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Nothing in this Agreement is intended or shall be deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement. Except where this Agreement expressly obligates Franchisor reasonably to approve or consent to, or not unreasonably to withhold its approval of or consent to, any action or request by Franchisee, Franchisor has the absolute right for any reason to refuse any request by Franchisee or to withhold its approval of or consent to any action by Franchisee. The headings of the sections of this Agreement hereof are for convenience only and do not define, limit or construe the contents of such sections. The term "affiliate" as used herein is applicable to any person or entity directly or indirectly owned or controlled by, under common control with or owning or controlling Franchisor or Franchisee, as applicable. The term "Franchisee" as used herein is applicable to one or more persons or a corporation, partnership, or a limited liability company, and its owners, as the case may be, and the singular usage includes the plural and the masculine and neuter usage include the other and the feminine. If two or more persons are at any time Franchisee, whether or not as partners or joint venturers or otherwise, their obligations and liabilities to Franchisor shall be joint and several. The term "Franchise" as used herein includes the Business Premises and all assets, revenue and income of the TruGreen Franchise operated by Franchisee pursuant to this Agreement.

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original. Time is of the essence in this Agreement.

20. **NOTICES AND PAYMENTS.**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or the Operating Manual shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by facsimile, telecopy or other electronic system, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing.

21. **INSURANCE.**

Franchisee shall procure, prior to providing any TruGreen Services, and maintain in full force and effect during the term of this Agreement at Franchisee's expense, an occurrence form insurance policy or policies with a Pesticide and Herbicide Applicator's endorsement, insuring Franchisee and Franchisor, and their officers, directors, employees and partners, against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with the TruGreen business, including but not limited to any loss from theft, vandalism, malicious mischief, and the perils included in the extended coverage endorsement. A certificate of insurance and other evidence of insurance the Franchisor requires shall be issued to the Franchisor evidencing the required insurance as set forth in this Paragraph 21. Such proof of insurance shall state Franchisor and its affiliates and their respective officers, directors, and employees are named as additional insured and shall provide a minimum of thirty (30) days' notice of cancellation and the terms "will endeavor to" and "but failure to mails such notice shall impose no obligation or liability of any kind upon the company, its agents, or representatives" shall be struck from the cancellation section of the certificate of insurance.

Such policy or policies shall be written by an insurance company and with deductibles satisfactory to Franchisor in accordance with standards and specifications set forth in the confidential Operating Manuals or otherwise in writing, and shall include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the confidential Operating Manuals or otherwise in writing) the following:

1. Workers' Compensation, including occupational disease, and Employers Liability Insurance as well as such other similar insurance as may be required by the state in which the Franchisee operates, at statutory limits for Workers' Compensation and Employers' Liability at minimum limits of \$500,000.
2. Comprehensive general liability insurance including Pesticide and Herbicide Applicators endorsement, contractual liability, broad form property damage, products liability, completed operations and fire legal liability. Such insurance shall be maintained with minimum limits of \$500,000 combined single limit or \$500,000 bodily injury and \$250,000 property damage.
3. Auto liability coverage for both owned and non-owned vehicles with minimum limits of \$250,000 per person/\$500,000 per occurrence for bodily injury and \$250,000 for property damage.

Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall neither be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 18.D. of this Agreement. Franchisee's insurance procurement obligations under this Section are separate and independent of Franchisee's indemnity obligations. Franchisor does not represent or warrant that any insurance that Franchisee is required to purchase will provide adequate coverage for Franchisee. The requirements of insurance specified in this Agreement are for Franchisor's protection. The insurance policies described above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits. Franchisee should consult with its own insurance agents, brokers, attorneys and other

insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required by Franchisor.

Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as revised from time to time for all franchisees by the confidential Operating Manuals or otherwise in writing, Franchisor shall have the right, at its option, to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice.

22. **COMPLIANCE WITH LAWS**

Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of its Franchise and must operate its Franchise in full compliance with all applicable laws, ordinances and regulations including labor and employment laws, government regulations relating to the licensing and certification of lawn, tree and shrub care personnel, and laws and regulations relating to the handling, storage, application and disposal of chemicals, pesticides, herbicides and similar materials. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies Franchisor periodically may establish. Franchisee must notify Franchisor in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or its Franchise. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement in three counterparts as of the date Franchisor has accepted this Agreement. This Agreement shall be deemed accepted by Franchisor by the execution of all counterparts of this Agreement by a duly authorized officer of Franchisor. Franchisor is not bound by this Agreement unless and until this Agreement has been so accepted.

FRANCHISEE

BY: _____

DATE: _____

TITLE: _____

BY: _____

DATE: _____

TITLE: _____

NAMED PRINCIPAL

(Signature)

DATE: _____

(Print Name)

FRANCHISOR

TRUGREEN LIMITED PARTNERSHIP

BY: _____

DATE: _____

TITLE: _____

**EXHIBIT A
TO THE TRUGREEN LIMITED PARTNERSHIP
FRANCHISE AGREEMENT**

A. The Authorized Territory referred to in Section 2.A of the Franchise Agreement shall be as follows:

FRANCHISEE

BY: _____

DATE: _____

TITLE: _____

BY: _____

DATE: _____

TITLE: _____

NAMED PRINCIPAL

(Signature)

DATE: _____

(Print Name)

FRANCHISOR

TRUGREEN LIMITED PARTNERSHIP

BY: _____

DATE: _____

TITLE: _____

**OWNER'S GUARANTY AND ASSUMPTION
OF FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the foregoing Franchise Agreement dated as of _____, 2021 ("Agreement"), by and between TRUGREEN LIMITED PARTNERSHIP ("Franchisor") and _____ ("Franchisee"), each of the undersigned owners of an interest in Franchisee hereby personally and unconditionally (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (2) agrees personally to be bound by, and personally liable for the breach of, each and every covenant and provision in the Agreement.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his direct and immediate liability under this guaranty shall be joint and several; (ii) they shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has affixed their signature, under seal, on the same day and year as the Agreement was executed.

PERCENTAGE OF OWNERSHIP
INTERESTS IN FRANCHISE

GUARANTOR(S)

DATE: _____

RELEASE OF CLAIMS

For and in consideration of the Renewal Franchise Agreement and covenants described below, TruGreen Limited Partnership (“Franchisor”), _____ (“Franchisee”) and _____ (“Guarantor”) enter into this Release of Claims (“Release of Claims”) on _____, _____.

RECITAL

Franchisee is an existing TruGreen franchisee that operates a TruGreen® business under a TruGreen® franchise agreement (the “Existing Agreement”). The Existing Agreement has expired or will expire soon, and Franchisee desires to renew its TruGreen® franchise under the terms of a renewal TruGreen® franchise agreement as of the date of this Release of Claims (the “Renewal Agreement”). In consideration for Franchisor’s execution of the Renewal Franchise Agreement, Franchisee has agreed to sign this Release of Claims under the terms described below.

AGREEMENTS

1. **Release of Claims.**

A. Definitions.

1. As used herein, the term “Franchisor Parties” shall have the following meaning: Franchisor, and all persons or entities acting on Franchisor’s behalf or claiming under Franchisor, including without limitation each of Franchisor’s current and former partners, subsidiaries, affiliates, owners, and the respective current and former officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives of any of them.

2. As used herein, the term “Franchisee Parties” shall have the following meaning: each of the Franchisees, Guarantor, and all persons or entities acting on each of the Franchisees’ or Guarantor’s behalf or claiming under each of the Franchisees or Guarantor, including without limitation each of Franchisees’ or Guarantor’s corporate parents, subsidiaries, affiliates, owners, and the respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives of any of them.

3. As used herein, the term “Claims” shall have the following meaning: claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including without limitation actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, claims, at law or in equity, whether arising by statute, common law, or otherwise, including without limitation claims for negligence.

B. In consideration for Franchisor to enter into the Renewal Franchise Agreement with Franchisee, the Franchisee Parties irrevocably and unconditionally waive, release, acquit and forever discharge, and covenant not to sue, the Franchisor Parties of and from any and all Claims that they may now have, or at any time previously had, or hereafter may have or claim to have, against each or any of the Franchisor Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the Effective Date relating to the Franchise Agreements, the Businesses, the franchise relationship between the Parties, the offer or sale of any franchise, the transfer of the Franchise Agreements, or any other agreement between any of the Franchisee Parties and any of the Franchisor Parties.

C. The Franchisee Parties represent that they have not assigned or transferred, or purported to assign or transfer, any Claim released by them under Section 1(B) above.

D. In entering into this Agreement, each of the Franchisees and Guarantor represent that they have had the opportunity to consult an attorney of its own choice, that an attorney of its own choice has

reviewed this Agreement, that the undersigned have read the terms of the Agreement, and that the terms of this Agreement are understood and voluntarily accepted by it.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of Tennessee without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement.

FRANCHISEE:

By: _____

Its: _____

Date: _____

GUARANTOR:

By: _____

Date: _____

FRANCHISOR:

TruGreen Limited Partnership

By: _____

Its: _____

Date: _____

Exhibit G

STANDARD FRANCHISE AGREEMENT

**TRUGREEN LIMITED PARTNERSHIP
FRANCHISE AGREEMENT**

THIS AGREEMENT is made and entered into this _____, 20____ (“Effective Date”), by and between **TruGreen Limited Partnership**, a Delaware limited partnership, with its principal offices at 1790 Kirby Parkway, Forum II, Suite 300, Memphis, Tennessee 38138 (“Franchisor”), and _____, a (sole proprietor, limited partnership, corporation), whose principal address is _____ (“Franchisee”).

1. PREAMBLES AND ACKNOWLEDGMENTS

A. PREAMBLES.

Franchisor operates and franchises certain service business offering services and programs for the care and maintenance of lawns, trees and shrubs. Franchisor uses and licenses certain trademarks (“Marks”), including “TruGreen” and may hereafter adopt, use and license additional or substitute trademarks, in connection with the operation of TruGreen franchise businesses (collectively “TruGreen businesses”). TruGreen businesses sell programs and services authorized by Franchisor and use Franchisor’s methods, procedures, standards, specifications and the Marks (collectively referred to as the “System”), which Franchisor may improve, further develop or otherwise modify from time to time.

Franchisee desires to become a TruGreen franchisee under the terms of this Agreement.

B. ACKNOWLEDGMENTS.

Franchisee has read this Agreement and Franchisor’s Franchise Disclosure Document and accepts the provisions of this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the consistency of those standards at all TruGreen businesses in order to protect and preserve the goodwill of the Marks. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that the nature of TruGreen businesses may change over time, that an investment in a TruGreen business involves business risks, and that the success of the venture is largely dependent upon Franchisee’s business abilities and efforts.

Franchisee has not received or relied upon any guaranty or assurance, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisor’s officers, directors, employees and agents act only in a representative capacity in their dealings with Franchisee. Franchisee has not received or relied upon any representations by Franchisor or its officers, directors, employees or agents that are contrary to the terms of this Agreement. Franchisee represents to Franchisor, as an inducement to its entering into this Agreement, that Franchisee has made no misrepresentations in obtaining the franchise. Nothing in this Agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document Franchisor furnished to Franchisee.

2. GRANT AND RESTRICTIONS ON RIGHTS.

A. GRANT OF FRANCHISE/BEST EFFORTS.

Subject to the provisions of this Agreement, Franchisor grants to Franchisee the right to operate a TruGreen business (“Franchise”), performing and selling the Basic and Beneficial Services and Products (defined in Section 2.B) only within the geographic area set forth in the attached Exhibit A (“Authorized Territory”) and to use the System in the Authorized Territory, for a five (5) year term commencing on the date of this Agreement. The license granted to Franchisee is personal in nature, may not be used outside the Authorized Territory and does not include the right to offer or sell any products or services over the Internet or through other channels of distribution except in accordance with and consistent with law and with Franchisor’s written policies, as may be from time to time modified. Franchisee will not have the right to sublicense or subfranchise any of its rights under this Agreement. If Franchisee is a corporation, partnership or limited liability company, Franchisee represents and agrees that

_____ (“Named Principal”) has and shall maintain at least a twenty percent (20%) equity interest in Franchisee during all times that he is designated as the Named Principal by Franchisee. Franchisee (and the Named Principal) shall continuously exert best efforts to promote and enhance the Franchise and not engage in any other business or activity that may conflict with their obligations under this Agreement.

B. TRUGREEN PROGRAM/CONFLICTING INTEREST.

Franchisee agrees that the Franchise shall offer to perform and sell all basic services and programs consisting of the application of fertilizers, herbicides, fungicides, insecticides, and other products such as lime and seed, that are designed to promote the healthy, vigorous growth of plant material, together with core aeration for turf and pruning for trees and shrubs that Franchisor from time to time requires for TruGreen businesses operating in Franchisee’s locale or region (“Basic Services and Programs”). Franchisee also shall offer for sale through the Franchise all additional services and programs that Franchisor authorizes from time to time for TruGreen businesses operating in Franchisee’s locale or region (“Beneficial Services and Programs”), some of which Franchisor may designate as optional, in which case Franchisee is not required to offer such services or programs. Franchisor shall have the right to make additions, amendments and deletions to the Basic Services and Programs and Beneficial Services and Programs and to redesignate optional Beneficial Services and Programs as required Beneficial Services and Programs, and vice versa. Franchisee shall not offer or sell in connection with the Franchise any services or programs, or use any equipment of supplies of the Franchise or the Franchise Premises (as defined in Section 3) in any other business or for any other purpose.

Franchisee acknowledges that Franchisor would be unable to protect the Confidential Information (as defined in Section 7) or to encourage a free exchange of ideas and information among TruGreen businesses, if franchisees of TruGreen businesses were permitted, directly or indirectly, to hold interests in or perform services for a Competitive Business (as defined below). Neither Franchisee, any of Franchisee’s shareholders, partners or members (if Franchisee is a corporation, partnership or limited liability company), nor any members of his or their immediate families, shall during the term of this Agreement:

1. have any direct or indirect interest in, or be a beneficial owner of, a Competitive Business located or operating within the Authorized Territory or within an Authorized Territory of any other TruGreen business (whether operated by Franchisor, its affiliates or other franchisees of Franchisor); or
2. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business.

The term “Competitive Business” means any business offering care or maintenance services or products for lawns, trees or shrubs or pest control services, including, without limitation, services or products the same as, or similar to, the Basic and Beneficial Services and Programs. Notwithstanding anything to the contrary contained herein Franchisee shall not be prohibited from operating other TruGreen businesses under franchise agreements with Franchisor or from owning securities in a Competitive Business, if such securities are listed on a stock exchange or traded on the over-the-counter market and represent less than five percent (5%) of that class of securities issued and outstanding.

C. RESERVATION OF RIGHTS.

Provided Franchisee and its affiliates are in full compliance with this Agreement and all other agreements with Franchisor or any of its affiliates, Franchisor (and its affiliates) shall not operate or grant franchises for the operation of other TruGreen businesses located within the Authorized Territory. Except as provided for in this Agreement, Franchisor (and all of its affiliates) reserves all rights, including without limitation, the right:

1. to operate and grant to others the right to operate TruGreen businesses outside the Authorized Territory on such terms and conditions as Franchisor deems appropriate;
2. to operate and grant to others the right to operate businesses, whether located within or outside the Authorized Territory, identified by the Marks or other trademarks or service marks, offering and

selling products or services other than those authorized to be offered by the Franchisee, which shall include, but not be limited to, the sale of products on a retail and home delivery basis, interior plant care services, golf course application services, and landscape maintenance services which consist of (a) landscape architecture, design consulting and construction; (b) installation and removal of turf, trees and shrubs; (c) irrigation systems installation and maintenance and water management; and (d) landscape maintenance including mowing, pruning and edging (“Landscape Maintenance”);

3. to sell products and services authorized for sale in TruGreen businesses under the Marks or other trademarks or service marks through dissimilar channels of distribution including by electronic means, such as the Internet and by websites Franchisor establishes;

4. to operate and grant others the right to operate businesses, whether located within or outside the Authorized Territory, under trademarks or service marks other than the Marks, offering or selling products and services the same or similar to those products and services offered by the Franchisee, including without limitation the Basic Services and Programs and Beneficial Services and Programs; and

5. to advertise the System on the Internet (or any other existing or future form of electronic commerce), including all digital marketing, and to create, operate, maintain and modify, or discontinue the use of a website using the Marks.

D. ADDITIONAL CUSTOMERS.

If Franchisor directly acquires customers from a third party in the Authorized Territory, then Franchisor shall have the option, but not the obligation, to first give Franchisee an option to purchase for a fee the right to provide lawn care services to the acquired customers located within the Franchisee’s Authorized Territory.

1. The fee for Franchisee to provide services to such acquired customers shall be ninety percent (90%) of the third party’s gross revenue attributable to those acquired customers in the Authorized Territory during the twelve (12) month period ending on the last day of the month preceding the date of the notice provided to Franchisee.

2. Franchisor will offer Franchisee the option to purchase the acquired customers within one hundred and twenty (120) days after Franchisor acquires the customers. Within thirty (30) days of Franchisor offering the acquired customers to Franchisee and stating the fee therefore, Franchisee shall notify Franchisor of Franchisee’s intent to pay the fee to service the acquired customers. If Franchisee chooses to pay the fee, then Franchisee must pay such fee in full to Franchisor within sixty (60) days of Franchisor first notifying Franchisee of the option to pay the fee to Franchisor to provide services to such acquired customers. Thereafter, Franchisee shall service the acquired customers pursuant to the terms of this Agreement, including without limitation paying applicable royalty payments on Gross Receipts from the acquired customers. For purposes of preserving goodwill, Franchisee agrees that nothing herein shall prevent Franchisor from servicing the acquired customers prior to Franchisee electing to pay the fee and beginning to service such customers, and Franchisor doing so shall not be a breach of this Agreement.

3. If Franchisee is for any reason either unwilling or unable to pay the fee to service the acquired customers or to perform services for the acquired customers within the time frame identified above, then Franchisor may either continue to service the acquired customers and solicit and service new customers in the Authorized Territory under the Marks or different trademarks, or allow another third-party to service and solicit and service the acquired customers under trademarks other than the Marks.

E. NATIONAL AND REGIONAL ACCOUNTS.

Notwithstanding Section 2.C., Franchisor shall have the right to offer, sell, service and coordinate any of the Basic and Beneficial Programs or Services to any National or Regional Account (as defined below) within the Authorized Territory, provided that Franchisor shall first offer Franchisee the opportunity to perform such services and sell such programs on the terms and conditions that Franchisor has established with such National or Regional Account. If Franchisee fails to accept such offer in the manner Franchisor specifies, Franchisor shall have the right,

or may authorize other franchisees or third parties, to perform such services for, and/or sell such programs to, such National or Regional Accounts. The term “National or Regional Account” shall mean any customer (including a commercial establishment and governmental agency) that has one (1) or more locations outside the Authorized Territory for which the services and products of TruGreen businesses are applicable.

3. **DEVELOPMENT OF BUSINESS.**

A. **PREMISES.**

Franchisee has developed and at all times must maintain in accordance with the required System Standards (as defined in Section 9) within the Authorized Territory (i) an office from which the Franchise is operated, (ii) maintenance, repair and warehouse facilities, and (iii) a fill and wash water recycling system (“Recycling System”) (collectively referred to as the “Franchise Premises”). Franchisee shall notify Franchisor of the location of the Franchise Premises within five (5) days after its relocation.

B. **PERFORMANCE OBLIGATIONS.**

Franchisee’s Gross Receipts for each Franchise Year (as defined in Section 6(B) below), must be three percent (3%) or greater than the Franchisee’s Gross Receipts for the previous Franchise Year. If Franchisee does not maintain the minimum Gross Receipts described above, Franchisor may terminate this Agreement, terminate Franchisee’s rights in the Authorized Territory, as described in Section 15, or elect not to renew franchisee’s rights under this Agreement. Franchisor will establish the minimum Gross Receipts for any renewal term.

C. **FRANCHISEE’S HIRING AND TRAINING OF EMPLOYEES.**

Franchisee will control and be solely responsible for the day-to-day operation of its TruGreen business. Franchisee will hire all employees of the Franchise, and be exclusively responsible for the terms of their employment, including the soliciting, hiring, firing, compensation, scheduling, benefits, disciplining, and all other personnel decisions respecting the Franchise employees without any influence or advice from Franchisor.

4. **TRAINING AND GUIDANCE.**

A. **TRAINING.**

If Franchisee has not previously owned or managed a TruGreen business, then Franchisee and the manager of the Franchise shall attend and successfully complete a training and certification program on agronomic and certain business aspects of operating a TruGreen business at such time and place as Franchisor designates. Franchisor may require Franchisee and its manager(s) to attend and successfully complete periodic or additional training or certification programs, provided that any successor manager of the Franchise shall not be required to successfully complete any certification program prior to, or as a condition of, employment with Franchisee. Franchisor shall not charge any fees for attendance at any such training or certification programs. Franchisee shall be responsible for all compensation and expenses incurred in connection with any training or certification programs. Franchisee shall replace any manager who fails to complete successfully any certification program within one (1) year after employment or who otherwise is not qualified to manage a TruGreen business.

B. **GUIDANCE.**

Franchisor shall furnish guidance to Franchisee, at no additional charge to Franchisee, with respect to the System. Such guidance shall, at Franchisor’s discretion, be furnished in the form of Franchisor’s confidential operating manual (“Operating Manual”), bulletins and other written materials, consultations by telephone or in person at Franchisor’s offices or at the Franchise Premises and by means of other communications media. Franchisor may,

at Franchisee's request, provide special assistance for which Franchisee shall be required to pay the fees and charges that Franchisor's establishes from time to time.

C. **OPERATING MANUAL.**

Franchisee acknowledges and agrees that Franchisor has provided them access to the current Operating Manual, either as a hard copy or an electronic format. The Operating Manual, which may consist of several manuals or aids, will contain mandatory and suggested System Standards (as defined in Section 9) and information relating to Franchisee's other obligations under this Agreement. Any required specifications, standards and operating procedures exist to protect Franchisor's interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. Franchisee agrees to comply fully with such mandatory System Standards. Franchisor may modify the Operating Manual from time to time to reflect changes in System Standards. Franchisee shall keep its copy of the Operating Manual current. If a dispute relating to the contents of the Operating Manual develops, the master copy Franchisor maintains at its principal office or on-line will be controlling. Franchisee may not copy any part of the Operating Manual, except as Franchisor authorizes.

5. **MARKS.**

A. **OWNERSHIP AND GOODWILL OF MARKS.**

Franchisee acknowledges that Franchisee has no interest in or to the Marks, and Franchisee's right to use the Marks is derived solely from this Agreement and is limited to conducting its business pursuant to and in compliance with this Agreement. Any unauthorized use of any of the Marks by Franchisee constitutes a breach of this Agreement and an infringement of Franchisor's rights in and to the Marks. This Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee's usage of the Marks and any goodwill established thereby will inure to the exclusive benefit of Franchisor or its affiliates. All provisions of this Agreement applicable to the Marks will apply to any additional or substitute trademarks, service marks and trade dress Franchisor authorizes for use by Franchisee. Franchisee shall not at any time during or after the term of this Agreement contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

B. **FRANCHISEE'S USE OF THE MARKS.**

Franchisee agrees to use the Marks as the sole identification of the Franchise, provided that Franchisee shall identify itself as the independent owner of the TruGreen business in the manner Franchisor prescribes. Franchisee shall not use any Mark as part of any corporate or legal business name or in any other manner Franchisor does not expressly authorize in writing, subject to Franchisor's rights described in this Agreement. Franchisee agrees to obtain fictitious or assumed name registration as may be required under applicable law. Franchisee agrees that all forms and stationery shall prominently include the phrase, "An independent business licensed to serve you by TruGreen Limited Partnership."

C. **DISCONTINUANCE OF USE OF MARKS.**

If, at any time, Franchisor determines that Franchisor and/or Franchisee will modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks, service marks or trade dress, Franchisee agrees to comply with Franchisor's directions, at Franchisee's expense, within a reasonable time after notice of the directions. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Mark or promotion of a substitute trademark, service mark or trade dress.

D. **NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of any Mark, or claim by any person of any rights in any Mark, and Franchisee shall not communicate with any person, other than Franchisor and its counsel, in connection with any such infringement challenge or claim. Franchisor shall have sole discretion to take action as it deems appropriate and the right to control exclusively any litigation or

U.S. Patent and Trademark Office or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Mark. Franchisee will sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of Franchisor's counsel, may be necessary or advisable to protect and maintain the interests of Franchisor in any litigation or other proceeding or to otherwise to protect and maintain Franchisor's interests in the Marks.

E. **LITIGATION.**

Franchisee will have no obligation to and will not, without Franchisor's prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. Franchisee will, however, immediately notify Franchisor of any claims or complaints made against Franchisee respecting the Marks and will, at its expense, cooperate in all respects with Franchisor in any court or other proceedings involving the Marks. Franchisor will pay the cost and expense of all litigation Franchisor incurs, including attorneys' fees, specifically relating to the Marks. Franchisor and its legal counsel will have the right to control and conduct any litigation relating to the Marks.

F. **INDEMNIFICATION OF FRANCHISEE.**

Franchisor agrees to indemnify Franchisee against and to reimburse Franchisee for all damages for which it is held liable in any proceedings arising out of its authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs it reasonably incurs in defending any such claim brought against it or any such proceeding in which it is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceeding and has otherwise complied with this Agreement. Franchisor, at its discretion, shall be entitled to defend any proceeding arising out of Franchisee's use of any Mark pursuant to this Agreement, and if Franchisor undertakes the defense of such proceeding, Franchisor shall have no obligation to indemnify or reimburse Franchisee for any fees or disbursements of counsel retained by Franchisee.

G. **RESTRICTIONS ON INTERNET AND WEBSITE USE.**

Franchisor retains the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, any website using the Marks. Franchisee has the right to access Franchisor's public websites. Except in a manner consistent with law, with Franchisor's written policies, including but not limited to any internet-related or social media policy, any of which may be from time to time modified, and in accordance with any additional restrictions below, Franchisee will not: (1) link or frame Franchisor's website without Franchisor's advance written consent; (2) conduct any business or offer to sell or advertise any products or services on the Internet (or any other existing or future form of electronic communication) including e-mail marketing or other digital marketing; (3) create or register any new Internet domain name in any connection with Franchisee's franchise without Franchisor's advance written consent; and (4) use any e-mail address which Franchisor has not authorized for use in operating the Franchise. Franchisee will not register, as Internet domain names, any of the Marks now or hereafter owned by Franchisor or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar. Notwithstanding the foregoing, upon sixty (60) days' notice, Franchisor may require that Franchisee create and maintain a website to promote the Franchise pursuant to the standards described in the Operating Manual. Franchisee must create and maintain such website at Franchisee's expense. It is Franchisee's responsibility to protect itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures and attacks.

6. **FEES.**

A. **INITIAL FRANCHISE FEE.**

Concurrently with the execution of this Agreement, Franchisee shall pay Franchisor an initial franchise fee in the amount of \$_____.

B. **ROYALTY FEES.**

Franchisee agrees to pay Franchisor a monthly royalty fee, payable on or before the fifteenth (15) day of each of Franchisor's fiscal months (as defined in the Operating Manual), on the Gross Receipts of the Franchise during the preceding fiscal month, in the following amounts during each Franchise Year (defined below):

1. Eight percent (8%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year total \$500,000 or less;
2. Seven and one-half percent (7.5%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year exceed \$500,000;
3. Seven percent (7%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year exceed \$1,500,000;
4. Six percent (6%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year exceed \$3,000,000; or
5. Five percent (5%) of the Gross Receipts of the Franchise, if the Gross Receipts of the Franchise (and other TruGreen businesses owned by Franchisee or an affiliate of Franchisee) for such Franchise Year exceed \$5,000,000.

Any excess royalty payment shall be applied pursuant to Section 6.E. or otherwise applied against succeeding royalty payment.

Each Franchise Year shall be the twelve (12) month period commencing on the first day of the calendar year and ending on December 31st of each year.

C. DEFINITION OF "GROSS RECEIPTS."

The term "Gross Receipts" shall mean the total of all amounts received by Franchisee from the performance of services and the sale of products in connection with the Franchise (including all amounts prepaid by customers, whether or not Franchisee has performed the required services, and all amounts received from the servicing of National or Regional Accounts), whether for cash, by check, credit card or barter, but excluding all federal, state or municipal sales, service or taxes collected from customers and paid to the appropriate taxing authority.

D. INTEREST ON LATE PAYMENTS.

All amounts which Franchisee owes to Franchisor or any of its affiliates (including contributions to the Advertising Fund pursuant to Section 10.B) shall bear interest after their due date at the highest contract rate of interest permitted by law, not to exceed one and one half percent (1.5%) per month. Notwithstanding the foregoing, Franchisee's failure to pay all amounts when due shall constitute a breach of this Agreement and grounds for termination, as provided in Section 15.

E. APPLICATION OF FRANCHISEE PAYMENTS.

Notwithstanding any designation by Franchisee, Franchisor shall have sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for royalties, Advertising Fund contributions, purchases from Franchisor or any of its affiliates, interest or any other indebtedness to Franchisor or any of its affiliates.

7. **CONFIDENTIAL INFORMATION.**

Franchisor possesses certain proprietary and confidential information (“Confidential Information”) relating to the operation of TruGreen businesses, which includes: (a) formulas, programs, methods, techniques, formats, specifications, systems, procedures, knowledge and experience in the development and operation of TruGreen businesses; (b) sales, marketing and advertising programs and techniques for TruGreen businesses; (c) knowledge of specifications for, and suppliers of, certain products, materials, supplies, vehicles and equipment; and (d) knowledge of operating results and financial performances of TruGreen businesses, other than the Franchise. Franchisor will disclose certain Confidential Information to Franchisee solely for its use in operating the TruGreen business.

The Confidential Information is proprietary and includes Franchisor’s trade secrets. Franchisee shall: (1) not acquire any interest in the Confidential Information; (2) not use the Confidential Information in any other business or capacity, Franchisee acknowledging that such use would constitute an unfair method of competition; (3) maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (4) not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other tangible form; and (5) adopt and implement all reasonable procedures including those that Franchisor prescribes from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure to, and the use of nondisclosure agreements with its employees. Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Franchisee’s disclosure and use of the Confidential Information shall not apply to: (i) information, processes or techniques which are or become generally known in the lawn care industry, other than through disclosure (whether deliberate or inadvertent) by Franchisee, provided Franchisee shall have obtained Franchisor’s prior written consent to such disclosure or use, which consent shall not be unreasonably withheld; and (ii) disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided Franchisee shall have used its best efforts and afforded Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be disclosed.

Franchisee acknowledges the importance to all TruGreen businesses of exchanging ideas, concepts, methods and techniques relating to the Franchise developed by Franchisee and/or its employees. Accordingly, Franchisee agrees fully and promptly to disclose to Franchisor all such ideas, concepts, methods and techniques. If adopted by Franchisor for TruGreen businesses, Franchisor shall have the right, without charge, to use and authorize other TruGreen businesses to use such ideas, concepts, methods and techniques.

8. **AUTHORIZED VEHICLES, EQUIPMENT, SIGNS, PRODUCTS AND SUPPLIES.**

A. **AUTHORIZED VEHICLES, EQUIPMENT AND SIGNS.**

Franchisee agrees to use only such types, models or brands of vehicles, equipment and signs that Franchisor approves for TruGreen businesses as meeting its specifications and standards, including standards and specifications for quality, design, warranties, appearance, function and performance. Franchisee shall purchase or lease approved brands, models or types of vehicles, equipment and signs only from suppliers approved by Franchisor (which may include Franchisor and/or any of its affiliates). Franchisor may from time to time modify the list of approved types, models, brands, and/or suppliers, and Franchisee shall not, after receipt of notice of such modification, reorder any type, model or brand, or from any supplier, that is no longer approved.

B. **AUTHORIZED PRODUCTS AND SUPPLIES.**

Franchisee agrees to use only such types, models or brands of products and supplies that Franchisor approves for TruGreen businesses as meeting its specifications and standards, including standards and specifications for quality, design, warranties, appearance, function and performance. Such products and supplies may be purchased from any supplier. Franchisor may from time to time modify the list of approved types, models or brands of products and supplies, and Franchisee shall not, after receipt of notice of such modification, reorder any type, model or brand that is no longer approved.

C. **FRANCHISOR'S SALE OF AUTHORIZED VEHICLES, EQUIPMENT, SIGNS, PRODUCTS AND SUPPLIES.**

Franchisor may offer to sell to TruGreen businesses such approved vehicles, equipment, signs, products and supplies as determined by Franchisor from time to time. Provided Franchisee and all of its affiliates are in full compliance with all of the provisions of this Agreement and with all other agreements executed with Franchisor or any of its affiliates, Franchisee may purchase reasonable quantities of such approved products, vehicles, equipment, signs and supplies from Franchisor at Franchisor's prices, as periodically published in Franchisor's price lists (which shall be subject to change upon ten (10) days' notice), and on such shipping and credit terms and with such delivery schedules, as Franchisor at its sole discretion may determine from time to time. Franchisee explicitly acknowledges that Franchisor's obligations under this Section 8.C. shall be subject to the provisions of Section 19.C., including without limitation, shortages in the availability of approved products, vehicles, equipment, signs or supplies. In the event of a shortage of any approved product, vehicle, equipment, sign or supply, Franchisor may offer to Franchisee amounts of available inventories of such approved products, vehicles, equipment, signs and supplies on a substantially pro-rata basis for all TruGreen businesses (including Franchisor owned TruGreen businesses) as reasonably determined by Franchisor, provided Franchisee shall have purchased such approved products, vehicles, equipment, signs or supplies from Franchisor during the entire twelve (12) month period prior to such shortage. FRANCHISOR AND/OR ITS AFFILIATES DISCLAIM ALL WARRANTIES, WHETHER EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ON ANY PRODUCTS, VEHICLES, EQUIPMENT, SIGNS OR SUPPLIES SOLD BY IT OR ITS AFFILIATES.

D. **PROCEDURES FOR OBTAINING APPROVAL OF ALTERNATE TYPES, MODELS, BRANDS AND SUPPLIERS.**

If Franchisee desires to offer or sell any type, brand or model of vehicle, equipment, sign, product or supplies or desires to purchase any vehicle, equipment or sign from any supplier that is not then approved by Franchisor, Franchisee shall notify Franchisor of its desire to do so and shall submit to Franchisor such specifications, samples, and/or other information as may be requested by Franchisor. Franchisor shall notify Franchisee within thirty (30) days whether Franchisee is authorized to purchase such type, model or brand of product, vehicle, equipment, sign or supplies from such supplier, as applicable. Franchisor may approve or disapprove types, brands or suppliers, at its sole discretion and may impose reasonable inspection and supervision fees on suppliers to cover Franchisor's costs incurred in making such determination.

9. **SYSTEM STANDARDS.**

Franchisor will establish mandatory and suggested specifications, standards, methods and operating procedures ("System Standards"). The development and operation of the Franchise in accordance with Franchisor's mandatory System Standards is essential to preserve the goodwill of the Marks. Franchisee shall develop and operate the Franchise in accordance with each and every mandatory System Standard, as periodically modified, supplemented or deleted by Franchisor. System Standards may govern any and all aspects of the development and operation of the Franchise, including without limitation, the following:

- (a) appearance and maintenance of the Franchise Premises;
- (b) types, models and brands of authorized vehicles, equipment, signs, products, materials and supplies; alterations, maintenance and replacement of vehicles, equipment and signs; and procedures for obtaining approval of other types, models and/or brands;
- (c) approved suppliers (including Franchisor and/or its affiliates) of vehicles, equipment and signs; and procedures for obtaining approval of other suppliers;
- (d) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of the Franchise;

- (e) sales and marketing activities, advertising and promotional activities, customer contact programs, and materials and media required or authorized for use in such activities and programs;
- (f) use of the Marks and trademark registration notices;
- (g) training, dress and appearance of employees;
- (h) implementation of Franchisee's own certification program for its managers and other employees;
- (i) minimum days and hours of operation;
- (j) determination of Basic and Beneficial Services and Programs and the solicitation, sale and application of such services and products;
- (k) participation in warranty and guarantee programs and in market research, surveys and testing and service development programs;
- (l) management by Franchisee (or the Named Principal) or by a full time manager who has successfully completed Franchisor's training program; designation of any successor Named Principal, who shall have and maintain at least a twenty percent (20%) equity interest in Franchisee and who is subject to Franchisor's reasonable prior approval; communication to Franchisor of the identity of managers; and other matters relating to the management of the Franchise; communication to Franchisor of the identity of managers; and other matters relating to the management of the Franchise;
- (m) acceptance of credit cards, other payment systems and check verification services;
- (n) bookkeeping, accounting and record keeping systems and forms and maintenance of such systems and forms at the Franchise Premises; methods, formats, content and frequency of reports to Franchisor of sales, revenue, financial performance and condition, tax returns and other operating and financial information;
- (o) types, amounts, terms and conditions and approved underwriters and brokers of comprehensive general liability, product liability, employer's liability, worker's compensation, motor vehicle, business interruption, crime loss, fire and other insurance coverage as required pursuant to Section 21 of this Agreement;
- (p) observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and Franchisor and its affiliates; and notification of Franchisor in the event any action, suit or proceeding is commenced against Franchisee; and
- (q) regulation of such other elements and aspects of the development or operation of TruGreen businesses as Franchisor determines from time to time to be required to preserve or enhance the efficient operation, image or goodwill of TruGreen businesses and the Marks.

Modifications of System Standards may obligate Franchisee to invest additional capital in the TruGreen businesses and/or incur higher operating costs.

10. **ADVERTISING AND PROMOTION.**

A. **ADVERTISING BY FRANCHISEE.**

Franchisee shall spend at least four percent (4%) of Gross Receipts on approved local advertising and promotion for its Franchise each Franchise Year. On or before February 28 and August 31 of each Franchise Year,

Franchisee must provide Franchisor with an itemization of its local marketing activities for the prior six (6) month period.

For purposes of these minimum advertising requirements, advertising expenditures shall include the cost of telephone directory listings and Yellow Pages advertising (see below), amounts contributed to the Advertising Fund pursuant to Section 10.B., and amounts expended for advertising media such as newspapers, billboards and displays, magazines, posters, direct mail, television, radio and collateral promotional and novelty items and, if not provided by Franchisor, the cost of producing approved materials necessary to participate in these media, including advertising agency commissions related to the production of such advertising. Advertising expenditures shall not include the cost of signage or displaying the Marks on vehicles or otherwise as required by this Agreement, premiums, discounts, free offers, employee incentive programs and other payments and expenditures that Franchisor determines to be inappropriate.

Franchisee shall list and advertise the Franchise in the principal regular (white pages) and classified (Yellow Pages) telephone directories distributed within the Authorized Territory, in such directory categories that Franchisor specifies, utilizing Franchisor's standard forms of listing and classified directory advertisements.

Prior to their use, samples of all advertising and promotional materials not prepared or previously approved by Franchisor, or which vary from Franchisor's standard advertising and promotional materials, must be submitted to Franchisor for its prior written approval (except with respect to prices to be charged). Franchisee shall not use any advertising or promotional materials that Franchisor has disapproved.

B. ADVERTISING FUND.

Recognizing the value of advertising to the goodwill and public image of TruGreen businesses, Franchisor has established and administers an advertising fund ("Advertising Fund"). Franchisee shall contribute an amount specified by Franchisor from time to time, not to exceed three percent (3%) of the Gross Receipts of the Franchise, payable monthly together with the Royalties due hereunder. Franchisor will not modify the contribution amount more than once in any calendar year. Franchisor will announce any change to the contribution amount by December 1st and such change will be in effect the following March 1st. Any contributions to the Advertising Fund will be credited towards Franchisee's required local advertising and promotion requirements described in Section 10(A) above.

Franchisor shall direct all marketing programs financed by the Advertising Fund, with sole discretion over the creative concepts, materials and endorsements used therein. The Advertising Fund may be used to pay for the costs of preparing and producing such marketing materials and programs as Franchisor may determine, including without limitation the costs of digital marketing, preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising, market surveys and other public relations activities; use of advertising agencies to assist therein; and promotional brochures and other marketing materials for TruGreen businesses.

The Advertising Fund shall be accounted for separately from Franchisor's other funds and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration of the Advertising Fund and its marketing programs. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions of all TruGreen businesses to the Advertising Fund in that year, and the Advertising Fund may borrow from Franchisor or other lenders or cover deficits of the Advertising Fund or invest any surplus for future use. All interest earned on monies contributed to the Advertising fund will be used to pay expenses of the Advertising fund before other assets of the Advertising Fund are expended. A statement of monies collected and costs incurred by the Advertising Fund shall be prepared annually by Franchisor and furnished to Franchisee upon written request for the most recent fiscal year.

The Advertising Fund is intended to enhance recognition of the Marks and the purchase of services and products offered by franchised TruGreen businesses. Although Franchisor will endeavor to utilize the Advertising Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all franchised TruGreen businesses, there is no assurance that expenditures by the Advertising Fund in any geographic area or for any Basic or Beneficial Products or Services will be proportionate to the contributions to the Advertising

Fund by franchised TruGreen businesses operating in that geographic area or selling such Basic or Beneficial Products or Services. There is no assurance that any franchised TruGreen business will benefit directly or in proportion to its contribution to the Advertising Fund from the development or placement of advertising or marketing materials. Except as expressly provided in this Section 10.B, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Advertising Fund.

C. PARTICIPATION IN CERTAIN PROGRAMS AND PROMOTIONS.

Franchisee will use its best efforts to promote and advertise the Franchise and will participate in all advertising, marketing and promotional programs, campaigns and initiatives that Franchisor establishes in the manner Franchisor directs. Franchisor may set minimum and maximum prices on all products and services sold at or in connection with the Franchise, subject to applicable law.

11. PERIODIC REPORTS.

Franchisee shall furnish to Franchisor on such forms as Franchisor prescribes from time to time: (1) by the fifteenth (15th) day after each fiscal month of Franchisor (as defined in the Operating Manual), a report on the Gross Receipts derived from the Franchise during such fiscal month; (2) by the thirtieth (30th) day after each fiscal quarter of Franchisor (as defined in the Operating Manual), a profit and loss statement for the Business for such fiscal quarter and the year-to-date and a balance sheet and Franchisee's description of the financial condition as of the end of such fiscal quarter, and (3) within ten (10) days after Franchisor's request, exact copies of federal and state income, service, sales and any other tax returns, business records, bookkeeping and accounting records, copies of customer lists, copies of customer service contracts and invoices and other information as Franchisor may periodically require ("Records"). Franchisor also may require Franchisee to have prepared and reviewed by an independent certified public accountant, within ninety (90) days after the end of the Franchisee's fiscal year, a fiscal year-end balance sheet and income statement and statement of cash flow of the Business for such fiscal year, all signed and verified by Franchisee in the manner Franchisor prescribes. Franchisee also must provide Franchisor with a calendar year operating budget by March 30th for that calendar year in the form that Franchisor requires. Franchisor shall have the right to use and disclose data derived from reports and statements submitted to Franchisor as it deems necessary or useful, provided Franchisor shall exert reasonable efforts to prevent unauthorized disclosure or use of any customer lists during the term of this Agreement after the termination or expiration (without renewal) of this Agreement. Franchisor will own all customer lists, and related customer data, and Franchisor may use or disclose Franchisee's customer lists, in Franchisor's discretion.

From and after the date Franchisor notifies Franchisee that Franchisee is "not in good standing" (as defined below) until six (6) months after Franchisor notifies Franchisee that Franchisee is back in good standing, then in addition to furnishing the periodic reports required above, Franchisee shall furnish to Franchisor on such forms as Franchisor prescribes from time to time: (1) by the fifteenth (15th) day after each fiscal month of Franchisor (as defined in the Operating Manual) a profit and loss statement for the Franchise for such fiscal month of Franchisor and for the year-to-date and a balance sheet and Franchisee's description of the financial condition as of the end of such fiscal month; and (2) by the thirtieth (30th) day after each fiscal quarter of Franchisor (as defined in the Operating Manual) a list of all customers serviced by the Franchise during such fiscal quarter.

Franchisee shall be deemed to be "not in good standing" if: (a) any payment for the purchase of products, vehicles, equipment, signs or supplies from Franchisor or any of its affiliates is more than ninety (90) days past due; (b) Franchisee at any time exceeds its credit limit, as determined by Franchisor from time to time, for the purchase of products, vehicles, equipment, signs or supplies from Franchisor or any of its affiliates; or (c) any royalty payment, Advertising Fund contribution or any other amount due and owing to Franchisor is more than sixty (60) days past due.

Notwithstanding the foregoing requirements for additional reporting, Franchisee's failure to pay all amounts when due shall constitute a breach of this Agreement and grounds for termination, as provided in Section 15. Franchisee's compliance with the additional reporting requirements contained herein shall not in any manner constitute performance of its obligations in lieu of timely payment, and Franchisor's notification that Franchisee is not in good standing and acceptance of the additional reports shall not in any manner be deemed a waiver of its right to require strict performance with Franchisee's obligations under this Agreement or an acquiescence with Franchisee's failure to strictly perform its obligations under this Agreement.

12. **INSPECTIONS AND AUDITS.**

A. **FRANCHISOR'S RIGHT TO INSPECT THE BUSINESS.**

Franchisor and its designated agents shall have the right to any reasonable time and upon twenty-four (24) hours prior notice (written or oral) to Franchisee to: (1) inspect the Business Premises; (2) observe and video tape the operations of the Franchise, including the performance of services at customer premises; (3) remove samples of any products, materials or supplies for testing and analysis; (4) meet with personnel and customers of the Franchise; and (5) inspect and copy any books, records and documents relating to the operation of the Franchise. Franchisee agrees to cooperate fully with Franchisor in connection with such activities.

B. **FRANCHISOR'S RIGHT TO AUDIT.**

Franchisor may, at all reasonable times and without prior notice to Franchisee, examine, audit, or request copies of the Records, or cause the Records to be inspected and audited. Franchisee shall fully cooperate with Franchisor's representatives and independent accountants hired by Franchisor to conduct any such inspection or audit. Franchisee must maintain all Records and supporting documents at all times at the Business Premises. Franchisee will fully cooperate with Franchisor's representative and independent accountants hired to conduct any examination or audit.

C. **RESULT OF AUDIT; UNREPORTED NET REVENUES.**

If any inspection or audit discloses an understatement of the Gross Receipts of the Franchise then Franchisee shall pay to Franchisor, within seven (7) days after the receipt of the inspection or audit report, the royalties and Advertising Fund contributions (if any) due on the amount of such understatement, plus interest (as provided in Section 6.D.) from the date originally due until the date of payment. Further, if such inspection or audit is made necessary by Franchisee's failure to furnish reports, supporting records or other information as herein required, or Franchisee's failure to furnish such reports, records or information on a timely basis, or if an understatement of Gross Receipts for the period of any audit is understated by greater than two percent (2%), Franchisee shall reimburse Franchisor for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of Franchisor's employees. The foregoing remedies shall be in addition to Franchisor's other remedies and rights under this Agreement or applicable law.

13. **TRANSFER.**

A. **BY FRANCHISOR.**

This Agreement is fully transferable by Franchisor and shall inure to the benefit of any transferee or other legal successor to Franchisor's interest herein.

B. **FRANCHISEE MAY NOT TRANSFER WITHOUT APPROVAL OF FRANCHISOR.**

The rights and duties created by this Agreement are personal to Franchisee (or, if Franchisee is a corporation, partnership or Limited Liability Company, its owners). Accordingly, neither Franchisee nor its owners may transfer the Franchise without Franchisor's prior written approval. Any transfer without such approval shall constitute a breach of this Agreement and shall be void and have no effect.

The phrase "transfer the Franchise" or words of similar import shall mean the voluntary, involuntary, direct or indirect assignment, sale, sublicense, sublease, collateral assignment, granting of a security interest, gift, or other transfer or disposition of this Agreement, any interest in this Agreement, the ownership of the Franchise or the assets, revenues or income of the Franchise (including any marketing lists, customer lists, canceled customer lists or potential customer lists) in one or more transactions, including without limitation: (1) any transfer or issuance of a legal or beneficial ownership interest in Franchisee or of any instrument convertible to a beneficial ownership interest in Franchisee; (2) any merger or consolidation of Franchisee; (3) any transfer in a divorce, insolvency, dissolution

proceeding or otherwise by operation of law; (4) any transfer upon the death of Franchisee or an owner of Franchise by will, declaration of or transfer in trust or under the laws of intestate succession; or (5) any foreclosure upon the Franchise or the transfer, surrender or loss by Franchisee of possession, control or management of the Franchise. A marketing list, customer list, canceled customer list or potential customer list may be assigned or transferred only to the assignee(s) of this Agreement in connection with an assignment or transfer of this Agreement.

C. CONDITIONS FOR APPROVAL OF TRANSFER.

If Franchisee and, if Franchisee is a corporation, partnership or limited liability company, its owners, are in full compliance with this Agreement, then, subject to the provisions of Section 13.E., Franchisor shall not unreasonably withhold its approval of a transfer that meets all the applicable requirements of this Section. Franchisor may impose reasonable conditions on the transfer, the transferor(s) and/or the transferee(s), including without limitation, the following:

1. the proposed transferee and its owners must be individuals of good character and reputation, must have sufficient business experience, aptitude and financial resources to operate the Business and must otherwise meet Franchisor's then applicable standards for TruGreen franchisees;
2. the transferee (or its approved partner, shareholder, or member) and its manager must have completed Franchisor's training and certification program to Franchisor's satisfaction;
3. the transferee (and its owners) must agree to be bound by all of the terms and conditions of this Agreement. Alternatively, Franchisor may require Franchisee to execute a mutual termination agreement with respect to this Agreement and require the transferee (and its owners) to execute Franchisor's then current standard form of franchise agreement and related documents used in the state in which the Franchise is to be operated, provided such agreement shall contain the same percentages as this Agreement for royalties, advertising contributions, and advertising expenditures and a term that shall be the same as the remainder of the term of this Agreement;
4. Franchisee must pay Franchisor a transfer fee in an amount equal to Franchisor's actual out of pocket expenses relating to the transfer and the training and certification of the transferee and its manager, not to exceed \$5,000;
5. except to the extent limited or prohibited by applicable law, Franchisee (and its owners) must execute a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates and their respective officers, directors, employees and agents;
6. if Franchisee (or any of its owners) finances any part of the sale price of the transferred interest, Franchisee and/or its transferring owners must agree that all obligations of the transferee, and security interests reserved by Franchisee or its owners in the assets of the Franchise, shall be subordinate to the transferee's obligations to pay all amounts due to Franchisor and its affiliates; and
7. Franchisee and its owners must execute a non-competition covenant in favor of Franchisor and the transferee(s) agreeing that, for a period of at least eighteen (18) months, commencing on the effective date of the transfer, Franchisee and each of its owners will not hold any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business that is located or operating within the Authorized Territory or within the authorized territory of any other TruGreen business (whether operated by Franchisor, its affiliates or franchisees of Franchisor) in operation on the effective date of transfer. The restrictions of this subsection shall not be applicable to (i) the ownership of share of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding; or (ii) the ownership or operation of other TruGreen franchises under a franchise agreement with Franchisor.

Franchisor may expand upon, and provide more details related to, the conditions for transfer and Franchisor's consent as described in this Section 13, and may do so in the Operating Manual or otherwise in writing. Franchisor's approval of a transfer of the franchise shall not constitute: (i) a representation by Franchisor as to the fairness of the terms of any contract between Franchisee and the transferee or the prospects of success of the transferee; or (ii) a waiver of Franchisor's claims against Franchisee (or its owners) or right to demand the transferee's exact compliance with the terms or conditions of this Agreement.

D. DEATH OR DISABILITY OF FRANCHISEE.

Upon the death or permanent disability of Franchisee or, if Franchisee is a corporation, partnership, or limited liability company the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall transfer its interest in this Agreement or in Franchisee to a third party approved by Franchisor. Such disposition of this Agreement or an interest in Franchisee (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to transfers contained in Sections 13.B and 13.C. Failure to transfer the interest in this Agreement or in Franchisee within said period of time shall constitute a breach of this Agreement. The term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee or an owner of a controlling interest in Franchisee from managing and/or supervising the Franchise for a period of ninety (90) days or more from the onset of such disability, impairment or condition.

E. FRANCHISOR'S RIGHT OF FIRST REFUSAL.

If Franchisee (or any of its owners) shall at any time determine to transfer the Franchise for consideration, Franchisee (or such owner) shall obtain a bona fide, executed written offer and earnest money deposit (in the amount of five percent (5%) or more of the offering price) from a responsible and fully disclosed purchaser and immediately deliver to Franchisor a true and complete copy of such offer. If the offeror proposes to buy any other property or rights from Franchisee or an affiliate of Franchisee, such proposal must be set forth in a separate, contemporaneous offer that is disclosed to Franchisor, and the price and terms of purchase offered to Franchisee (or its owners) for the transfer of the Franchise shall reflect the bona fide price offered for it and shall not reflect any value for any other property or rights.

Franchisor shall have the right, exercisable by written notice delivered to Franchisee or its owners within thirty (30) days from the date of delivery of an exact copy of such offer to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that the Franchisor may substitute cash for any form of payment proposed in such offer. Franchisor's credit shall be deemed equal to the credit of any proposed purchaser and Franchisor shall have not less than sixty (60) days to prepare for closing. Franchisor shall be entitled to purchase such interest subject to all representations and warranties, closing documents, and indemnities it may reasonably require, including without limitation, representations and warranties as to ownership and condition of and title to stock or ownership interests and/or assets, the validity of contracts and the extent of liabilities, contingent or otherwise of business whose ownership interest are purchased. If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to Franchisor's approval of the transfer as provided in Sections 13.B and 13.C., provided that if the sale to such purchaser is not completed within ninety (90) days after delivery of such offer to Franchisor, or if there is a material change in the terms of the sale, Franchisee shall promptly notify Franchisor, and Franchisor shall have an additional right of first refusal during the thirty (30) day period following either the expiration of such ninety (90) day period or the material change in the terms of the sale.

F. PUBLIC AND PRIVATE OFFERINGS OF SECURITIES.

In addition to the requirements set forth in Sections 13.B and 13.C, Franchisee (and its owners) shall not issue or sell, or offer to issue or sell, any securities of Franchisee, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining Franchisor's requirements and restrictions concerning use of information about Franchisor and its affiliates. Franchisor has the absolute right to refuse to consent to the issuance or sale of securities by Franchisee or its owners if the owners of Franchisee prior to such sale or issuance would own less than

fifty-one percent (51%) of the equity and voting power of Franchisee after such sale or issuance and such issuance or sale would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or thereafter would require Franchisee to comply with the Securities Exchange Act of 1934, as amended.

14. **RENEWAL OF AGREEMENT.**

Franchisee has the right to renew its Franchise under this Agreement for one (1) additional five (5) year term; provided that Franchisee must satisfy the following conditions:

1. Franchisee has given written notice at least ninety (90) days but no more than one hundred and eighty (180) days before the end of the term of this Agreement of its desire to enter into a renewal agreement;

2. Franchisee has complied with this Agreement (and all other agreements between Franchisor and Franchisee) during its term, including the payment of all monetary obligations Franchisee owes to Franchisor or its affiliates, and has complied with all material operating and quality standards and procedures;

3. Franchisee maintains the Franchise Premises in accordance with Franchisor's then-current required System Standards and has added or replaced vehicles, equipment and signs and otherwise modified the Franchise to bring it into compliance with Franchisor's then-current required System Standards;

4. Franchisee completes, to Franchisor's satisfaction, any new training or refresher programs as Franchisor may reasonably require. Franchisee is responsible for travel, living and compensation costs of attendees;

5. Franchisee shall be obligated to reimburse Franchisor for the expenses it incurs in connection with such renewal, not to exceed \$5,000; and

6. Franchisor and Franchisee (and the owners of Franchisee) shall execute the form of franchise agreement (which may provide for different royalties, advertising contributions and expenditures, duration and other rights and obligations from those provided in this Agreement) and any ancillary agreements Franchisor then customarily uses in granting renewal franchises for the operation of TruGreen businesses, and Franchisee (and the owners of Franchisee) shall execute general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates and their respective officers, directors, employees, agents, successors and assigns. Failure by Franchisee (and its owners) to sign such agreements and releases within thirty (30) days after delivery thereof to Franchisee shall be deemed an election by Franchisee not to acquire a renewal franchise.

15. **TERMINATION OF AGREEMENT.**

A. **FRANCHISOR'S RIGHT TO TERMINATE AGREEMENT.**

Franchisor shall have the right to terminate this Agreement, effective upon delivery of notice of termination to Franchisee, if Franchisee (or any of its owners):

1. abandons or fails to actively operate the Franchise, unless the Franchise has been closed for a purpose approved by Franchisor;

2. surrenders or transfers control of the operation of the Franchise without Franchisor's prior written consent;

3. has made any material misrepresentation or omission in its application for the franchise;

4. is or has been convicted of, or pleads or has pleaded no contest to, a felony or other crime or offense or engages or has engaged in any conduct which may adversely affect the reputation of a TruGreen business or the goodwill associated with the Marks;

5. makes an unauthorized transfer of the Franchise or fails to transfer the Franchise or the interest of a deceased or disabled principal owner of Franchisee as herein required;

6. makes any unauthorized use or disclosure of any Confidential Information or uses, duplicates or discloses any portion of the Operating Manual in violation of this Agreement;

7. materially violates any health, safety or environmental law, ordinance or regulation or conducts the Franchise in a manner that presents a health or safety hazard and fails to cure such violation or cease such conduct within seventy-two (72) hours after written notice is delivered to Franchisee;

8. fails to accurately report the Gross Receipts of the Franchise or to make payments of any amounts due to Franchisor for royalties, Advertising Fund contributions or any other amounts due to Franchisor or its affiliates and does not correct such failure within ten (10) days after written notice of such failure is delivered to Franchisee;

9. intentionally understates the Gross Receipts of the Franchise in any report or financial statement;

10. fails to spend the minimum amount on approved local advertising and promotion;

11. fails to comply with any other provision of this Agreement or any required System Standard and does not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to Franchisee;

12. fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records or to pay when due the royalties, Advertising Fund contributions or other payments due to Franchisor or its affiliates or otherwise fails to comply with this Agreement or any System Standard, whether or not such failures to comply are corrected after notice is delivered to Franchisee;

13. makes an assignment for the benefit of creditors or an admission of its insolvency or inability to pay its obligations as they become due or has a petition filed for its dissolution;

14. fails to generate the minimum Gross Receipts; or

15. violates Section 2.B of this Agreement due to Franchisee's (or any of its owners, officers, directors or personal guarantors) involvement in a Competitive Business.

If the provisions of this Section 15.A are inconsistent with applicable law, the applicable law will apply.

B. TERMINATION OF AUTHORIZED TERRITORY.

In addition to Franchisor's right to terminate this Agreement if Franchisee fails to generate the minimum Gross Receipts in any Franchise Year (as described in Section 3), Franchisor may elect to terminate Franchisee's rights in the Authorized Territory, as described in Section 2, without terminating this Agreement, effective thirty (30) days following delivery of notice of termination to Franchisee. If Franchisor terminates Franchisee's Authorized Territory rights, Franchisee's rights to continue operating the Franchise under this Agreement will continue. Franchisor will have the right, however, to establish, operate and franchise others to operate TruGreen businesses in Franchisee's Authorized Territory without restriction.

16. **RIGHTS AND OBLIGATIONS OF FRANCHISOR AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.**

A. **PAYMENT OF AMOUNTS OWNED TO FRANCHISOR.**

Franchisee agrees to pay Franchisor, within thirty (30) day after the effective date of termination or expiration (without renewal) of this Agreement, such royalties, Advertising Fund contributions, amounts owed for purchases by Franchisee from Franchisor or its affiliates, interest due on any of the foregoing and all other amounts owed to Franchisor or its affiliates which are then unpaid.

B. **USE OF MARKS.**

Franchisee agrees that, upon the termination or expiration (without renewal) of this agreement, Franchisee will:

1. not directly or indirectly at any time on in any manner identify itself or any business as a current or former TruGreen franchise, or as a franchisee of Franchisor, or use any Mark, any colorable imitation thereof or other indicia of a TruGreen franchise in any manner or for any purpose;
2. take such action as may be required to cancel or, at Franchisor's option, assign all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark;
3. promptly remove from the Franchise Premises and all vehicles and equipment, and discontinue using for any purpose, any and all signs, advertising materials, forms and other articles which display any of the Marks or any distinctive features, images or designs associated with TruGreen businesses;
4. at Franchisor's request, deliver to Franchisor all usable and authorized products, materials and supplies identified by the Marks in full cases or packages for credit at actual cost to Franchisee and dispose of all other products, materials and supplies identified by the Marks within thirty (30) days after the effective date of termination or expiration of this Agreement;
5. notify the telephone company and all telephone directory publishers of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified or other telephone directory listing associated with any Mark and authorize transfer to Franchisor or at its direction. As between Franchisee and Franchisor, Franchisor has the sole rights to and interest in all telephone and telecopy numbers and directory listings associated with the Mark. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any of its officers as Franchisee's attorney in fact, to direct the telephone company and all telephone directory publishers to transfer any telephone and telecopy numbers and directory listings relating to the Franchise to Franchisor or at its direction, should Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive evidence of Franchisor's exclusive rights in such telephone and telecopy numbers and directory listings and Franchisor's authority to direct their transfer; and
6. furnish Franchisor, within thirty (30) days after the effective date of termination or expiration, with evidence satisfactory to Franchisor or Franchisee's compliance with the foregoing obligations.

C. **CONFIDENTIAL INFORMATION AND CUSTOMER LISTS.**

Franchisee agrees that, upon termination or expiration (without renewal) of this Agreement, it will immediately cease to use any Confidential Information in any business or otherwise and return to Franchisor all copies of the Operating Manual and any other confidential materials which Franchisor has loaned to Franchisee. Franchisee also agrees that, upon termination or expiration (without renewal) of this Agreement, it will immediately cease to use all customer lists, potential customer lists, canceled customer lists, and marketing lists that were created or used in the

Business, assign such lists to Franchisor, and provide Franchisor with copies of every list in electronic or hard-copy form.

D. COVENANT NOT TO COMPETE.

Franchisee and its owners agree that, upon termination or expiration (without renewal) of this Agreement, for a period of eighteen (18) months after the date of termination or expiration, neither Franchisee nor any of its owners, officers, directors or personal guarantors shall have any direct or indirect interest (through a member of the immediate families of Franchisee or any of its owners otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within the Authorized Territory or within the authorized territory of any other TruGreen business (whether operated by Franchisor, its affiliates or franchisees of Franchisor) in operation on the date of termination or expiration.

If Franchisee or its owners fail to abide by the foregoing covenant, and Franchisor seeks to enforce this covenant in a judicial or arbitration proceeding, Franchisee agrees that the foregoing covenant shall be for a period of time expiring eighteen (18) months after the date of the order enforcing the foregoing covenant. The restrictions of this Section 16.D. shall not be applicable to (i) the ownership of shares of a class of securities listed on a stock exchange or traded on the over the counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding; or (ii) the ownership or operation of other TruGreen franchises under a valid franchise agreement with Franchisor. Franchisee and its owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills, so that enforcement of the covenant made in this Section 16.D. will not deprive them of their personal goodwill or ability to earn a living.

Upon termination or expiration (without renewal) of this Agreement, Franchisor, its affiliates or other franchises of Franchisor may, without any liability or obligation to Franchisee, perform services for, and sell products to, any customer located within the Authorized Territory, whether or not such customer was serviced by Franchisee at any time during the term of this Agreement.

E. FRANCHISOR'S RIGHT TO PURCHASE THE BUSINESS.

Upon termination or expiration (without renewal) of this Agreement, Franchisor shall have the right, but not the obligation, exercisable by giving written notice thereof within ten (10) days after the date of such termination or expiration, to purchase the Franchise. Franchisor shall purchase Franchisee's Franchise for the Franchise Purchase Price (as defined in Section 17.B) and in the manner described in Sections 17.B.1 – 6. upon termination or expiration of this Agreement. The closing shall occur not later than sixty (60) days following the date that Franchisor gives Franchisee its notice of its intent to purchase the Franchise. If Franchisor gives written notice that it will purchase the Franchise, at Franchisor's option this Agreement will be reinstated and extended until the closing and Franchisee must continue to operate the Franchise in full compliance with the terms of this Agreement until the closing. At the closing, Franchisor shall deliver to Franchisee an amount equal to ninety percent (90%) of the total amount of the Franchise Purchase Price in immediately available funds, and Franchisee shall deliver to Franchisor all of the assets purchased by Franchisor in form and manner reasonably satisfactory to Franchisor. No later than the date that is one hundred eighty (180) days after the closing date, Franchisor shall pay to Franchisee the remaining ten percent (10%) of the Franchise Purchase Price, subject to any working capital adjustments or other allowances specified in the purchase agreement.

F. CONTINUING OBLIGATIONS.

All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

17. FRANCHISOR'S REPURCHASE OPTION

A. EVENTS CAUSING FRANCHISOR'S REPURCHASE OPTION TO ARISE.

Franchisor hereby reserves and shall have the option (to be exercised in Franchisor's sole discretion) to purchase back from Franchisee all of Franchisee's rights under this Agreement pursuant to Section 17.B below upon the occurrence of one of the following events (each an "Event"):

1. Franchisor provides Franchisee with twelve (12) months' written notice of its intent to purchase back all of Franchisee's rights under this Agreement.

2. Within twelve (12) months of a transaction or related series of transactions, including, without limitation, a sale, purchase, merger, joint venture, consolidation, acquisition or similar transaction (a "Transaction") that results in one or more third parties owning fifty percent (50%) or more of the ownership interests in Franchisor, its general partner(s), affiliates, parents or other entity under common control ("Franchisor Parties") or fifty percent (50%) or more of the assets of any of the Franchisor Parties, Franchisor provides Franchisee with written notice of its intent to purchase back all of Franchisee's rights under this Agreement.

3. Within twelve (12) months of a Transaction that results in any of the Franchisor Parties owning fifty percent (50%) or more of the ownership interests in or assets of a third party that operates a system of business outlets (whether company-owned or franchises, or a combination thereof) involving the sale of lawn care services, tree and shrub care services and/or pest control services (in any combination), Franchisor provides Franchisee with written notice of its intent to purchase back all of Franchisee's rights under this Agreement.

4. Within twelve (12) months of any of the Franchisor Parties initiating definitive steps for a public offering or consummating a public offering, Franchisor provides Franchisee with written notice of its intent to purchase back all of Franchisee's rights under this Agreement.

B. FRANCHISOR'S OPTION TO REPURCHASE FRANCHISEE'S RIGHTS.

Upon the occurrence and final closing of any Event described above in Section 17.A. of this Agreement, Franchisee hereby grants to Franchisor the option to purchase back from Franchisee all of Franchisee's rights under this Agreement, upon the following terms and conditions:

1. Included within Franchisor's option to purchase back from Franchisee all of Franchisee's rights under this Agreement shall be all accounts receivable, and all of the intangible assets associated with the Franchise, and, in addition to such assets, Franchisee shall transfer to Franchisor all rights to Franchisee's lists of customers and all goodwill associated with the Franchise.

2. The purchase price ("Franchise Purchase Price") to be paid by Franchisor under this Article 14 to Franchisee for the assets described in Section 17.B.1 above, shall be an amount equal to the amount of Franchisee's Gross Receipts derived from the Franchise within the Authorized Territory during the most recently completed period of twelve (12) full calendar months prior to the date of closing of the purchase transaction. The final Franchise Purchase Price is subject to certain adjustments as provided in Section 17.B.3 below.

3. The Franchise Purchase Price as determined under this Section 17.B. shall be subject to reduction on a dollar-for-dollar basis in an amount equal to the amount by which the aggregate accounts receivables of the Franchise being acquired that are less than ninety (90) days past due are exceeded by the total amount of the credit balances of the Franchise that are owing to Franchisor, as well as the remaining balance of pre-paid amounts received by Franchisee prior to the closing of any repurchase transaction as described herein.

4. As part of Franchisor's exercise of its option to purchase back from Franchisee all of Franchisee's rights, as provided under this Section 17.B., Franchisor shall also:

a. Purchase, at the market value for each item as determined solely by Franchisor in

the exercise of its good faith discretion, all of Franchisee's usable equipment as of the date of closing that meets the following conditions: (1) such equipment is less than five years old and was used only in the Franchise; (2) each item of such equipment was purchased for a price of \$1,000 or more; (3) such equipment shall not include any aerators that are more than two (2) years old; and (4) the equipment was purchased in compliance with the terms of this Agreement.

b. Purchase at the then-current list price, which is determined as of the date of closing of Franchisor's option to purchase back, Franchisee's Franchisor-approved usable product inventory, as determined solely by Franchisor in the exercise of its good faith discretion, in original containers that was obtained by Franchisee from suppliers approved by Franchisor.

c. Purchase any service vehicles that meet Franchisor's then-current standards and that are less than five (5) years old at a price equal to the greater of the total of the then-current, which is determined as of the date of closing of Franchisor's option to purchase back, Kelley Blue Book wholesale price or the amount owed by Franchisee to any bank, lessor or other third-party for each of the service vehicles to be purchased.

d. Assume the leases for real property used in the Franchise; provided that Franchisor shall not be obligated to assume any lease (1) that has a remaining term of greater than three (3) years as of the date of closing; (2) for which the lessor is a third party affiliated with Franchisee or otherwise related in business or by family to Franchisee; or (3) that Franchisor has determined, in its sole discretion, that the real property that is the subject of the lease exhibits, or would exhibit, potential environmental contamination.

5. At the closing of any purchase transaction which occurs as a result of Franchisor's exercise of its option to purchase back from Franchisee all of Franchisee's rights under this Agreement, as described herein, Franchisee shall deliver to Franchisor all copies of its customer lists (in all forms of media), along with all customer records in Franchisee's possession, including, but not limited to, those customer records (in all forms of media) reasonably necessary in order to allow Franchisor to maintain the customer relationships commenced by Franchisee.

6. On the effective date of such purchase transaction which occurs as a result of Franchisor's exercise of its option to purchase back, this Agreement shall terminate. Franchisee hereby acknowledges that, following such termination it shall continue to be obligated to perform its obligations as set forth in Section 16 of this Agreement, including, without limitation, the obligations of the non-competition covenant set forth in Section 16.D of the Agreement. At the closing, Franchisor and Franchisee shall enter into an Asset Purchase and Franchise Termination Agreement, including a release of claims, and related documents in order to evidence the transaction in the form Franchisor requires.

7. The closing as described in this Section 17.B. shall occur as follows:

(a) If the option to purchase is exercised under Section 17.A.1 above, the closing shall occur as soon as possible following the end of the twelve (12) month notice period, but in no event shall the closing occur more than one hundred and twenty (120) days following the end of the twelve (12) month notice period;

(b) If the option to purchase is exercised under Sections 17.A.2, 17.A.3 or 17.A.4 above, the closing shall occur as soon as possible following the date on which Franchisor provides Franchisee with notice of its exercise of the option, but in no event shall the closing occur more than one hundred and twenty (120) days following the date on which Franchisor provides Franchisee notice of its exercise of the option.

At the closing, Franchisor shall deliver to Franchisee an amount equal to ninety percent (90%) of the total amount of the Franchise Purchase Price in immediately available funds, and Franchisee shall deliver to Franchisor all of the assets purchased by Franchisor in form and manner reasonably satisfactory to Franchisor. No later than the date that is one hundred eighty (180) days after the closing date, Franchisor

shall pay to Franchisee the remaining ten percent (10%) of the Franchise Purchase Price, subject to any working capital adjustments or other allowances specified in the purchase agreement.

8. Franchisee hereby agrees that the operation of a lawn care service, or tree and shrub care service, business within the Authorized Territory by Franchisor or any of its affiliates, or by a third party with the consent of Franchisor, following the Event shall not constitute a breach of Franchisor's obligations under this Agreement, and, in such circumstance, Franchisee hereby waives and releases Franchisor, any of its affiliates and any such third-parties from any and all claims and damages arising from the operation of a lawn care service business within the Authorized Territory following the Event.

9. Both parties hereto hereby acknowledge that the provisions of Section 13 of this Agreement regarding "Transfer," and the rights and obligations of each of the parties as set forth therein, shall continue to have application.

18. **RELATIONSHIP OF THE PARTIES.**

A. **INDEPENDENT CONTRACTORS.**

This Agreement does not create a fiduciary relationship between the parties. Franchisor and Franchisee are and shall be independent contractors, and nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. Franchisee shall conspicuously identify itself in all dealings with customers, suppliers, public officials, business personnel and others as the owner of a Franchise under a franchise agreement granted by Franchisor and place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as Franchisor may require from time to time.

B. **NO LIABILITY FOR ACTS OF OTHER PARTY.**

Neither Franchisor nor Franchisee shall make any express or implied agreements, warranties, guarantees or representations or incur any debts in the name or on behalf of the other, represent that their relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. Franchisor shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchise.

C. **TAXES.**

Franchisor shall have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon the Franchise, Franchisee's property or Franchisor, in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor). Payment of all such taxes shall be Franchisee's responsibility.

D. **INDEMNIFICATION.**

Franchisee agrees to indemnify, defend and hold harmless Franchisor, its affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnified Parties") against and to reimburse them for all claims, obligations and damages described in Section 18.B., any and all taxes described in Section 18.C. and any and all claims and liabilities directly or indirectly arising from the operation of the Franchise, from any breach of this Agreement by Franchisee, or from Franchisee's or Franchisee's employees' actions or inactions. For purposes of this indemnification, "claims" shall include all obligations of any kind, including but not limited to, actual, consequential, exemplary and punitive damages and costs; reasonable attorney and expert witness fees, interest, court costs, other litigation expenses and travel and living expenses. Franchisor has the right to defend and/or settle any such claim against it in such manner as it deems appropriate or desirable. This indemnity shall continue in full force and effect after and notwithstanding the expiration or termination of this Agreement.

E. **REQUIREMENTS FOR PARTNERSHIP OR CORPORATE FRANCHISE.**

If Franchisee is at any time a partnership, corporation, or limited liability company the organizational documents of such partnership, corporation, or limited liability company shall recite that the issuance and assignment of any interest is restricted by the terms of this Agreement, and all certificates representing such interests shall bear a legend referring to the restrictions. Each general partner, shareholder, or member of Franchisee must execute an agreement, in the form Franchisor prescribes from time to time, undertaking to be bound jointly and severally by all provisions of this Agreement. Franchisee will furnish to Franchisor at any time upon request, in such form as Franchisor may require, a list of all record and beneficial owners reflecting their respective interests in Franchisee.

19. **MISCELLANEOUS.**

A. **SECURITY INTEREST.**

During the Term of this Agreement, Franchisee owns any and all customer lists, potential customer lists, canceled customer lists and marketing lists used in the Franchise and any and all books and records relating to such lists. Franchisee grants to Franchisor a security interest in the following described property, whether now owned or hereafter acquired by Franchisee, and any and all proceeds therefrom (collectively the "Collateral"), to secure the payment and performance of any and all past, present or future obligations, indebtedness and liabilities of Franchisee to Franchisor, howsoever created, arising or evidenced, and whether direct or indirect, absolute or contingent, due or to become due, or now or hereafter contracted or existing:

1. any and all customer lists, potential customer lists, canceled customer lists, and marketing lists; and
2. any and all books and records relating to such lists including without limitation, service record books and names and addresses of active accounts.

Franchisee shall execute and deliver such financing and continuation statements, and execute and deliver such further documents, as Franchisor may deem appropriate to perfect the security interest granted hereunder.

In the event that Franchisee shall default under any such obligation, indebtedness or liability to Franchisor, and there shall be any unpaid obligation, liability or indebtedness of Franchisee to Franchisor, howsoever created, arising or evidenced, and whether direct or indirect, absolute or contingent, or due or to become due, then Franchisor shall have the authority to sell, assign, lease or otherwise dispose of the Collateral, or any part thereof, at public or private sale, provided Franchisor shall give Franchisee at least five (5) days prior written notice of the time and place of any public sale or the time after which any private sale or any other intended disposition is to be made. The net proceeds realized upon any such disposition, after deduction for the expenses of holding, preparing for sale, selling or the like and reasonable attorneys' fees and legal expenses incurred by Franchisor, shall be applied to the payment of the liabilities, indebtedness and obligations secured by the Collateral, as any surplus realized on such disposition and Franchisee shall remain liable for any deficiency, which Franchisee shall pay forthwith. Alternatively, Franchisor may retain the Collateral in satisfaction of the liabilities, indebtedness and obligations secured by the Collateral, as provided under applicable law.

B. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Every part of this Agreement shall be considered severable. If, for any reason, any part of this Agreement is held to be invalid, that ruling shall not impair the operation of such other parts of this Agreement as may remain otherwise intelligible. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but could be enforceable by reducing any part or all thereof, Franchisee and Franchisor agree that the same shall be enforced to the fullest extent permissible under applicable laws and public policies.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew the Franchise than is required hereunder, or the taking of some other action not required hereunder, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof. If any provision of this Agreement or any System Standard is invalid or unenforceable under

applicable law, Franchisor shall have the right, in its sole discretion, to modify such invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable.

C. WAIVER OF OBLIGATIONS.

Franchisor and Franchisee may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to Franchisor's continuing review and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon delivery to Franchisee of ten (10) days prior written notice. Franchisor and Franchisee shall not be deemed to have waived any right, power or option reserved by this Agreement by virtue of (i) any custom or practice of the parties at variance with the terms hereof; (ii) any failure, refusal, or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations; (iii) any waiver, forbearance, delay, failure or omission by Franchisor to exercise any right, power or option, whether of the same, similar or different nature, with respect to other TruGreen businesses; or (iv) the acceptance by Franchisor of any payments due from Franchisee after any breach of this Agreement.

Neither Franchisor nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy or the voluntary or involuntary forgoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the laws, ruling orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) acts of God; (3) fires, strikes, embargoes, war or riot; or (4) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of royalties and Advertising Fund contributions due on any subsequent sales.

D. INJUNCTIVE RELIEF.

Nothing in this Agreement shall bar Franchisor's right to seek temporary restraining orders and preliminary injunctive relief against threatened conduct that will cause it irreparable harm or damage under customary equity rules. Franchisee agrees that Franchisor is entitled to such relief without bond, as determined by the Court, but upon due notice, in addition to such other relief as may be available at equity or law. Franchisee's sole remedy in the event of the entry of such order or injunction shall be the dissolution of such order or injunction, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such order or injunction being hereby expressly waived.)

E. RIGHTS OF PARTIES ARE CUMULATIVE.

The rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled by law to enforce.

F. COSTS AND ATTORNEYS' FEES.

The party prevailing in any judicial or arbitration proceeding (or appeal thereof) between the parties shall be awarded its costs, expenses and interest, including, but not limited to, reasonable attorneys' fees, whether incurred prior to, in preparation for, or in contemplation of, the filing of any claim, hearing or proceeding to enforce the obligations of this Agreement. If Franchisor is required to engage legal counsel in connection with Franchisee's failure to promptly pay amounts owing to Franchisor, promptly submit when due any reports, information or records or otherwise comply with this Agreement, Franchisee shall reimburse Franchisor for any of the above-mentioned costs and expenses that it incurs.

G. GOVERNING LAW/CONSENT TO JURISDICTION.

All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. §§ 1, et. seq.). Except to the extent governed by the Federal Arbitration Act or other federal law, this Agreement and the relationship between Franchisor and Franchisee shall be governed by the substantive laws of the State of Tennessee, which shall prevail in the event of any conflict of law; provided that any provision (or part thereof) of this Agreement which is unenforceable under the laws of the State of Tennessee shall be enforced if enforceable under the laws of the State in which the Authorized Territory (or the majority thereof) is located. Franchisee (and its owners and personal guarantors) agrees that any action against Franchisee (and its owners and personal guarantors) which is not required to be arbitrated, or to enforce the arbitration provisions of this Agreement, shall be venued exclusively in any state or federal court in the judicial district in which Franchisor has its principal place of business. Franchisor also has the right to file any such suit against Franchisee in the federal or state court where the Franchise is located. Franchisee (and its owners and personal guarantors) irrevocably submits to the personal jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court. Franchisee (and its owners and personal guarantors) acknowledges and agrees that this Section shall survive the termination or expiration of this Agreement.

H. BINDING EFFECT.

This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest and shall not be modified except by written agreement signed by both Franchisee and Franchisor.

I. LIMITATIONS OF CLAIMS.

Any and all claims of Franchisee arising out of this Agreement or the relationship among the parties must be made by written notice to Franchisor within eighteen (18) months from the occurrence of the facts giving rise to such claim, except to the extent any applicable law or statute provides for a shorter period of time to bring a claim. If Franchisee fails to assert any such claim within the eighteen month time period, Franchisee agrees that any such claim is waived and Franchisee is barred from asserting any such claim against Franchisor.

J. WAIVER OF PUNITIVE AND CONSEQUENTIAL DAMAGES.

Except with respect to Franchisee's obligation to indemnify Franchisor for any type of claim pursuant to Section 18.D and except for claims by Franchisor against Franchisee or its owners for unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, the parties and their owners and guarantors waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages. Furthermore, Franchisee and its owners waive to the fullest extent permitted by law any right to or claim for prospective profits, or special, indirect or consequential damages.

K. ARBITRATION.

Except as otherwise provided in this Agreement, all controversies, disputes or claims arising between Franchisor, its affiliates and their respective officers, directors, agents, employees and attorneys (in their representative capacity) and Franchisee (and its owners and guarantors, if applicable) shall on written demand of either party, be resolved by binding arbitration administered by the American Arbitration Association or other agency agreed upon by the parties. All arbitration proceedings shall be conducted in Memphis, Tennessee, or the city of Franchisor's principal place of business at the time of any such demand for arbitration. All arbitration proceedings shall be heard by one Arbitrator in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. Except as limited by this Agreement, the Arbitrator shall have the right to award or include in the award any relief deemed proper under the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and attorneys' fees and costs. The award and decision of the Arbitrator shall be conclusive and binding upon all parties to the arbitration proceeding, and judgment upon the award may be entered in any court of competent jurisdiction. If any party to the arbitration contests any award of the arbitrator, they agree to do so only in the United States District Court in which the arbitration award was entered. This Agreement to arbitrate shall continue in full force and effect after and notwithstanding the expiration or termination of this Agreement. All arbitration proceedings shall be conducted on an individual, not a class-wide, basis, and an

arbitration proceeding pursuant to this Agreement shall not be consolidated with any other arbitration proceeding to which either Franchisor or Franchisee is a party.

L. DISPUTES NOT SUBJECT TO ARBITRATION.

The following disputes between Franchisor and Franchisee will not be subject to arbitration:

1. Any dispute involving Franchisor's trademarks or which arises under the Lanham Act, 15 U.S.C. § 1051, *et. seq.*;
2. Any dispute involving Franchisor's right to immediately terminate this Agreement pursuant to Section 15 of this Agreement;
3. Any dispute involving enforcement of covenants contained in paragraphs 16.D and 2.B of this Agreement; and
4. Any dispute involving the sale, transfer, assignment or renewal of this Agreement.

M. POWERS OR ARBITRATOR.

The authority of the arbitrator will be limited to making a decision and award relating to the interpretation or adherence of the written provisions of this Agreement. The arbitrator shall have no authority to add to, delete or modify in any manner the terms or provisions of this Agreement. The arbitrator will not have the right or authority to award punitive damages to either the Franchisor or the Franchisee and the parties expressly waive their right to plead or seek punitive damages.

N. PERFORMANCE DURING ARBITRATION.

The Franchisor and the Franchisee agree to comply with all the terms and conditions of this Agreement and will fully perform their respective obligations under this Agreement during the entire time of the arbitration process, including any appeals.

O. CONSTRUCTION.

The preambles and exhibits to this Agreement are a part of this Agreement, which constitutes the entire Agreement of the parties, and there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Nothing in this Agreement is intended or shall be deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement. Except where this Agreement expressly obligates Franchisor reasonably to approve or consent to, or not unreasonably to withhold its approval of or consent to, any action or request by Franchisee, Franchisor has the absolute right for any reason to refuse any request by Franchisee or to withhold its approval of or consent to any action by Franchisee. The headings of the sections of this Agreement hereof are for convenience only and do not define, limit or construe the contents of such sections. The term "affiliate" as used herein is applicable to any person or entity directly or indirectly owned or controlled by, under common control with or owning or controlling Franchisor or Franchisee, as applicable. The term "Franchisee" as used herein is applicable to one or more persons or a corporation, partnership, or a limited liability company, and its owners, as the case may be, and the singular usage includes the plural and the masculine and neuter usage include the other and the feminine. If two or more persons are at any time Franchisee, whether or not as partners or joint venturers or otherwise, their obligations and liabilities to Franchisor shall be joint and several. The term "Franchise" as used herein includes the Business Premises and all assets, revenue and income of the TruGreen Franchise operated by Franchisee pursuant to this Agreement.

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original. Time is of the essence in this Agreement.

20. NOTICES AND PAYMENTS.

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or the Operating Manual shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by facsimile, teletype or other electronic system, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing.

21. **INSURANCE.**

Franchisee shall procure, prior to providing any TruGreen Services, and maintain in full force and effect during the term of this Agreement at Franchisee's expense, an occurrence form insurance policy or policies with a Pesticide and Herbicide Applicator's endorsement, insuring Franchisee and Franchisor, and their officers, directors, employees and partners, against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with the TruGreen business, including but not limited to any loss from theft, vandalism, malicious mischief, and the perils included in the extended coverage endorsement. A certificate of insurance and other evidence of insurance the Franchisor requires shall be issued to the Franchisor evidencing the required insurance as set forth in this Paragraph 21. Such proof of insurance shall state Franchisor and its affiliates and their respective officers, directors, and employees are named as additional insured and shall provide a minimum of thirty (30) days' notice of cancellation and the terms "will endeavor to" and "but failure to mails such notice shall impose no obligation or liability of any kind upon the company, its agents, or representatives" shall be struck from the cancellation section of the certificate of insurance.

Such policy or policies shall be written by an insurance company and with deductibles satisfactory to Franchisor in accordance with standards and specifications set forth in the confidential Operating Manuals or otherwise in writing, and shall include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the confidential Operating Manuals or otherwise in writing) the following:

1. Workers' Compensation, including occupational disease, and Employers Liability Insurance as well as such other similar insurance as may be required by the state in which the Franchisee operates, at statutory limits for Workers' Compensation and Employers' Liability at minimum limits of \$500,000.
2. Comprehensive general liability insurance including Pesticide and Herbicide Applicators endorsement, contractual liability, broad form property damage, products liability, completed operations and fire legal liability. Such insurance shall be maintained with minimum limits of \$500,000 combined single limit or \$500,000 bodily injury and \$250,000 property damage.
3. Auto liability coverage for both owned and non-owned vehicles with minimum limits of \$250,000 per person/\$500,000 per occurrence for bodily injury and \$250,000 for property damage.

Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall neither be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 18.D. of this Agreement. Franchisee's insurance procurement obligations under this Section are separate and independent of Franchisee's indemnity obligations. Franchisor does not represent or warrant that any insurance that Franchisee is required to purchase will provide adequate coverage for Franchisee. The requirements of insurance specified in this Agreement are for Franchisor's protection. The insurance policies described above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits. Franchisee should consult with its own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required by Franchisor.

Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as revised from time to time for all franchisees by the confidential Operating Manuals or otherwise in writing, Franchisor

shall have the right, at its option, to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice.

22. **COMPLIANCE WITH LAWS**

Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of its Franchise and must operate its Franchise in full compliance with all applicable laws, ordinances and regulations including labor and employment laws, government regulations relating to the licensing and certification of lawn, tree and shrub care personnel, and laws and regulations relating to the handling, storage, application and disposal of chemicals, pesticides, herbicides and similar materials. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies Franchisor periodically may establish. Franchisee must notify Franchisor in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or its Franchise. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement in three counterparts as of the date Franchisor has accepted this Agreement. This Agreement shall be deemed accepted by Franchisor by the execution of all counterparts of this Agreement by a duly authorized officer of Franchisor. Franchisor is not bound by this Agreement unless and until this Agreement has been so accepted.

FRANCHISEE

BY: _____

DATE: _____

TITLE: _____

BY: _____

DATE: _____

TITLE: _____

NAMED PRINCIPAL

(Signature)

DATE: _____

(Print Name)

FRANCHISOR

TRUGREEN LIMITED PARTNERSHIP

BY: _____

DATE: _____

TITLE: _____

**EXHIBIT A
TO THE TRUGREEN LIMITED PARTNERSHIP
FRANCHISE AGREEMENT**

A. The Authorized Territory referred to in Section 2.A of the Franchise Agreement shall be as follows:

FRANCHISEE

BY: _____

DATE: _____

TITLE: _____

BY: _____

DATE: _____

TITLE: _____

NAMED PRINCIPAL

(Signature)

DATE: _____

(Print Name)

FRANCHISOR

TRUGREEN LIMITED PARTNERSHIP

BY: _____

DATE: _____

TITLE: _____

EXHIBIT B
OWNER'S GUARANTY AND ASSUMPTION
OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the foregoing Franchise Agreement dated as of _____, 20____ ("Agreement"), by and between TRUGREEN LIMITED PARTNERSHIP ("Franchisor") and _____ ("Franchisee"), each of the undersigned owners of an interest in Franchisee hereby personally and unconditionally (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees personally to be bound by, and personally liable for the breach of, each and every covenant and provision in the Agreement.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his direct and immediate liability under this guaranty shall be joint and several; (ii) they shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has affixed their signature, under seal, on the same day and year as the Agreement was executed.

PERCENTAGE OF OWNERSHIP
INTERESTS IN FRANCHISE

GUARANTOR(S)

DATE: _____

Exhibit H

FRANCHISEE QUESTIONNAIRE

**DISCLOSURE
ACKNOWLEDGMENT AGREEMENT**

Applicant _____
(If corporation) State of Incorporation _____
Address of Applicant _____
Location (Territory) Applied For _____

1. I have received all appropriate disclosure documents at least fourteen (14) calendar days, exclusive of the day I received them and the day I signed them, before signing the Franchise Agreement and/or payment of any monies.

2. I have had an opportunity to read the Franchise Agreement thoroughly and understand all of TruGreen's covenants and obligations and my obligations as a franchisee of the TruGreen system. I understand that the Franchise Agreement contains all obligations of the parties and that TruGreen does not grant to me under the Franchise Agreement any right of first refusal.

3. I understand that this franchise business, as in all business ventures, involves risk and despite assistance and support programs, the success of my business will depend primarily upon me and my ability.

4. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement or related agreement was signed.

5. I understand that TruGreen has a national marketing and promotional program which is not directed towards any specific franchise territory but is intended to benefit the entire TruGreen system nationwide. I further understand that amounts from the national marketing and promotional fund will be used, among other purposes, to offset in-house expenses incurred in providing marketing services, media planning and network marketing support.

6. If I was referred to TruGreen by a franchise broker or referral source, the name of that franchise broker(s) or referral source(s) is _____.

7. I have had no promises, guarantees or assurances made to me and no information provided to me relative to earnings, revenues, profits, expenses or projected revenues for this franchise, except as disclosed in the disclosure document. If I believe that I have received any such promises, guarantees, assurances or information, I agree to describe it below (otherwise write "None").

Applicants' Acknowledgment:

Name: _____
Date: _____

Name: _____
Date: _____

Exhibit I

STATE ADDENDA

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Disclosure Acknowledgment Agreement:

The representations under the Disclosure Acknowledgment Agreement are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

TRUGREEN LIMITED PARTNERSHIP

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of 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 Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

TRUGREEN LIMITED PARTNERSHIP

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

TRUGREEN LIMITED PARTNERSHIP

By: _____

By: _____

Its:

Its:

Date: _____

Date: _____

RELEASE OF CLAIMS

THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT. THIS FORM IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, TruGreen Limited Partnership (“Franchisor”), _____ (“Franchisee”) and _____ (“Guarantor”) enter into this Release of Claims (“Agreement”).

RECITALS

- A. Franchisor and Franchisee entered into a TruGreen® Franchise Agreement dated _____, _____.
- B. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
4. Release of Claims.

A. Definitions.

1. As used herein, the term “Franchisor Parties” shall have the following meaning: Franchisor, and all persons or entities acting on Franchisor’s behalf or claiming under Franchisor, including without limitation each of Franchisor’s partners, subsidiaries, affiliates, owners, and the respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives of any of them.

2. As used herein, the term “Franchisee Parties” shall have the following meaning: each of the Franchisees, Guarantor, and all persons or entities acting on each of the Franchisees’ or Guarantor’s behalf or claiming under each of the Franchisees or Guarantor, including without limitation each of Franchisees’ or Guarantor’s corporate parents, subsidiaries, affiliates, owners, and the respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives of any of them.

3. As used herein, the term “Claims” shall have the following meaning: claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including without limitation actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, claims, at law or in equity, whether arising by statute, common law, or otherwise, including without limitation claims for negligence.

B. The Franchisee Parties irrevocably and unconditionally waive, release, acquit and forever discharge, and covenant not to sue, the Franchisor Parties of and from any and all Claims that they may now have, or at any time previously had, or hereafter may have or claim to have, against each or any of the Franchisor Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the Effective Date relating to the Franchise Agreements, the Businesses, the franchise relationship between the Parties, the offer or sale of any franchise, the transfer of the Franchise Agreements, or any other agreement between any of the Franchisee Parties and any of the Franchisor Parties.

C. The Franchisee Parties represent that they have not assigned or transferred, or purported to assign or transfer, any Claim released by them under Section 4(B) above.

D. In entering into this Agreement, each of the Franchisees and Guarantor represent that they have had the opportunity to consult an attorney of its own choice, that an attorney of its own choice has reviewed this Agreement, that the undersigned have read the terms of the Agreement, and that the terms of this Agreement are understood and voluntarily accepted by it.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of Tennessee without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

FRANCHISEE:

By: _____

Its: _____

Date: _____

FRANCHISOR:

TruGreen Limited Partnership

By: _____

Its: _____

Date: _____

GUARANTOR:

By: _____

Date: _____

Exhibit J

STATE EFFECTIVE DATES AND RECEIPT

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:

State	Effective Date
Illinois	Pending
Minnesota	Pending
North Dakota	Pending
South Dakota	Pending
Wisconsin	Pending

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

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 TruGreen Limited Partnership (“TruGreen”) offers you a franchise, TruGreen must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, TruGreen or our affiliate in connection with the proposed franchise sale. Iowa, New York and Oklahoma require that TruGreen gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that TruGreen gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If TruGreen does 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 those state administrators listed on Exhibit A.

The franchisor is TruGreen Limited Partnership located at 1790 Kirby Parkway, Forum II, Suite 300, Memphis, Tennessee 38138. Its telephone number is (901) 251-3640.

Issuance Date: November 5, 2021

The franchise seller involved in offering and selling the franchise to you is listed below (with address and telephone number) or will be provided to you separately before you sign a Franchise Agreement: _____

_____.

TruGreen authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I have received a disclosure document dated November 5, 2021, that included the following Exhibits:

- | | |
|---|--|
| A. State Administrators/Agents for Service of Process | F. Renewal Franchise Agreement |
| B. Operations Manual | G. Standard Franchise Agreement |
| C. Franchisee Listing | H. Disclosure Acknowledgment Agreement |
| D. Former Franchisee Listing | I. State Addenda |
| E. Financial Statements | J. State Effective Dates and Receipt |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Prospective Franchisee’s Copy

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Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Copy for TruGreen Limited Partnership

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Jerry Solon by email at gerardsolon@trugreenmail.com