

FRANCHISE DISCLOSURE DOCUMENT

 <i>"Nature Indoors Nationwide"</i> FOLIAGE ♦ DESIGN SYSTEMS	Foliage Design Systems Franchise Company d/b/a Foliage Design Systems, a Florida corporation 7048 Narcoossee Road Orlando, Florida 32822 Telephone: (800) 933-7351 www.foliagedesign.com info@foliagedesign.com
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This franchise is for the operation of a business under the "Foliage Design Systems" name that sells, leases, and maintains interior foliage plants and provides related products and services.

The total investment necessary to begin operation of a Foliage Design franchise is \$44,400 to \$64,400. This includes between \$29,300 to \$29,500 that must be paid to the franchisor or affiliate for the minimum size territory.

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 the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Lisa Liu at 7048 Narcoossee Road, Orlando, Florida 32822 and (800) 933-7351.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov 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: February 10, 2023

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 E and F.
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 business?	Item 21 or Exhibit F 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 Foliage Design Systems 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 Foliage Design Systems franchisee?	Item 20 or Exhibits E and F 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 Florida. 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 Florida 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.

MICHIGAN NOTICE

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and

conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligation to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

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EXHIBITS

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- B – Franchise Agreement
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 - Schedule 2- Guaranty and Assumption of Obligations
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- D – List of Franchisees Who Have Left The System
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

Foliage Design Systems Franchise Company (“we,” “us,” or “our”) is a Florida corporation that was incorporated on November 24, 1980, and has its principal place of business at 7048 Narcoossee Road, Orlando, Florida 32822. We do business under our corporate and under our trade name “Foliage Design Systems.” We will refer to the person who buys this franchise as “you” throughout this Disclosure Document. If the franchise purchaser is a business entity, “you” also includes each owner of that entity.

We offer franchises for businesses operating under the “Foliage Design Systems” name (the “Franchised Business”) that sell, lease, and maintain interior foliage plants and related products and services to clients who conduct other businesses. You will sign a contract with your client to provide and maintain interior foliage plants on a lease basis or on a sale and maintenance basis. The plants are supplied to your client by you and are maintained by you, including replacing plants as needed. You will also provide design and consultation services for your clients as to the number of interior foliage plants, the types of plants and the location within the business environment that plants are to be placed. You may sell interior foliage plants to businesses, maintain them, or provide a guaranteed maintenance agreement so that the business contracting with you will always have high-grade foliage plants without having to be concerned with maintenance, replacement, greenhouse activities, and the like. Your Franchised Business will maintain a local greenhouse or illuminated warehouse and other facilities to properly maintain plants and to store an inventory of live foliage plants.

You will also sell related products and services, including decorative planters, artificial and preserved foliage, seasonal/holiday décor items, colorful blooming plants and flowers, and exterior containerized plant material to your clients. We will sell you such products as marketing brochures and materials, training books, uniforms, maintenance supplies, and holiday and seasonal décor.

Your Franchised Business will be located mainly in urban or heavily populated suburban areas where various types of businesses that might desire interior foliage plants as part of the facility décor can be found.

We have offered franchises for such businesses since 1980. We have no business activity other than the interiorscape business. We have never offered franchises in any other line of business.

Exhibit A contains our agents for service of process.

Our Parent/Affiliates/Predecessor

We have affiliates that have operated a business of the type being franchised since 1971.

We have an affiliate, Foliage Design Systems of Central Florida, Inc., with a principal business address of 7048 Narcoossee Road, Orlando, Florida 32822. Foliage Design Systems of Central Florida, Inc. has operated a business of the type being franchised since February 8, 1995. Foliage Design Systems of Central Florida, Inc. also supplies seasonal/holiday décor to

some of our franchisees. You may elect to purchase products from Foliage Design Systems of Central Florida, Inc.

None of our affiliates offer or have offered franchises in any line of business.

We do not have a parent or predecessor.

The System

Our system includes interior foliage plant design, installation, maintenance, lease and purchase programs, pricing, materials and supplies; methods, uniform standards, specifications and procedures for operations, interior plant health management, pest control and disease management; procedures for management control; office procedures; sources of supply; training and assistance; exclusive holiday designs and packages; customer service and quality control programs; and merchandising, advertising and promotional programs, all of which may be changed, improved and further developed (the "System").

The System is identified by certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark "Foliage Design Systems," as are now designated and may in the future be designated by us in writing for use with the System (the "Proprietary Marks").

We will offer "Foliage Design Systems" Franchised Businesses to operators who will operate a Franchised Business at new locations and offer our approved services according to our requirements for "Foliage Design Systems" Franchised Businesses.

The Franchise Offered

We offer you a franchise agreement (the "Franchise Agreement") which gives you the right to establish and operate one Franchised Business at a location mutually approved by you and us (the "Approved Location"). We recommend your initial location be your home. The Franchise Agreement gives you the right to use the Proprietary Marks and the System solely with the operation of the Franchised Business, and solely at the Franchised Business's Approved Location.

The Market and Competition

The general market for the products and services we offer is primarily a developed market, and your clients will usually include commercial businesses, landscape architects, interior designers, building owners and managers, and high-end residential owners. Generally, your business is not seasonal; however, the products you offer may vary according to season. You will typically have to compete with any other local businesses offering the same services within the same market.

Industry Specific Laws

The Franchised Business may be subject to state and local licensing requirements. If you elect to use any of the pesticides and chemicals that are available for interior plant care services in our industry, federal, state, and local regulations may govern such use. In many states, a commercial spraying license is required for such activities. You should investigate the application of these laws further.

ITEM 2 BUSINESS EXPERIENCE

Chairman of the Board, Director and
CEO: John S. Hagood

John S. Hagood is our Founder, Director, and CEO, having held these positions since the incorporation date of Foliage Design Systems Franchise Company on November 24, 1980, in Florida. In October 1996, Mr. Hagood resigned as President of the company to assume the role of Chairman of the Board. Mr. Hagood was formerly a partner with his brother, Charles Duke Hagood, in Good Earth Plant Rentals, which name was changed to Foliage Design Systems, Inc. and was incorporated in 1977. Until September 25, 1995, Mr. Hagood was President, Stockholder, and a Board Member in the resulting corporation, Foliage Design Systems, Inc., an interiorscape company.

President and Director: David G. Liu

David G. Liu has worked in the interior plant industry for over 43 years. From January 1980 to February 1995, Mr. Liu was General Manager of Rolling Greens, Inc., a Falls Church, Virginia-based interiorscape firm. In March 1995, he joined Foliage Design Systems Franchise Company as Vice President/General Manager, and in October 1996, he was promoted to Executive Vice President and General Manager and given the responsibility to oversee all facets of the day-to-day operations of the franchise company. Mr. Liu was appointed President of the company on December 2, 1998.

Executive Vice President and
National Sales & Marketing Director:
Michael K. Lewis

Michael K. Lewis has worked in the interior plant industry for over 44 years, first owning and operating his own interior landscape business, Plantscape House, Inc., in Orlando, Florida, for 18 years, from 1979-1996. Mr. Lewis worked for TruGreen Chemlawn from 1996 to 2000, also in Orlando, Florida. Then Mr. Lewis joined Foliage Design Systems Franchise Company in February 2001. He has a B.S. Degree in Plant Science from the University of Florida.

Corporate Secretary/Treasurer, Vice
President and Project Specialist: Lisa
H. Liu

Lisa H. Liu has served as Franchise Administrator for Foliage Design Systems Franchise Company since October 1988, and she was promoted to Vice President and Franchise Administrator in March 1995. In June 1998, Ms. Liu resigned as Vice President and accepted a part-time position as Project Specialist. In 2005, she resumed a full-time position as Vice President and Project Specialist.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5
INITIAL FEES**

You must pay us an initial franchise fee that will be a minimum of \$20,000 for a population of 400,000, but can be higher depending on the formula set forth below. The Initial Franchise Fee is paid to us by certified or cashier's check upon execution of the Franchise Agreement. The initial franchise fee is fully earned and non-refundable when paid. The amount of the initial franchise fee is not uniform as to each franchisee, and the initial franchise fee is determined by us based upon the population of the territory from the most recent United States Census. The formula is as follows:

The initial franchise fee is \$20,000 for the minimum population of 400,000. We will charge an additional \$15 per every 1,000 people in population above the 400,000 base. For example, a territory with a 1,000,000 population will be priced as follows: \$20,000 for the initial fee based on a 400,000 population and \$9,000, which is calculated by multiplying \$15 times 600. The total would be \$20,000+\$9,000=\$29,000.

You must purchase certain items from us before you open your Franchised Business, including marketing brochures and materials, training books, uniforms, maintenance supplies, and holiday and seasonal décor. We estimate the initial cost of these items to be between \$300 to \$500.

**ITEM 6
OTHER FEES**

Fee¹	Amount	Date Due	Remarks
Renewal Fee	A fee equal to our professional fees and costs to process your renewal	Prior to renewal	Payable prior to renewal of the Franchise Agreement. Franchise Agreement ("FA"), Sec. 2.2(f).

Fee ¹	Amount	Date Due	Remarks
Royalty Fee	6% of Gross Revenue	Payable monthly on or before the 30 th day of the month following the previous month's end.	Gross Revenue means all sales derived from the Franchised Business, except sales and excise taxes. We require payment via check or electronic funds transfer and you must comply with our payment instructions. FA Sec. 4.2.
Late Fee	\$35 per occurrence, plus interest on the balance owed at 1.5% per month or the highest rate permitted by law, whichever is greater.	Payable monthly on the 30 th day of the month following the previous month's end.	Payable if you do not pay the Royalty Fee on time or if you are delinquent in submitting required financial reports or information. We also have the right to conduct an audit if you fail to pay your Royalty Fee on time. FA Sec. 4.4.
Audit	(a) The amount of the deficiency plus late payment charges and applicable interest; (b) If audit is due to non-reporting or understatement, then the cost of inspection is also your responsibility	15 days after billing	If an audit reveals you understated the gross monthly revenue by 2% or more or if you fail to furnish information in a timely fashion, you pay for the cost of the inspection and can be terminated. FA Sec. 4.8.
Sales, excise, or gross receipts tax	If required by the federal, state or locality in which your franchise is located. May include sales, excise or gross receipts tax or similar type tax on the initial franchise fee, royalty, training, advertising fee, products, and any other services, products, or fees.	At time of payment of fees to us which are subject to any tax	FA Sec. 4.10.

Fee¹	Amount	Date Due	Remarks
Advertising Materials	Reasonable cost of all material supplied, including the pro rata share of cost of creative work, printing, engraving, and films.	As incurred.	You must pay the reasonable cost of all material supplied by us for advertising and promotion purposes. FA Sec. 5.1.1.
Regional Marketing Fund	Not yet established; may vary in each market		We reserve the right to establish a local/regional marketing fund in your area to pool advertising dollars for local or regional advertising programs. FA Sec. 5.2.
Local Advertising	Minimum of 1% of Gross Revenue	You must spend this sum annually.	You must spend this amount on local advertising and promotion. FA Sec. 5.3.
Additional Personnel Training	The then current per diem per trainer (at present, \$500 per day per trainer), plus expenses	Prior to training session	We do not charge any additional money for the initial training program offered to you and any key employees you select to participate with you. Additional training is provided, if necessary, for you, your managers, or your employees. FA Sec. 6.2.
Training Courses	Reasonable attendance fees	Prior to the training course	We may require you to attend training courses that We periodically choose to provide at the times and locations We designate; however, you are not required to attend more than two training courses per year. FA Sec. 6.3
Testing	Non-refundable fee for cost of testing	15 days after billing	This covers the cost of testing new products or inspecting new suppliers you propose. This can be paid by the supplier. FA Sec. 8.1(f).
Products and Services	Will vary under circumstances	30 days after billing	You must pay us within 30 days of receiving an invoice for all products and services purchased from us. FA Sec. 8.1(i).

Fee ¹	Amount	Date Due	Remarks
Liquidated Damages ²	Will vary under circumstances	Within 15 days after termination	See footnote 2. FA Sec. 14.6.
Transfer Fee	\$5,000	Upon transfer	No fee is imposed for transfers to entities formed by you for the convenience of ownership. Fees are paid by the transferee. FA Sec. 16.2(f).
Management Fee	15% of Gross Revenue	Monthly	If we have to manage your Franchised Business if you are incapacitated and your personal representatives cannot or are unable to operate the Franchised Business. FA Sec. 16.7(c).
Training Fee for Personal Representative	\$10,000	Prior to training session	If you die or are permanently incapacitated and your heir or personal representative elects to operate the Franchised Business, they must pay this fee to be trained. FA Sec. 16.8.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from your Franchised Business's operations. FA Sec. 19.4.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement or if we are the prevailing party in litigation with you. FA Sec. 20.11.

1. All fees are imposed by and payable to us, except for your local advertising expenses. All fees are non-refundable. Not all fees are uniform.
2. If we terminate the Franchise Agreement with cause, you must pay us liquidated damages equal to the present value (using the then-current 30-Year Treasury Bond rate) of the Royalty Fees you would have paid us on the product of (a) your Franchised Business's average monthly Gross Revenue during its most recent 12 months of operation before the termination multiplied by (b) the number of months remaining in the Franchise Agreement had we not terminated it.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee ¹	\$20,000	\$20,000	Cashier's or certified check.	Upon execution of Franchise Agreement	Us
Equipment, Furniture and Fixtures ²	\$2,000	\$5,000	Check or credit card	As required by vendor	Vendors
Cargo Van or Truck ³	\$1,500	\$1,500	Check	Monthly	Lessor
Real Property ⁴	\$1,800	\$3,600	Check	Monthly	Landlord
Leasehold Improvements; Construction Costs ⁵	\$2,500	\$5,000	Check or credit card	As Arranged	Contractor
Signage ⁶	\$1,000	\$1,500	Check or credit card	As Arranged	Suppliers
Opening Inventory – Plants & Planters ⁷	\$1,500	\$2,000	Check or credit card	As Arranged	Vendors
Opening Inventory – Marketing Brochures & Materials ⁸	\$300	\$500	Check or credit card	Upon Billing	Us
Travel and Initial Training Expenses ⁹	\$1,500	\$2,000	Credit Card	As Arranged	Third-party vendors
Insurance ¹⁰	\$1,500	\$2,500	Check or credit card	As Incurred	Insurers
Utility/Security Deposits ¹¹	\$1,500	\$2,500	Check or credit card	As Incurred	Lessor, Utility Companies
Professional Fees ¹²	\$2,500	\$5,000	Check or credit card	As Incurred	Professionals
Supplies ¹³	\$700	\$1,100	Check or credit card	As Incurred	Vendors
Miscellaneous Opening Costs ¹⁴	\$2,500	\$5,000	Check or credit card	As Incurred	Vendors
Additional Funds ¹⁵ - 3 months	\$3,600	\$7,200			

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
Total ¹⁶	\$44,400	\$64,400			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment.

1. Franchise Fee. The minimum initial franchise fee shall be \$20,000 for a population base of 400,000, and the maximum fee will be based upon the formula stated in Item 5.
2. Equipment, Furniture and Fixtures. Your equipment, furniture and fixtures consist of the following items: miscellaneous Franchised Business equipment, such as a computer, computer software, accounting software, fax, e-mail, and Internet programs, copier, fax machine, telephone, desks, and chairs, filing cabinet. This amount also includes the plant care materials and equipment you will need, such as watering cans or machines, pruning shears, sprayers, fertilizer, etc.
3. Cargo Van or Truck. Only applicable if you do not already own a vehicle to be used with your Franchised Business.
4. Real Property. We recommend you initially operate your Franchised Business from your home. If you do, you will have no initial rent or deposit payments. If you do lease space, existing franchise facilities, on average, are 1,500 to 2,400 square feet in size. A typical location for a Franchised Business is in an office/warehouse or warehouse complex, light industrial area with easy access to highways and urban areas. The monthly rental rate will vary depending on size, condition, and location of leased space. Consult your local rental agent for comparative rental costs. This figure does not include the cost of electricity or any other charges. Security deposits could be one to three months as additional rent, which may be required by the Landlord.
5. Construction Costs. If not already in place at your Franchised Business facility, You will need to install plumbing (access to water), lighting and electrical systems which comply with our specifications. The cost will vary depending on the condition of the Franchised Business facility and the amount of construction work and/or dollars negotiated from the landlord.
6. Signage. You will need to letter your vehicle and your facility to meet our signage specifications.
7. Plant and Planter Inventory. You will need to purchase your opening inventory of plant material and planters.
8. Marketing Materials Inventory. You will need to purchase your opening inventory of marketing materials and brochures.
9. Initial Training. The amount shown is per person. You will have salary, travel and lodging expenses associated with our initial training program. For this training program, we provide

instructors and instructional materials, but you will need to arrange for transportation, lodging and food for yourself and employees and for any wages for the employees. The cost will depend on the distance you must travel and the type of accommodations you choose.

10. Insurance. The figures in the chart are your annual premium costs. Generally, you will pay your premiums quarterly or semi-annually. Required insurance includes public liability, product liability, property damage, general casualty insurance, workers compensation insurance, business interruption and rent insurance, and automobile liability coverage. Workers compensation coverage amounts and insurance costs will vary with the number of employees you have, the location of your Franchised Business, and state laws.
11. Utilities. We estimate that you will need to provide deposits for utilities. The amount of these deposits will vary depending upon the practices of the utility companies. In addition, you may have to give your landlord one to three months of rent as a security deposit.
12. Professional Fees. You will need to have an attorney and an accountant and possibly other professionals.
13. Supplies. These include, stationery, business cards, checks, uniforms, and other Franchised Business supplies.
14. Miscellaneous Opening Costs. Includes utilities costs, incorporation fee, business license, phones, and other licenses.
15. Additional Funds. This estimates your initial start-up expenses. These expenses do not include payroll costs or royalties. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate and there is no guarantee that additional working capital will not be necessary during this start-up phase or after. 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 service; the prevailing wage rate; competition; and the sales level reached during the initial period.
16. Total Capital Required. We relied upon our 30+ years of experience in the interiorscape industry when preparing these figures. However, these figures are merely estimates and your costs may vary. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.

The Goods or Services Required to be Purchased or Leased

Our reputation and goodwill are based on, and can be maintained only by, the sale of high-quality services and products and the presentation, service and sale of those services, products and materials in an efficient and professional manner. We have developed standards and specifications for various services, products, materials and supplies sold at or used in the operation of our Franchised Businesses. You must operate your Franchised Business according to these standards. These standards will regulate the types, models and brands of required

equipment, signs, materials and supplies to be used in operating your Franchised Business, required or authorized equipment, products and services offered to customers and product categories and designated or approved suppliers of such items (which may be limited to or include us).

Equipment, Furniture, Fixtures, Vehicle, and Supplies:

You are obligated to purchase or lease equipment, furniture, fixtures, a work vehicle, and related supplies that meet our minimum standards and specifications or are from suppliers that we approve.

Insurance:

You are obligated to purchase such insurance as we designate. You may purchase the insurance from any vendor.

Market Research and Testing:

We may, from time to time, conduct market research and testing to determine consumer trends and salability of new products, materials, and services. You must cooperate by participating in our market research programs, test marketing new products and services and providing timely reports and other relevant information regarding marketing research. In connection with such test marketing, you must purchase a reasonable quantity of products to be tested and effectively promote and make a reasonable effort to sell such products, materials and services.

Plants:

You must purchase live foliage plants and silk, preserved, replica and artificial flowers and plants only from suppliers whose products meet our standards and specifications as described during initial franchise training, in our operations manuals, and as issued periodically by us. These standards and specifications address factors (as applicable) such as height, width, nursery pot size, acclimatization, light requirements, condition, leaf count and acceptable grade of interior plants. These standards and specifications are formulated and modified based on any changes observed by us as time goes by and are issued to our franchisees.

Whether We or Our Affiliates Are Approved Suppliers

We are an approved supplier, but not the only approved supplier, of marketing brochures and materials, training books, uniforms, feather dusters and maintenance supplies that you would use in operating your Franchised Business. We reserve the right to develop certain proprietary materials, including promotional materials, logo items, signs, and interiorscape products that may be available only from us on a fee basis including a reasonable mark-up, at our sole discretion.

Our affiliate is an approved, but not the only approved supplier, of seasonal/holiday décor to franchisees in our system.

Officer Interests in Suppliers

Our officers, John Hagood, David Liu, and Lisa Liu have an ownership interest in us and our affiliate supplier.

Alternative Suppliers

We do not generally make available to you criteria for supplier approval. If you want to use any product, material or render any service that does not comply with the standards of the System or is to be purchased from a supplier that has not yet been approved, you must first submit a written request for approval of the proposed supplier and obtain our approval of the supplier before purchasing any items from this supplier. We may charge you a reasonable non-refundable fee, not to exceed the actual cost of examining the facilities and products of the proposed supplier, to cover the costs we incur in making this determination and will, within a reasonable time (within 30 days), notify you of our decision. We will, from time to time, establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Approval of a supplier may be conditioned on requirements relating to product quality, production and delivery capabilities, ability to meet our supply commitments, financial stability, the integrity of standards of service, familiarity with our System, and ability to negotiate favorable terms for our franchisees. We revoke approvals in our Operations Manual or other informational bulletin.

Issuance of Specifications

We issue and modify specifications to franchisees and approved suppliers in our Operations Manual or other informational bulletins.

Revenue from Required Purchases

We derive revenue from required purchases or leases by franchisees. During the fiscal year ending October 31, 2022, we sold \$611.88 of marketing materials and feather dusters to our franchisees, which represented 0.12% of our total revenue of \$514,502.88.

Required Purchases and Leases as a Proportion of Costs

Your required purchases represent approximately between 10% of your total purchases in connection with the establishment of your Franchised Business and approximately 3.8% to 4% of your overall purchases in operating the Franchised Business.

Supplier Payments to Us

We reserve the right to receive a brokerage fee for arranging the sale of live foliage plants and other materials to you where, at your request, we purchase or arrange for the sale of live foliage plants and other materials to you.

Purchasing or Distribution Cooperatives

We do not have purchasing or distribution cooperatives at this time.

Purchase Arrangements

We may negotiate purchase arrangements with suppliers (including price terms) for your benefit, and currently there are such arrangements in place with some approved nurseries and planter suppliers.

Material Benefits

We do not provide material benefits to you based on your use of a particular supplier. However, to renew your franchise agreement, you must be in compliance with it, including supplier standards, and we can terminate your franchise agreement if you breach it.

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	3.1 and 3.2	7 and 11
(b) Pre-opening purchases/lease	3.2	5, 7, 8 and 11
(c) Site development and other pre-opening requirements	3.3	7 and 11
(d) Initial and ongoing training	6.2 and 6.4	6, 7 and 11
(e) Opening	3.1	7 and 11
(f) Fees	2.2(f), 4.1, 4.2, 4.4, 4.8, 5.1.1, 5.2, 5.3, 6.2, 6.3, 8.1(f), 8.1(h), 14.6, 16.2(f), 16.7(c), 16.8, 19.4, and 20.11	5, 6, 7, 8, and 11
(g) Compliance with standards and policies/Operations Manual	8.1, 8.3 and 10.1	8, 11, 14 and 16
(h) Trademarks and proprietary information	9 and 10	13 and 14
(i) Restrictions on products/services offered	1.4 and 8.1	8 and 16
(j) Warranty and customer service requirements	8.1 11.5, and 11.6	Not Applicable
(k) Territorial development and sales quotas	1.7	12
(l) On-going product/service purchases	8.1	8
(m) Maintenance, appearance, and remodeling requirements	8.1 and 8.2	Not Applicable
(n) Insurance	12	7 and 8
(o) Advertising	5 and 8.1	6, 7 and 11
(p) Indemnification	19.4	6
(q) Owner's participation/management/staffing	6.1, 7.4 and 8	11 and 15
(r) Records/reports	4.6 and 4.7	6
(s) Inspection/audits	3.3, 4.8, 4.9, 7, 11.8 and 11.9	6
(t) Transfer	16	6 and 17
(u) Renewal	2.2	6 and 17

Obligation	Section in Franchise Agreement	Item in Disclosure Document
(v) Post-termination obligations	4	17
(w) Non-competition covenants	10.4 and 15	17
(x) Dispute resolution	20 and 21	17
(y) Liquidated damages	14.6	6

ITEM 10 FINANCING

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

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

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

Before you open your Franchised Business, we will:

1. Use our best efforts to assist you in evaluating a suitable location for your Franchised Business and, after you have selected and we have approved the location, designate your exclusive area or territory. The location must meet our criteria for access to highways, lighting, access to water, square footage, size, and other similar factors, including our best business judgment. We may reject any proposed location in our sole discretion (Franchise Agreement – Section 3.1). The lease and development of the facility for your Franchised Business must meet the standards set forth in our Operations Manual.
2. Consult with you regarding the specifications of approved furniture, fixtures, equipment, and signs needed to outfit and furnish your Franchised Business in accordance with our uniform image and standards (Franchise Agreement – Section 3.3).
3. Lend you one copy of the Manual (Franchise Agreement – Section 7.1C).
4. Train you and your designated key employees, the cost of which is included in your initial franchise fee (Franchise Agreement – Section 6.2). This training is described in detail later in this Item.
5. Provide you with our directory of franchisees (Franchise Agreement – Section 7.5).
6. Provide you with information regarding discounts that are available to you on the purchase of foliage plants, preserved, replica, and artificial plants and flowers, and other products from suppliers, where possible. This information is provided to you during the initial training program (Franchise Agreement – Section 7.1E).

7. Provide you with sample leasing contracts. The contracts are provided to you in conjunction with the initial training program and written samples are included in your Manual (Franchise Agreement – Section 7.1F).
8. Following the opening of your Franchised Business, give you the right to attend additional training at a mutually acceptable time and place to you and us. You will pay our then-current per diem (per day) training fee for each of our representatives involved in training and you will reimburse us for all expenses of our representatives including travel, lodging, and meals (Franchise Agreement – Section 6.2).

Site Selection and Opening

We estimate that between 60 and 90 days will elapse from the date of execution of the Franchise Agreement to the opening of your Franchised Business for business. The Franchise Agreement requires that your Franchised Business must be opened for business no later than 90 days after we approve your location for your Franchised Business. You may not open your Franchised Business for business until: (1) you have complied with all requirements regarding site selection of the Franchised Business; (2) we determine that your Franchised Business has been constructed, decorated, furnished, equipped and stocked with materials and supplies in accordance with plans and specifications we have approved; (3) the initial training program we provided has been completed to our satisfaction by all required persons; (4) the initial franchise fee and all other amounts due to us have been paid; (5) you have furnished us with all certificates of insurance required by the Franchise Agreement; (6) you have obtained all required governmental permits, licenses and authorizations necessary for the operation of your Franchised Business; (7) you are in full compliance with all the terms of the Franchise Agreement; and (8) all items in our opening checklist have been complied with to our satisfaction. The factors which we consider in approving your location include the access to highways, lighting, access to water, square footage, size, and other similar factors. We will give you our approval or disapproval of a site within 30 days. If we and you cannot agree on a site, or a site for the Franchised Business has not been located within 90 days after you sign the Franchise Agreement, we may terminate the Franchise Agreement.

During the operation of your Franchised Business, we will:

1. Provide guidance and assistance in the operation of your Franchised Business. Such guidance may be provided in the form of weekly e-mails, phone calls, faxes or written correspondence, periodic field visits and periodic telephone or written communications, and will cover topics such as products or services to be offered to customers; improvements and developments in your Franchised Business; design, installation, and plant health management; sales and marketing; pricing; administrative, bookkeeping, accounting and inventory control procedures; and operating problems encountered by you (Franchise Agreement – Section 7.1B).
2. Issue, modify and supplement standards for the System that may regulate any one or more of the following regarding your Franchised Business: (a) hours of operation, (b) marketing and sale of products and services, (c) instructions on the performance of specific employees' duties, (d) maintenance of equipment, (e) pricing, (f) plant health management, (g) design and installation of products, (h) checklists, (i) records preparation and retention, (j) general rules and regulations for employees, and all other matters that in our sole judgment require

standardization and uniformity in all Franchised Businesses (Franchise Agreement – Section 7.1D).

3. Provide you with periodic training to upgrade your skills, available to you and your employees at a mutually acceptable time and place to you and us. You will pay our then-current per diem (per day) training fee for each of our representatives involved in training and you will reimburse us for all expenses of our representatives including travel, lodging, and meals. You must pay the travel and living expenses and wages for you and your employees (Franchise Agreement – Sections 6.2 and 7.2).
4. Provide you with a source of Florida Grade #1 (or better) live foliage plants, a source of artificial plants and a source of artificial flowers (Franchise Agreement – Section 7.1G).

Advertising Program

You must spend 1% of Gross Revenue on an annual basis for local advertising and promotion in accordance with the Manual. This advertising and promotion must have our prior written approval, and in connection with this approval, we may permit you to use your own advertising material. You must periodically provide us with verification of all expenditures for local advertising, marketing, and promotion within 30 days after we request it. You shall also be required, at your own expense, to join and participate in not less than one business association as described in your Confidential Operations Manual. You shall also be required, at your own expense, to participate in not less than one sales and promotional campaign for which we will provide direction.

You must not engage in any promotional activities or sell the Approved Products and Services or similar products, accessories or services, whether directly or indirectly, through the internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers.

Advertising Cooperatives

There are presently no advertising cooperatives composed of franchisees, but there may be these cooperatives in the future.

Computer Systems and Software

We require you to purchase a computer with high-speed internet access, an operating system that is currently supported by the manufacturer, and a printer. You are required to use current versions of Microsoft Word, Excel, and Powerpoint and a reputable accounting software package. Most of our offices use a version of either QuickBooks, Quicken, or Peachtree. You must use anti-virus protection on your computer. Your software and hardware may be purchased from the vendor of your choice.

There are no specific contractual obligations limiting the frequency or cost of your obligation to acquire upgrades and updates or to replace obsolete or worn-out hardware or

equipment. We reserve the right to develop our own proprietary software and require you to use it in the operation of your Franchised Business.

Currently, we have no independent access to the information and data collected and/or generated by your computer, however we reserve the right to do so in the future. We intend to collect sales-based data from our franchisees on a monthly basis. Annually, we require an independent prepared financial statement as it pertains to Foliage Design Systems operations. We will not independently access a franchisee's computer system except to perform software updates and routine file maintenance, if required.

Operations Manual

Exhibit E contains the Table of Contents of the Confidential Operations Manual, which consists of 1,391 pages.

Training Programs

Before the Franchised Business's opening, we will provide a mandatory training program in the operation of your Franchised Business to you. Up to ten business days of training will be conducted at the mutual convenience of us and you at a place we designate, which is currently in Orlando, Florida (onsite), and at the location of your Franchised Business (offsite). Training onsite, currently in Orlando, Florida, will take place at least 11 days prior to opening your Franchised Business for business, but not before execution of the Franchise Agreement. Training at the location of your Franchised Business (offsite) includes one visit to your Franchised Business by a minimum of one of our personnel. This training at your Franchised Business will take place within 12 months to 18 months of the opening of your Franchised Business, but not before the execution of the Franchise Agreement. Upon our mutual agreement, the exact length of the training course will be determined according to your prior knowledge and experience and your specific needs. The cost of the training program is included in your initial franchise fee and will be provided to you and your designated key employees who accompany you. However, you will be responsible for all costs of travel, food, lodging, wages, and other incidental expenses incurred by you and your employees. (Franchise Agreement - Section 6.2.)

There currently are no fixed (*i.e.*, monthly or bi-monthly) training schedules. The instructional material used during training is our Confidential Operations Manual. The following table describes our initial training schedule:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Company Introduction	1-2	0	Orlando, Florida or at your Franchised Business
Sales & Marketing	15-20	Up to 8	Orlando, Florida or at your Franchised Business

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Holiday Program	2-3	0	Orlando, Florida or at your Franchised Business
Profit Centers and Contracts	3-4	0	Orlando, Florida or at your Franchised Business
Design, Bidding, & Proposal Preparation	3-4	Up to 2	Orlando, Florida or at your Franchised Business
Installations	1-2	Up to 2	Orlando, Florida or at your Franchised Business
Professional Plant Health Management	16-20	Up to 6	Orlando, Florida or at your Franchised Business
Purchasing & Storing Plants, Containers & Misc. Materials	5-6	4-6	Orlando, Florida (Typically with day travel to Florida nurseries that are approved vendors.)
Financial Management & Office Procedures	2-4	0	Orlando, Florida or at your Franchised Business
Totals	48-65	20-24 (approx.)	

Notes:

- 1 The time and/or day that a subject is begun during training may be subject to change. This will not impact the amount of material covered in training. The hours spent in training on any subject can vary according to your prior knowledge and experience and your specific needs.

The following instructors teach our initial training program: David Liu, Lisa Liu, Michael Lewis, and Ann Wiley. Item 2 above discloses the nature of the instructors' experience for David Liu, Lisa Liu, and Michael Lewis. The nature of the instructors' experience of Ann Wiley is as follows:

Ann Wiley, Chief Financial Officer. Ms. Wiley has served as our Chief Financial Officer since July 2008. From July 2005 until July 2008, Ms. Wiley served as our Controller. From December 2001 to December 2005, Ms. Wiley served as an Accountant for us.

The instructor's length of experience in the field and with us is shown in the following chart:

<u>Instructor</u>	<u>Years of Experience in the Field</u>	<u>Years of Experience with the Franchisor</u>
David Liu	43	28
Lisa Liu	35	35
Michael Lewis	44	22
Ann Wiley	29	22

At your request, we will also provide you with additional training programs, refresher courses or "on-the-job" training at a mutually convenient time. You must pay us our then-current per diem fee (which is currently \$500) for each of our representatives conducting such training for each day such training continues. You or your manager shall not be required to attend more than one training program per year not exceeding two days per program. You must also pay all expenses of travel, lodging and meals incurred by our representatives. (Franchise Agreement - Section 6.2.)

ITEM 12 TERRITORY

The Franchise Agreement grants you the right to operate your Franchised Business only at the Approved Location. We recommend your initial location be your home. If, at the time of execution of the Franchise Agreement, a location for your Franchised Business has not been obtained by you and approved by us, you will be given an area in which you may obtain your Approved Location. We will grant you an exclusive territory. Your exclusive territory gives you location exclusivity. We (and any affiliates that we periodically might have) will not establish, nor allow another franchise owner to establish, another Franchised Business located within the geographical boundaries which typically are defined by the county lines. This is based on the population located within these county boundaries ("Exclusive Territory"). The minimum territory will consist of a population of 400,000. You must obtain a location, subject to our approval, as provided in the Franchise Agreement.

You may relocate your Franchised Business to another facility within your Exclusive Territory that meets the requirements specified in our Confidential Operations Manual.

You may only sell products and provide services to customers and prospective customers located within your Exclusive Territory. You may not engage in any promotional activities or sell any products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located outside of your Exclusive Territory; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located outside of your Exclusive Territory. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Exclusive Territory, and will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Exclusive Territory. You may make sales or perform services to customers located outside of your Exclusive Territory only with our written permission and such permission shall not be

unreasonably withheld. If we grant you written permission to sell or perform services to customers located outside of your Exclusive Territory, you agree that if the territory where such customer is located is sold as a Franchised Business, you must relinquish your customer and its business to the Franchisee who purchased that territory. You have no rights of first refusal, or similar rights to acquire additional franchises.

We and our affiliates may sell products under the Proprietary Marks within and outside your Exclusive Territory through any method of distribution other than a dedicated Foliage Design Business, including sales through channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Exclusive Territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any proprietary products or other products offered by a Foliage Design Business calling for delivery or performance in your Exclusive Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this.

We have not established other franchises or company-owned Franchised Businesses or another distribution channel selling or leasing similar products or services under a different trademark.

Except for any other franchise program that we may develop in the future, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Franchised Businesses which provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

We also maintain a corporate account program. Except as provided below in this and the following paragraphs, you may not solicit or service the locations of a Corporate Account (defined below) without our prior written consent. We may condition our consent (although we need not grant our consent) on your agreement to comply with certain requirements, and we may withdraw our consent for any or no reason. If we withdraw our consent to your soliciting and/or servicing one or more Corporate Accounts, you must cease all solicitation and servicing activity for that Corporate Account(s) immediately.

We may provide any services and sell products to any Corporate Account location, wherever operated. But you may, under your Franchise Agreement, offer and sell the products and services that we would provide to the Corporate Account's locations in your Exclusive Territory. In these instances, we first will offer you the opportunity to provide those services and sell the products to the locations of the Corporate Account in your territory on the terms and conditions we have established with the Corporate Account. If you fail to accept the offer in the manner we specify, we may allow others to provide those services and sell the products to the locations of the Corporate Account in your territory. The term "Corporate Account" means any customer that has one or more locations and with whom we have initiated and established the relationship. Nothing in this paragraph is intended to require you to participate in any Corporate

Account program. You are not permitted to negotiate cost with a Corporate Account without our prior consent.

If during the term of the Franchise Agreement, you are unable to promptly and properly serve any of your customers, due to distance of the customer, or excessive work, you must refer that customer to another franchisee in the System.

Continuation of your franchise rights does depend on your achieving specified sales volumes based on our experience with existing Franchisees. We expect you to achieve the sales revenues for each year after your first that are 10% above your previous years' revenues. Upon annual review, if you failed to meet the minimum gross revenue volume, then We will review the average of your preceding four years' sales volume increases/decreases (excluding Year 1) and if this average meets or exceeds the 10% increase requirement, you will not be considered in default of the terms of this Agreement. However, if this average does not meet or exceed the 10% increase requirement, your franchise rights may be subject to revocation.

Except as described above, continuation of your territorial exclusivity does not depend on your achieving a certain market penetration or other contingency, and we may not alter your Territory.

ITEM 13 TRADEMARKS

We grant to you the right to use certain trademarks, service marks and other commercial symbols in connection with the operation of your franchise. You may also use our other current or future trademarks in the operation of your Franchised Business. The following trademarks, service marks, trade names, logotypes, and other commercial symbols ("Proprietary Marks") are registered with the United States Patent and Trademark Office ("USPTO") on the principal register:

Mark	Registration No.	Date
	1,210,993	9/28/82
Foliage Design Systems Nature Indoors ... Nationwide	1,406,256	8/19/86
	3,675,382	9/1/2009

Mark	Registration No.	Date
	3,675,383	9/1/2009

We have filed all required affidavits and renewals.

There are no currently effective determinations of the USPTO, the trademark administrator of this state or any court, nor is there any pending interference, opposition, or cancellation proceeding, nor any pending material litigation involving the Proprietary Marks which may be relevant to their use in this state or in any other state.

There are no agreements currently in effect which limit our right to use or to license others to use the Proprietary Marks.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to act against uses by others that may constitute infringement of the Proprietary Marks. We may defend you against any third-party claim, suit or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be borne by us. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be yours. In the event of any litigation relating to your use of the Proprietary Marks, you must execute all documents and do such acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that this litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these acts.

There are no infringing uses known to us that could materially affect your use of the Proprietary Marks in this state or elsewhere.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it, at our sole discretion. We will have no obligation or liability to you as a result of such substitution, and any out of pocket expenses which you incur shall be your responsibility.

You are not authorized to and may not use the words "Foliage Design Systems" by itself, as a part of a legal name of any corporation, partnership, or proprietorship or other business entity to which you are associated, or with a bank account, trade account, or in any legal or financial connection. You are required to use a legal name for your Franchised Business as follows: "(Name of your corporation or other) d/b/a Foliage Design Systems of (Name of your Exclusive Territory)."

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

There are no patents that are material to the franchise. You do not receive the right to use an item covered by a copyright, but you can use the proprietary and confidential information that is in our Manual. The Manual is described in Item 11 and below. Although we have not filed an application for a copyright registration for the Manual, we claim a copyright and the information in it is proprietary and confidential. You must also promptly tell us when you learn about unauthorized use of this proprietary and confidential information. We are not obligated to take any action, but will respond to this information as we think appropriate.

Confidential Operations Manual

You must operate your Franchised Business according to the standards, methods, policies, and procedures specified in the Manual. One copy of the Manual is loaned to you by us for the term of the Franchise Agreement after you and your designated key employees complete our initial training program to our satisfaction.

You must treat the Manual, any other of our manuals which are used in the operation of your Franchised Business, and the information in them as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise give them to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place on the Premises.

We may revise the contents of the Manual, and you must comply with each new or changed standard. You must make sure that the Manual is always kept current. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Confidential Information

You must not, during the term of the Franchise Agreement or after the term of the Franchise Agreement, communicate, divulge or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business which may be communicated to you or which you may learn because of your operation under the terms of the Franchise Agreement. Confidential information includes, but is not limited to: (a) price lists, pricing formulas and marketing plans and strategies; (b) proprietary computer software functions; (c) customer lists, customer identities, customer contacts and customer preferences (including identities and plans for approaching potential customers); and (d) programs, leasing plans, rates and information; (e) product sources; (f) design and installation and plant health management techniques. You may divulge this confidential information only to those of your employees who have access to and who operate your Franchised Business. Any and all information, knowledge, know-how, techniques and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

You must require your manager and any personnel having access to any of our confidential information to sign agreements that say that they will maintain the confidentiality of information they receive in connection with their employment by you at your Franchised Business. The agreements must be in a form satisfactory to us, including specific identification of us as a third-party beneficiary of the covenants with the independent right to enforce them and that they prohibit any direct or indirect ownership in a competing business (See Schedule 3 to the Franchise Agreement).

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

During the term of the Franchise Agreement, and at our discretion, you must attend and complete our initial training program, and either you (or, if you are a corporation or partnership, a principal or general partner of the corporation or partnership) or your fully trained manager must devote full time and best efforts to the management and operation of the Franchised Business. The Franchised Business must have on-premises supervision of a manager who has satisfactorily completed our training program. You must also maintain a competent, conscientious, trained staff, including a fully trained manager (which may be you). If you are an individual, we recommend that you be the fully trained manager described above. We impose no limitations as to who you may hire as the manager, except that you must comply with all applicable laws and that you must not harm the goodwill associated with the System and the Proprietary Marks (this requirement may affect who you hire as your manager).

We have the right to approve the manager after training. The manager will not be required to have an equity interest in your business. The manager will be required to attend and complete our training program, as described in Item 11. The manager and other key employees will also be required to enter into an agreement not to compete with businesses under the System while employed by you and for two years thereafter, and an agreement not to reveal confidential information obtained while employed by you, a form of which is attached as Schedule 3 to the Franchise Agreement.

You must operate the Franchised Business in strict conformity with all applicable Federal, state, and local laws, ordinances, and regulations. Such laws, ordinances and regulations vary from jurisdiction to jurisdiction and may be implemented or interpreted in a different manner from time to time. It is your sole responsibility to learn of the existence and requirements of all laws, ordinances, and regulations applicable to the Franchised Business and to adhere to them and to the then-current implementation or interpretation of them.

If you are an entity, the owners of the entity must sign a guaranty and assumption of obligations. See Schedule 2 to the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Franchised Business solely for the operation of the Franchised Business. You must keep your Franchised Business open and in normal operation for the minimum hours and days as we specify. You must not use or permit the use of the Franchised Business for any other purpose or activity at any time without first obtaining our written consent. You must operate the Franchised Business in strict conformity with the methods, standards, and specifications we may require in the Manual or in writing. You must not change the standards, specifications, and procedures without our prior written consent.

You must sell or offer for sale only those products and those services that we have approved for sale in writing; you must sell or offer for sale all types of products and services specified by us; you should not change our standards and specifications without our prior written consent; and you must stop selling and offering for sale any services or products which we may, in our discretion, disapprove in writing at any time. We have the right to change the types of authorized goods and services and there are no limits on our right to make changes.

The System may be supplemented, improved, or modified from time to time by us. You must comply with all of our reasonable requirements in that regard, including offering and selling new or different products or services as specified by us.

You are restricted by the Franchise Agreement, the Manual and any other practice or custom with respect to the goods or services which you may offer, which must be approved by us. You are not restricted as to the customers whom you may solicit or service, except that we do not permit soliciting business outside of your Exclusive Territory without our written permission.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer, and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision		Section in franchise or other agreement	Summary
a.	Length of the franchise term	Section 2.1	10 years
b.	Renewal or extension of the term	Section 2.2	Two renewal terms of 5 years each, subject to performance of contractual requirements

Provision	Section in franchise or other agreement	Summary
c. Requirements for you to renew or extend	Section 2.2	Notice, compliance with Franchise Agreement, execute new Franchise Agreement, sign release, pay renewal fee You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees
d. Termination by you	None	You may seek to terminate your Franchise Agreement on any ground permitted by law or by selling the franchise
e. Termination by us without cause	None	
f. Termination by us with cause	Section 13	Breach of Franchise Agreement and other grounds
g. "Cause" defined – curable defaults	Section 13.2	Breach of Franchise Agreement and other grounds, such as failure to pay royalties, advertising, submitting false reports, breach of lease or sublease
h. "Cause" defined – non-curable defaults	Section 13.1	Failure to open business; abandon business for 10 days or more; material misrepresentation, insolvency, commit a felony, unauthorized transfer, disclosure of confidential information, fail to comply with laws, 3 or more customer complaints in a 12-month period, assignment for the benefit of creditors or lease termination, substantial non-compliance with Agreement or Manual
i. Your obligations on termination/non-renewal	Section 14; 15.2	Obligations include complete de-identification; payment of amounts due; non-compete

Provision		Section in franchise or other agreement	Summary
j.	Assignment of contract by us	Section 16.1	No restriction on right to transfer
k.	"Transfer" by you - definition	Section 16.2	Transfer all or substantially all of the assets of your business
l.	Our approval of transfer by you	Section 16.2	We have the right to approve transfers
m.	Conditions for our approval of transfer	Section 16.2	Includes payment of money owed; non-default; execution of new agreement; execution of release; transferee qualifications, and payment of the transfer fee
n.	Our right of first refusal to acquire your business	Section 16.6	We can match any offer
o.	Our option to purchase your business	Section 14.7	Upon expiration or termination, we can buy certain assets
p.	Your death or disability	Section 16.7, 16.8	Franchise must be assigned to approved buyer within 12 months of death or disability
q.	Non-competition covenants during the term of the franchise	Section 15.1	Can not offer similar services in the United States during the term of the Franchise Agreement
r.	Non-competition covenants after the franchise is terminated or expires	Section 15.2	Can not offer similar services for two years within 60 miles of your territory or any unit in the System
s.	Modification of the agreement	Section 21.1	Must be in writing by both parties
t.	Integration/merger clause	Section 21.1	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable
u.	Dispute resolution by arbitration or mediation	Section 20.9	You must mediate claims against us before filing suit.
v.	Choice of forum	Section 20.2	Florida law applies (except as modified by applicable state law)
w.	Choice of law	Section 20.1	Litigation must be in Florida (except as modified by applicable 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.

Here we set forth a historical Financial Performance Representation ("FPR") of the Average Gross Revenues for the top 1/3, middle 1/3, and bottom 1/3 of the principals in the fiscal years ending October 31, 2021 and 2022.

For 2021, we had a total of 15 franchisees who operated 20 franchised outlets at the end of October 31, 2021. 12 of our franchisees operated 1 outlet in a single state. 3 of our Franchisees operated outlets (8 outlets total) in multiple states and the overall territory may be substantially larger than the territory of a franchisee who operates in a single state. We report the results for these outlets by franchisee consistent with how those franchisees keep their records and books. We have excluded one franchisee's revenues below that has been in operation since 1977 because due to its length of operation it outperforms the other outlets, and its inclusion would skew the data of the remaining franchisees.

For 2022, we had a total of 14 franchisees at the end of October 31, 2022, that operated 19 franchised outlets. 11 of our owners operated 1 outlet in a single state. 3 of our owners operated outlets (8 outlets total) in multiple states and the overall territory may be substantially larger than the territory of a franchisee who operates in a single state. We report the results for these outlets by franchisee consistent with how those franchisees keep their records and books. We have excluded one franchisee's revenues below that has been in operation since 1977 because due to its length of operation it outperforms the other outlets, and its inclusion would skew the data of the remaining franchisees.

2021 Financial Performance Representation

	Average Gross Revenues and Median for each Average 2021	Number of Franchisees overall who attained or surpassed the stated Average Gross Revenues	Percentage of Franchisees overall who attained or surpassed the stated Average Gross Revenues
TOP 1/3 FRANCHISEES' AVERAGE GROSS REVENUES	\$712,367.21 with a Median of \$553,450	2	14%

	(Note 1)		
MIDDLE 1/3 FRANCHISEES' AVERAGE GROSS REVENUES	\$334,432.77 with a Median of \$310,823 (Note 2)	7	50%
BOTTOM 1/3 FRANCHISEES' AVERAGE GROSS REVENUES	\$119,454.56 with a Median of \$110,606 (Note 3)	12	86%

Note 1: The highest Gross Revenue in the top 1/3 of franchisees was \$1,275,569 and the lowest was \$445,974.

Note 2: The highest Gross Revenue in the middle 1/3 of franchisees was \$445,596 and the lowest was \$265,737.

Note 3: The highest Gross Revenue in the bottom 1/3 of franchisees was \$175,470 and the lowest was \$81,137.

2022 Financial Performance Representation

	Average Gross Revenues and Median for each Average 2022	Number of Franchisees overall who attained or surpassed the stated Average Gross Revenues	Percentage of Franchisees overall who attained or surpassed the stated Average Gross Revenues
TOP 1/3 FRANCHISEES' AVERAGE GROSS REVENUES	\$897,109.41 with a Median of \$791,912 (Note 1)	2	15%
MIDDLE 1/3 FRANCHISEES' AVERAGE GROSS REVENUES	\$463,097.71 with a Median of \$508,439 (Note 2)	8	62%
BOTTOM 1/3 FRANCHISEES' AVERAGE GROSS REVENUES	\$95,539.42 with a Median of \$92,484 (Note 3)	11	85%

Note 1: The highest Gross Revenue in the top 1/3 of franchisees was \$1,347,672 and the lowest was \$598,949.

Note 2: The highest Gross Revenue in the middle 1/3 of franchisees was \$593,506 and the lowest was \$262,626.

Note 3: The highest Gross Revenue in the bottom 1/3 of franchisees was \$182,387 and the lowest was \$14,803.

The Average Gross Revenues do not reflect the costs of sales, operating expenses, royalties, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

We have not audited or reviewed the franchisees' financial records in compiling this information, and there are no assurances that generally accepted accounting principles were used by the franchisees.

Written substantiation for this financial performance representation is available to you upon reasonable request.

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

Other than the preceding financial performance representation, we do not make any financial performance 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 Lisa Liu at 7048 Narcoossee Road, Orlando, Florida 32822, (800) 933-7351, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

System-wide Outlet Summary
For fiscal years ending October 31, 2020 to October 31, 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	25	22	-3
	2021	22	20	-2
	2022	20	19	-1
Company-Owned	2020	3	3	0
	2021	3	3	0
	2022	3	3	0
Total Outlets	2020	28	25	-3
	2021	25	23	-2
	2022	23	22	-1

TABLE NO. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For fiscal years ending October 31, 2020 to October 31, 2022

State	Year	Number of Transfers
Alabama	2020	1
	2021	0
	2022	0
North Carolina	2020	0
	2021	1
	2022	0
South Carolina	2020	0
	2021	1
	2022	0
Total	2020	1
	2021	2
	2022	0

TABLE NO. 3

Status of Franchised Outlets
For fiscal years ending October 31, 2020 to October 31, 2022

State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
AL	2020*	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
CO	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
DE	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1***
FL	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
IL	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MD	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1***
MI	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MS	2020**	3	0	0	0	0	1	2
	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
NC	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	1	0	0	1***
NJ	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2***
NY	2020	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1***
PA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1***
SC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1***
TN	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
TX	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
VA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Total	2020	25	0	0	0	0	3	22
	2021	22	0	0	0	0	2	20
	2022	20	0	0	1	0	0	19

*Alabama – two territories combined into one

**Mississippi – two Mississippi outlets combined into one.

***One franchisee operates an outlet in Delaware, Maryland, Pennsylvania, and New Jersey.

One franchisee operates an outlet in New York and New Jersey.

One franchisee operates an outlet in North Carolina and South Carolina.

TABLE NO. 4

**Status of Company-Owned Outlets
For fiscal years ending October 31, 2020 to October 31, 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Florida	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Georgia	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Total	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3

TABLE NO. 5

Projected Openings as of October 31, 2022

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
North Carolina	0	1	0
TOTALS	0	1	0

Exhibit C contains a list of the names of all current franchisees and the addresses and telephone numbers of each of their outlets as of our last fiscal year ending October 31, 2022.

Exhibit D contains a list of the name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance 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, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

**ITEM 21
FINANCIAL STATEMENTS**

Exhibit F contains our audited financial statements for our fiscal years ended October 31, 2022, 2021 and 2020.

ITEM 22
CONTRACTS

Exhibit B- Franchise Agreement

- Schedule 1- Location of Franchised Business
- Schedule 2- Guaranty and Assumption of Obligations
- Schedule 3- Confidentiality, Non-Disclosure, and Non-Compete Agreement
- Schedule 4- Franchisee Disclosure Acknowledgment Statement
- Schedule 5- [Reserved]
- Schedule 6- SBA Addendum

Exhibit H- General Release

ITEM 23
RECEIPTS

Exhibit J contains two copies of an acknowledgment of your receipt of this Disclosure Document. Please return one signed copy to us and retain the other for your records.

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**EXHIBIT A TO THE DISCLOSURE DOCUMENT
STATE REGULATORY AUTHORITIES
AND REGISTERED AGENTS**

State	State Administrator	Agent for Service of Process
California	The Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Blvd. Sacramento, CA 95834 1-866-275-2677 1455 Frazee Rd, Suite 315 San Diego, CA 92108 One Sansome St, Suite 600 San Francisco, CA 94104 (866) 275-2677	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	

Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 335-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1526 K Street, Suite 300 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9500	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 13193 Austin, TX 78711 (512) 475-0775	

Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 th Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Washington State Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608)-266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

EXHIBIT B TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT WITH EXHIBITS

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY
FRANCHISE AGREEMENT

Franchisee (you)

Date

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SCHEDULES:

Schedule 1- Location of Franchised Business

Schedule 2- Guaranty and Assumption of Obligations

Schedule 3- Confidentiality, Non-Disclosure, and Non-Compete Agreement

Schedule 4- Franchisee Disclosure Acknowledgment Statement

Schedule 5- [Reserved]

Schedule 6- SBA Addendum

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into on this ____ day of _____, 20____, between **FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY**, a Florida corporation, having its principal place of business located at 7048 Narcoossee Road, Orlando, Florida 32822 (hereinafter referred to as "We", "Us" or "Our") and _____ (hereinafter referred to as "You" or "Your").

WHEREAS, We have developed a system of uniform standards, methods, procedures, specifications, merchandising and advertising (hereinafter referred to as the "System") for the operation of interior landscaping businesses (hereinafter referred to as "Franchised Business") selling, leasing and maintaining interior foliage plants and related products and services to clients which are primarily other businesses. These products include, but are not limited to, live interior foliage plants, decorative planters, artificial and preserved foliage, seasonal/holiday décor items, colorful blooming plants and flowers, and exterior containerized plant material, as are approved from time to time by Us ("Approved Products and Services"), all under the trade name, trademark and service mark of "**Foliage Design Systems**" (collectively, the "Proprietary Marks"); and

WHEREAS, You wish to obtain the right and license from Us for the use of Our System and Proprietary Marks, and in association therewith to own and operate a Franchised Business located at _____ (hereinafter referred to as the "Facility"), and understand and accept the terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain Our high and uniform standards of quality and service in order to protect the goodwill and enhance the public image of the System and the Proprietary Marks; and

WHEREAS, We have the sole and exclusive right to the goodwill associated with the System and the Proprietary Marks and are willing to grant the right and license to You on the terms and conditions herein contained to use the System and the Proprietary Marks;

WHEREAS, You desire to obtain a franchise to use the System and the Proprietary Marks at the location described in Schedule 1, pursuant to the provisions hereof and You've had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Franchise Agreement by counsel of Your own choice and You represent and warrant that you have the business experience and financial ability to operate a Franchised Business.

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

1. GRANT OF FRANCHISE

1.1 Grant.

Subject to the terms, conditions and limitations elsewhere in this Agreement, We grant You a non-transferable right and license to use the System, the Proprietary Marks and to market, sell and provide the Approved Products and Services in accordance with the System in Exclusive Territory. The Approved Products are the only products and services authorized to be offered and sold by You.

1.2 Location.

The right and license granted in Section 1.1 shall be restricted solely and exclusively to use within the Territory, however, We (and any affiliates that We might have from time to time) will not establish, nor allow another franchise owner to establish, another Franchised Business, the

physical Facility of which are located within the county(ies) of _____ (“Exclusive Territory”).

During the term of this Agreement, the Facility shall be used for the purpose permitted by this Agreement. In the event that, prior to the termination of the franchise hereunder, the lease or sublease should expire or terminate without Your fault, or if the Facility should be destroyed or otherwise rendered unusable for the purposes hereof, or You otherwise lose possession thereof without fault on Your part, You shall be entitled to relocate the Franchised Business to another Facility within Your Exclusive Territory that meets the requirements specified in Our Confidential Operations Manual.

1.3 Non-Exclusivity.

Except as set forth above, the franchise and licenses granted to You by this Agreement are non-exclusive and We shall have, at all times throughout the term of this Agreement and any renewals hereof, and at all places, the unqualified right to open and operate, or to franchise and license others to open and operate, businesses utilizing the System anywhere, except within Your Exclusive Territory.

1.4 Limitations on Sale of the Approved Products and Services.

This license does not include any right to sell any product for resale or the right to sell any product or provide any service outside of Your Exclusive Territory. You have the right to place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within the Exclusive Territory. You may make sales or perform services to customers located outside of the Exclusive Territory only with Our written permission, and such permission will not be unreasonably withheld. In the event We grant You written permission to sell or perform services of the Franchised Business to customers located outside Your Exclusive Territory, You agree that if the territory where such customer is located is sold subsequently as a Franchised Business, you must relinquish that customer and its business to the Franchisee who purchased that territory.

1.5 Rights Reserved to Us.

We reserve the right to establish or operate, or license any other franchisee to establish or operate, a Franchised Business under the System at any location outside of the Exclusive Territory. We (and any affiliates that We periodically might have) reserve the right:

- (a) to establish and operate, and grant rights to other franchise owners to establish and operate, Franchised Businesses or similar businesses at any locations outside the Exclusive Territory and on any terms and conditions We deem appropriate;
- (b) to sell any interiorscape products and services, including, but not limited to, the Approved Products and Services, and any products or services identical or similar to, or dissimilar from, those You sell, whether identified by the Proprietary Marks or other trademarks or service marks through any distribution channels We think best (including mail order and the Internet), wherever located or operating (excluding within the Exclusive Territory);
- (c) to sell any interiorscape products and services, including, but not limited to, the Approved Products and Services, through any distribution channels We think best (including, but not limited to, mail order and the Internet), wherever located or operating (excluding within the Exclusive Territory);

- (d) to be acquired (regardless of the form of transaction) by a business identical or similar to “**Foliage Design Systems**,” even if the other business operates, franchises and/or licenses competitive businesses within the Exclusive Territory; and
- (e) to engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Exclusive Territory.

1.6 **Corporate Account.**

Except as provided below, and subject to other policies and procedures set forth in Our Confidential Operations Manual, You may not solicit or service the locations of a Corporate Account (as defined below) without Our prior written consent, which consent will not be unreasonably withheld, conditioned or delayed. If We withdraw Our consent to Your soliciting and/or servicing one (1) or more Corporate Accounts, You must cease all solicitation and servicing activity with respect to that Corporate Account(s) immediately.

- 1.6.1 We retain the right under all circumstances to provide any services and sell the Approved Products and Services to any Corporate Account location, wherever operated, provided, however, that where You have exclusive authority under this Agreement to offer and sell through Your Franchised Business the products and services that We would like to provide to the Corporate Account’s locations, We first will offer You the opportunity to provide those services and sell the Approved Products and Services to the locations of the Corporate Account on the terms and conditions that We have established with the Corporate Account. If You fail to accept the offer in the manner We specify, We have the right, or may authorize other franchisees or third parties, to provide those services and to sell the Approved Products and Services to the locations of the Corporate Account without violating the Exclusive Territory. The term “Corporate Account” means any customer that has one (1) or more locations and with whom We initiated and established the relationship. Nothing in this paragraph is intended to require You to participate in any Corporate Account program. You are not permitted to negotiate cost of the Approved Products and Services with a Corporate Account without Our prior consent.

1.7 **Failure to Meet Predetermined Minimum Gross Sales Revenue of Approved Products and Services.**

In the event You fail to achieve the agreed upon Minimum Gross Sales Revenue of Approved Products and Services as set forth below, You, may lose Your Exclusive Territory and We shall maintain the right to re-franchise that Exclusive Territory or any part thereof to any person or persons, following ten (10) days’ written notice from Us.

MINIMUM GROSS REVENUE

(Same for all Market Classes)

Year 1	No Minimum
Years 2-10	10% increase over previous calendar year Gross Revenue

A gross revenue review is conducted upon the completion of each calendar year. (Review expected to take place after due date for your December sales figures (January 10th) but no later than during the month of February of each year.)

Upon annual review, if You failed to meet the minimum gross sales revenue, then We will review the average of Your preceding four years’ sales volume increases/decreases (excluding Year 1) and if this average meets or exceeds the 10% increase requirement, You will not be considered in default of the terms of this Agreement. However, if this average does not meet or exceed the

10% increase requirement, you may be in default and this Agreement may be subject to revocation.

2. TERM

2.1 **Initial Term.**

This Agreement, unless terminated earlier as hereinafter provided, shall remain in force for an initial term of ten (10) years commencing on the date of this Agreement ("Initial Term").

2.2 **Renewal.**

Subject to the provisions of this Section, You shall have an option (exercisable only by written notice delivered to Us less than nine (9) months, but more than six (6) months, prior to the end of the Initial Term of this Agreement) to renew the franchise hereunder for two (2) additional periods of five (5) years, if:

- (a) You have been, throughout the Initial Term of this Agreement, in substantial compliance, and at the expiration of such Initial Term are in full compliance, with this Agreement and all other agreements between You and Us or companies associated or affiliated with Us;
- (b) You enter into Our then-current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used by Us in the granting of **Foliage Design Systems** franchises (all of which will contain terms substantially the same as those herein contained, except with respect to fees to be paid to Us, which fees shall be the same as those Franchise Agreements being executed at the time of renewal, but which will not obligate You to pay a further initial franchise fee), provided that if, at Our sole option, the requirement to enter into Our then-current Franchise Agreement is waived by written notice from Us, the terms hereof (except the option to renew) shall remain in force for the renewal term;
- (c) We, at our sole discretion, may enter into a Bridge Agreement with you to permit you to operate the business under your original Franchise Agreement and allow sufficient time to negotiate the terms of our then-current Franchise Agreement.
- (d) at the time the renewal option is exercised and at the time such renewal commences, all monetary obligations to Us and any affiliate of Ours must be current and must have been current at all times during the preceding twelve (12) months;
- (e) You execute a general release running in favor of Us, Our officers, directors, and shareholders releasing all claims against Us, Our officers, directors and shareholders; and
- (f) You pay Us a renewal fee equal to the professional fees and costs incurred by Us in processing Your renewal.

2.3 **Failure to Renew.**

For the purposes hereof, You shall be deemed to have irrevocably elected not to renew the franchise hereunder (and the option to do so shall thereupon terminate) if You fail to execute and return to Us Our then-standard Franchise Agreement and other ancillary documents required by Us for a renewal within thirty (30) days after We have delivered them to You at any time during the last twelve (12) months of the Initial Term of this Agreement.

3. FRANCHISED BUSINESS FACILITY

3.1 Location of Franchised Business.

You may initially operate Your Franchised Business from Your home which shall be accepted by Us. If you subsequently desire to move to a more permanent location, We will use Our best efforts to assist You in evaluating a suitable location. Upon Our acceptance and approval of a location, We and You shall execute a Location Acceptance Statement. You acknowledge that the acceptance and approval by Us of any location shall not in any way be deemed to be a guarantee, warranty, or any other assurance (express or implied) of the success of Your business at such location. You shall open the Franchised Business for business no later than ninety (90) days after the date Your location is approved by Us. In the event a mutually agreeable site for the Franchised Business has not been located within ninety (90) days after execution of this Agreement by Us, We shall have the right, but not the obligation, to terminate this Agreement.

3.2 Lease and Development of Facility.

The lease and development of the facility(s) for your Franchised Business shall comply with the standards set forth in the Confidential Operations Manual.

3.3 Equipment, Furniture, Furnishings and Signs.

You shall install in and about the Franchised Business such equipment, including computer-related equipment and computer software, fixtures, furnishings, furniture, interior and exterior signs, and other personal property as are required and which strictly conform to the appearance, uniform standards, and specifications set forth in the Confidential Operations Manual and in accordance with Our image and standards. We shall have the right to inspect all Equipment and Furnishings and their installation to assure Your compliance with Our standards and specifications.

4. FEES AND REPORTING

4.1 Initial Franchise Fee.

In consideration of the grant of this license, You shall pay to Us by cashier's or certified check the balance of the non-recurring and non-refundable initial franchise fee for the franchise hereunder in the amount of _____ (_____) Dollars, payable upon execution of this Agreement. We do not require the payment of a Franchise Fee upon the renewal of this Franchise Agreement. The initial franchise fee shall be deemed to have been fully earned by Us upon execution of this Agreement.

4.2 Royalty Fee.

In further consideration of the grant of this license, You shall pay to Us monthly (the "Period") on or before the thirtieth (30th) day of the month following the previous month's end during the term of the Agreement a non-refundable royalty fee ("Royalty Fee") equal to Six Percent (6%) of Your Gross Revenue for such Period. All Royalty and other fees payable hereunder shall be made via check or electronic funds transfer, in a method determined by Us, in Our sole discretion.

4.2.1 You shall sign and deliver to Us any documents required to authorize You to electronically transfer Your Royalty Fees and other amounts due to Us under this Agreement to Our designated account.

4.2.2 If You fail to report the Franchised Business's Gross Revenue, We may assess the late payments defined in Section 4.4 hereof and you may be in default of the terms of the Agreement.

4.3 Definition of Gross Revenue.

For purposes of this Agreement, the term "Gross Revenue" includes the total during any month of all sales of every kind and nature received by You and realized from the Franchised Business. Gross Revenue shall not include (i) sales taxes or other taxes measured on the basis of the Gross Revenue of the business imposed by governmental authorities directly on sales and collected from customers, provided the taxes are added to the selling price and are in fact paid by You to the appropriate governmental authorities; and (ii) sales for which refunds have been made to customers to the extent that such sales have been previously included in Gross Revenue for which a Royalty Fee was paid.

You shall report the daily Gross Revenue to Us at the time of payment of the Royalty Fee on such form and in such detail as may be prescribed from time to time by Us, and at the same time You shall deliver to Us copies of all customer product and service order forms in such form and such detail as We may from time to time require.

4.4 Late Payments.

To encourage prompt and timely payment of the Royalty Fees and required financial reports and information and to cover the costs and expenses involved in handling and processing any payments not received by their due dates, You shall also pay, upon demand, a late payment charge to offset the additional costs incurred by Us to handle delinquent and late accounts in an amount equal to Thirty-five dollars (\$35) per occurrence plus interest on the balance owed at the rate equal to the greater of: (i) one and one-half percent (1.5%) per month; or (ii) the highest rate permitted by law. Such charge shall accrue from the date payment was due until the date payment is received by Us.

4.5 Application of Payments.

We shall have sole discretion to apply any payments received from You to any past due indebtedness of You for the Royalty Fees, purchases made from Us or Our affiliates, late payment charges or any other indebtedness of You to Us or Our affiliates.

4.6 Bookkeeping, Accounting and Records.

You shall use a bookkeeping, accounting, inventory control, and record-keeping system complying with the standards set forth in the Confidential Operations Manual.

4.7 Reports and Tax Returns.

You shall furnish to Us throughout the term of this Agreement in the form from time to time prescribed by Us:

- (a) on the tenth (10th) day of each month, a facsimile report of Gross Revenue for the preceding month (including such information as may be required by Us) verified by You on forms to be supplied or approved by Us;
- (b) within thirty (30) days after the documents referred to in Section 4.8 hereof are filed, an exact copy of all returns, schedules and reports filed by You for income, corporate or sales tax purposes;
- (c) within sixty (60) days after the end of each of Your fiscal years, an unaudited balance sheet, statement of profit and loss and source and application of funds from the beginning of that fiscal year, prepared by an certified public accountant and verified by Your statutory declaration as to the information furnished to such accountant; and a current customer list (including account dollar value) from the end of Your latest fiscal year on such forms as We may specify; and

- (d) such other reports, statements, sales slips, forms, records, calculations, and indices as We may, from time to time, require.

4.8 Audit.

We shall have the right at all reasonable times to examine, at our expense, your books, records, and tax returns. If we conduct an audit and it reveals you understated the gross monthly revenue by two percent (2%) or more, then you shall reimburse us for all audit costs, including without limitation, the charges, travel expenses, room, board, and compensation of our employees and independent accountants incurred in connection with the audit. You also shall immediately pay all royalty fees, and late payment charges the audit determines you owe. The obligation imposed upon you for failure to report gross monthly revenues in their entirety shall be in addition and not in lieu of any of our rights and remedies as elsewhere provided in this Agreement or as provided by law.

In addition, in accordance with Section 8(c) of the Disclosure Document, we retain the right to require all approved suppliers to submit periodic reports to us as to quantities purchase, aging of accounts and other such required information. "Approved Suppliers" are defined as those suppliers which have been approved by us to provide goods and services to all Franchisees of Foliage Design Systems.

4.9 Inspection.

We or our authorized agents or representatives will make inspections of your operation. They shall have the right to enter and inspect the premises and examine and test products and suppliers for the purpose of ascertaining that you are operating the franchised business in accordance with the terms of this Agreement and standards referenced in the Confidential Operations Manual. Inspections shall be conducted during normal business hours and without notice to you. We shall notify you of any deficiencies detected, and you shall diligently correct any such deficiency within thirty (30) days after receipt of our notice to you. Upon notification of a deficiency, you shall immediately cease, desist, and refrain from the further use or practice thereof and immediately take whatever steps are necessary to conform to our standards and requirements. Furthermore, we reserve the right to confiscate any goods or materials which we in our reasonable judgment, deems to be either illegal or in violation of this Agreement.

4.10 Sales, Excise or Gross Receipts Tax.

If required by the federal government, state or locality in which your Franchised Business is located, the initial franchise fee, royalty, training, development fee, national marketing fee, and possibly other services, products or fees may be subject to sales, excise, gross receipts or similar type tax, which you must pay to us at the same time and in the same manner as you pay these fees to us.

5. ADVERTISING AND MARKETING

5.1 Advertising Material and Signs.

You shall contribute and participate in marketing and advertising as set forth below:

- 5.1.1 You agree to follow our recommendations with respect to the kinds and types of advertising and the media used and shall not spend any amounts for or use any kind of advertising and promotion other than that prepared or recommended by us without first obtaining our written consent. All advertising and promotional material shall be submitted to us within a reasonable time for overview and recommendations on future advertising and promotional material. You shall pay the reasonable cost of all materials

supplied by us for advertising and promotion purposes, including the pro rata share of cost of creative work, printing, engraving and films.

5.1.2 You must use signs approved by us.

5.1.3 You must adhere to our grand opening promotional advice including purchasing, receiving, and using print material provide by us as part of the "Grand Opening Marketing Plan."

5.1.4 The term "Advertising and Promotional Material" as used in this Section shall not include printing materials with our logos and trademarks thereon.

5.2 Regional Marketing Fund.

We reserve the right to establish a local/regional marketing fund in your area. The purpose of such a fund would be to pool advertising dollars for local or regional advertising program such as radio, television, or phone books. Each local fund may differ slightly from each market in terms of fee paid and advertising mission. The bylaws or operating agreements governing each individual regional fund will be established and approved by a majority vote of the Franchised Business affected. Each Franchised Business will represent one vote.

5.3 Additional Local Advertising & Marketing.

Subject to Our prior written approval, You shall, at Your expense, conduct additional advertising in Your local area, and We may, from time to time, offer You approved local marketing plans and materials including, without limitation, newspaper mats, radio commercial tapes, television commercial prints or tapes, sales aids and other promotional and marketing materials, on the same terms and conditions as We are then offering to Our other Franchised Business franchisees. Prior to their use by You, samples of all local marketing materials not prepared or previously approved by Us shall be submitted to Us for written approval, which approval shall not be unreasonably withheld. Notwithstanding the generality of the foregoing, You shall spend a minimum amount equal to one (1%) percent of the Gross Revenue per year for local advertising in Your marketing area. Upon request from Us, You shall provide Us with verification of all expenditures for local advertising within thirty (30) days of such request; and

You shall, at Your expense, have a membership and participate in not less than one business association (from among those described in the Confidential Operations Manual) in Your Exclusive Territory; and

5.4 Website.

You shall not maintain a World Wide Website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Franchised Business without Our prior written approval, which We may withhold for any reason or no reason. You agree to submit to Us for approval before use, true and correct printouts of all Website pages You propose to use in Your Website in connection with the Franchised Business. You understand and agree that Our right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with Our Proprietary Marks. You may only use material which We have approved. Your Website shall conform to all Our Website requirements, whether set forth in the Confidential Operations Manual or otherwise. You agree to provide all hyperlinks or other links that We require including but not limited to a link from Your Website to Our corporate Website. If We grant approval for a Website, You may not use any of the Proprietary Marks at the site except as We expressly permit. You may not post any of Our proprietary, confidential, or copyrighted material or information on Your Website without Our prior written consent. If You wish to modify the approved site, all proposed modifications must also receive Our prior written approval. You explicitly understand that You may not post on Your Website any material which any third party has any direct or indirect ownership interest in (including, without limitation, video clips, photographs, sound bites, copyrighted text, trademarks

or service marks, or any other text or image which any third party may claim intellectual property ownership interests in) unless You have received Our written permission and such permission shall not be unreasonably withheld. You agree to list on Your Website any Website maintained by Us, and any other information We require in the manner We dictate. You agree to obtain Our prior written approval for any internet domain name and/or home page address. The requirement for Our prior written approval set forth in this Section will apply to all activities on the Internet or other communications network to be conducted by You, except that You may maintain one or more E-mail addresses and may conduct individual E-mail communication without Our prior approval as provided above if You propose to send advertising to multiple addresses via E-mail.

6. TRAINING & TECHNICAL ASSISTANCE

6.1 Managerial Responsibility.

It is agreed that at all times during the term of this Agreement, either You or a fully trained Manager, certified by Us (the "Manager(s)"), shall:

- (a) devote full time, attention and effort to the active management and operation of the business of the Franchised Business;
- (b) irrespective of any delegation of authority, not inconsistent with clause (a), reserve and exercise ultimate authority and responsibility with respect to the management and operation of the business of the Franchised Business; and
- (c) represent and act on Your behalf in all dealings with Us.

If two (2) or more individuals are named in this Section, each of them shall fulfill the requirements of clause (a) and both or all of them shall jointly fulfill the requirements of clauses (b) and (c).

6.2 Initial Training Program.

Before the Franchised Business's opening, we will provide a mandatory training program in the operation of your Franchised Business to you. Up to ten business days of training will be conducted at the mutual convenience of us and you at a place we designate, which is currently in Orlando, Florida (onsite), and at the location of your Franchised Business (offsite). Training onsite, currently in Orlando, Florida, will take place at least 11 days prior to opening your Franchised Business for business, but not before execution of the Franchise Agreement. Training at the location of your Franchised Business (offsite) includes one visit to your Franchised Business by a minimum of one of our personnel. This training at your Franchised Business will take place within 12 months to 18 months of the opening of your Franchised Business, but not before the execution of the Franchise Agreement. Upon our mutual agreement, the exact length of the training course will be determined according to your prior knowledge and experience and your specific needs.

The cost of the training program is included in your initial franchise fee and will be provided to you and your designated key employees who accompany you. However, you will be responsible for all costs of travel, food, lodging, wages, and other incidental expenses incurred by you and your employees.

If We determine that You or one (1) or more of Your employees cannot or has not completed the training program to Our satisfaction (after giving You the opportunity to designate a replacement Manager), We may terminate this Agreement pursuant to Section 13.1 hereof. We may, in Our reasonable discretion, provide additional or refresher training programs at a time and place mutually acceptable to You and Us. You must pay to Us Our then-current per diem training fee for

each of Our representatives involved in said additional or refresher training, in addition to reimbursing Us for all expenses of said representatives, including travel, lodging and meals.

6.3 Hiring and Training of Employees by You.

You shall hire and train, at Your expense, except as may be set forth in Section 6.2, all employees of the Franchised Business, and shall be exclusively responsible for the terms of their employment and compensation. You shall at all times maintain a sufficient number of trained employees to service Your customers, but at least the minimum number specified by Us.

We may require You (or Your Manager(s)) and/or previously trained and experienced managers to attend training courses that We periodically choose to provide at the times and locations We designate; however, You are not required to attend more than two training courses per year. We may charge reasonable attendance fees for these courses. You are also responsible for all travel and living expenses incurred in attending Our training courses.

6.4 Operating Assistance.

We shall make available to You such operating assistance and training on a continuing basis as We consider appropriate and which may consist of advice and guidance with respect to:

- (a) methods and procedures for the purchase, storage, display, design, installation, care, maintenance, and sale of the Approved Products and Services;
- (b) such additional services and products as We may approve, from time to time, to be used or offered for sale by franchisees;
- (c) the purchase, operation, maintenance and use of displays, uniforms, materials and supplies;
- (d) formulating and implementing advertising and promotional programs using such merchandising, marketing and advertising research data and advice as may, from time to time, be developed by Us and deemed by Us to be helpful in the operation of the Franchised Business;
- (e) the establishment and implementation of administrative, bookkeeping, accounting, inventory control and general operating procedures for the proper operation of the Franchised Business; and
- (f) the operation, cleanliness, and efficiency of the Franchised Business.

7. OUR DUTIES

7.1 Our Duties.

During the term of this Agreement, We shall, at Our expense, offer to You the following:

- (a) an initial training program in System standards, specifications, methods and techniques as provided for in Section 6.2 hereof, as well as onsite training to You through one visit to your site within 12 months to 18 months of the opening of your Franchised Business, but not before the execution of the Franchise Agreement;
- (b) upon Your request, such periodic continuing individual or group advice, consultation, and assistance, rendered in person, by weekly correspondence (electronic or otherwise), periodic field visits, or by periodic telephone or written communications made available

from time to time to all franchisees of the System, as We may deem necessary or appropriate to assist You in conforming to the requirements of the System. Such continuing advice may include, but not be limited to, such topics as the best products and services to be offered to customers, improvements and developments in operating a Franchised Business, design, installation, plant health management, pricing, administrative, bookkeeping, accounting and inventory control procedures, and operating problems encountered by You;

- (c) subject to Section 10.1 hereof, to lend to You one (1) copy of the Confidential Operations Manual and one (1) copy of any other manuals designated for use with the System, delivered electronically or otherwise as well as such additions and modifications thereto as We may, in Our sole discretion, issue from time to time;
- (d) new, modified or supplemented standards for the System that, in Our reasonable discretion, are beneficial or necessary to maintain the uniformity and goodwill of the System utilized by all franchisees;
- (e) information regarding sources of supply that are available to You on the purchase of foliage plants, silk, replica, preserved and artificial plants and flowers, and other products from suppliers, where possible, provided in conjunction with the initial training;
- (f) sample lease contracts, provided in conjunction with the initial training; and
- (g) a source of supply for Florida Grade #1 (or better) foliage plants, a source of artificial plants and a source of artificial flowers.

7.2 Products and Services.

Upon request and at Your expense, We shall offer to You, during the term of this Agreement, any of the following services and products which We are then offering to other franchisees and on the same terms and conditions:

- (a) supplies of signs, equipment, accessories, uniforms, logo items, marketing materials, printed business forms and other materials and supplies used in the operation of the Franchised Business;
- (b) on-site assistance by a person employed or retained by Us at mutually convenient times; and
- (c) periodic supplemental training, as set forth in Section 6.2 hereof.

7.3 System Maintenance.

We shall continue Our efforts to maintain uniform standards of quality, cleanliness, appearance and service at all Franchised Businesses and all customer accounts in the System, to promote, protect and enhance the public image and reputation of the System, and to increase the demand for the services and products offered by all System franchisees, and to that end We shall:

- (a) review all other materials prepared by You for use in local advertising and promotion pursuant to Section 5.1 hereof; and
- (b) conduct periodic inspections of the services and products provided to the public by You and Your staff.

7.4 **Meetings.**

To develop and maintain cooperation and friendship with other franchisees, to enhance the ability to operate the Franchised Business properly, to learn the most recent developments in business methods for the Franchised Business and to take instructions from Us on new or revised procedures or requirements, You shall be required to attend any regional and national meetings organized and conducted by Us for franchisees, to be held at locations to be determined by Us.

7.4.1 We will pay all costs of organizing and conducting such meetings, however, You shall be responsible for Your own travel expenses, meals and lodging, including those of Your Manager(s), if any. However, We shall be under no obligation to organize or hold such meetings until, in Our sole and absolute discretion, it is advisable to do so.

7.4.2 You may be excused from attending any regional and national meetings only for reasonable necessity, after prior notice in writing to Us. In this event, You are authorized to send one of your managers to attend these meetings. However, regardless of any excuses, it is Your responsibility to obtain the information distributed at the missed meeting at a reasonable cost which shall be borne by You. Failure to attend more than three consecutive regional or national meetings shall be deemed good cause for termination of this Agreement.

7.4.3 Your Manager(s), if any, must attend and complete, at Your expense, all the meetings and training sessions described in Section 7 hereof, in addition to You and to the same extent as You.

7.5 **Directory.**

To assist in the efficient operation of the **Foliage Design Systems** System, We shall provide and You shall assist Us in the continuous development and maintenance of the following directory for its use solely by the **Foliage Design Systems** System:

7.5.1 Franchisee Directory. To assist You in maintaining contact with other franchisees, referring customers to them and receiving referrals from them, We shall publish, from time to time, a directory of the names, mailing and physical addresses, telephone numbers, and e-mail addresses of every franchisee in the System.

7.6 **Disbursement of Internet Sales Leads.**

In the event We receive any sales leads via Our website which are from potential customers who are physically located within Your Exclusive Territory, We shall direct such sales leads to You. If You are unable to complete the sale of the Approved Products and Services or accessories to the customer, We shall have the right to fulfill such order Ourselves or direct same to another franchisee, without compensating You for Your failed efforts.

8. **YOUR DUTIES**

8.1 **Your Obligations.**

In order to maintain the high quality and uniform standards associated with the System and the Proprietary Marks, and to promote and protect the goodwill associated therewith, You agree to comply with the Confidential Operations Manual as it is from time to time modified and You shall:

(a) at all times comply strictly, and cause the Franchised Business to comply strictly, with all standards, specifications, processes, procedures, requirements, and reasonable instructions of Us regarding the operation of Your Franchised Business.

- (b) comply with all specifications, standards and operating procedures relating to the appearance, function, safety, and operation of a Franchised Business.
- (c) offer for sale the Approved Products and Services and only the Approved Products and Services, as same exist from time to time.
 - i. You must at all times maintain an adequate inventory of the Approved Products.
 - ii. We may, from time to time, conduct market research and testing to determine consumer trends and salability of new products and services. You must cooperate by participating in Our market research programs, test marketing new products and services and providing timely reports and other relevant information regarding marketing research. In connection with such test marketing, You must purchase a reasonable quantity of products, not to exceed \$3,000.00 per year, to be tested and effectively promote and make a reasonable effort to sell such products and services.
- (d) at Your own expense, promotionally display in and upon the Facility and on Your Motor Vehicle(s) **"Foliage Design Systems"** advertising signs of such nature, form, color, number, location, size and containing such material as We shall direct or approve in writing.
- (e) adhere to Our minimum quality standards and specifications for all facets of the **"Foliage Design Systems"** Franchised Business, including equipment, signage, advertising and sales promotion materials and other products or materials used in the operation of a Franchised Business. All such information regarding standards and specifications shall be provided to You in writing or otherwise through the Confidential Operations Manual. The Confidential Operations Manual is incorporated in this Agreement by reference and You will comply with all provisions therein. All such standards and specifications may be modified at any time by Us. You will have a reasonable period of time to comply with any material changes and a reasonable period of time to continue to use up old inventory of supplies. We will provide You with specifications for the equipment, fixtures, furniture, and furnishings which are consistent with the standard Franchised Business.
- (f) We have and will continue to periodically approve suppliers and distributors of the products, materials and supplies used in the operation of a Franchised Business that meet Our reasonable standards and requirements, including, without limitation, standards and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations and customer relations. You must purchase all products, materials and supplies only from distributors and other suppliers approved by Us from time to time.

We may approve a single distributor or other supplier (collectively "Approved Supplier") for any product and may approve a supplier only as to certain products, except for the Approved Products which shall be purchased exclusively from Us or Our designee. We may concentrate purchases with one (1) or more suppliers to obtain lower prices or the best advertising support or services for any group of Franchised Businesses. We may, if We choose, take advantage of discounts offered by a supplier in connection with the acquisition of large quantities of products and re-sell said products to You at a profit. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service, including prompt attention

to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier from time to time.

If You desire to purchase any items from any unapproved supplier, You must submit to Us a written request of approval of the proposed supplier and obtain Our written approval of the supplier prior to purchasing any items from said supplier. We may charge You a reasonable, non-refundable fee, not to exceed the cost of examining the facilities and products of the proposed supplier to cover the cost We incur in determining Our approval. We may inspect the proposed supplier's facilities and require product samples from the proposed supplier to be delivered at Our option either directly to Us or to any independent entity which We designate for testing. Our evaluation and ultimate approval or rejection shall be completed within thirty (30) days of submission. We reserve the right to periodically re-inspect the facilities and products of any Approved Suppliers and to revoke Our approval if the supplier does not continue to meet any of Our criteria. We shall in no event be obligated to approve any proposed supplier.

- (g) secure and maintain in force in Your name all required licenses, permits and certificates relating to the operation of the Franchised Business. You must operate the Franchised Business in full compliance with all applicable laws, ordinances, and regulations. All necessary and appropriate measures must be taken to avoid unsatisfactory safety, sanitation, or health ratings at all times from government authorities. Conditions or practices disapproved by any such authorities must be corrected promptly except that, after consultation between You and Us, You may contest in good faith the action by such authority as being arbitrary, capricious, unfair or unlawful.
- (h) assure that at all times the Franchised Business must be under the direct supervision of a manager who has satisfactorily completed Our training program, provided however, if the Manager is deemed by Us to have sufficient experience, he or she will not be required to complete our training program. You shall staff the Franchised Business with the number of managers, assistant managers, or other key personnel as We specify from time to time. You shall employ only qualified individuals who are trained in accordance with our standards, who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of the System and use you best efforts to ensure your employees maintain a neat and clean appearance and render competent and courteous service to customers of the Franchised Business. It is understood that poorly trained employees, poor appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System.
- (i) provide that payment for all products and services purchased from Us by You shall be due and payable within thirty (30) days after receipt of an invoice therefore, unless otherwise specified by Us.
- (j) maintain at all times such arrangements with (and only with) such credit card issuers or sponsors, and shall implement and at all times operate such credit verification systems as We may reasonably designate from time to time;
- (k) assure that Your Manager(s) and other personnel of the Franchised Business as We may direct shall attend and participate at such additional or supplemental training courses, seminars and franchisee meetings as may be specified by Us from time to

time provided however, that You or Your manager(s) shall not be obligated to attend more than one training course per year that does not exceed two days per occurrence.

- (l) issue and honor any type of promotions or marketing campaigns.
- (m) Participate in any and all cooperative advertising programs established by us with System suppliers or fellow Franchisees.
- (n) All managers and key employees must sign a form Non-Disclosure Agreement to ensure confidentiality.
- (o) Submit all news stories and other information to be released for publication relating to the business operated by you to us to keep us informed.
- (p) Use your personal best and continuing efforts to fully promote and develop the Franchised Business using the business only for the purposes designated in this Agreement and avoiding any activities conflicting or interfering with, or detrimental to such purposes.

8.2 **Inventory.**

You shall, at all times, maintain on the Facility and/or in Motor Vehicles, under proper conditions, an adequate inventory of the Approved Products, all required materials, equipment and supplies therefore, including, without limitation, the marketing, manufacturing, installation, servicing, and administrative aspects of the Franchised Business.

8.3 **Computer Hardware and Software Systems.**

You must purchase, use, maintain and update computer and other systems, including software programs and fax and e-mail programs which meet Our specifications, as set forth in Our Confidential Operations Manual as they evolve over time and which, in some cases, may only be available through Us and/or Our affiliates. You must promptly update and otherwise change Your computer hardware and software systems as We reasonably require from time to time as set forth in Our Confidential Operations Manual, at Your expense.

8.4 **Mutual Dependence.**

You acknowledge that You are one of a number of **Foliage Design Systems** franchisees, each of whose success depends in substantial part on the integrity, reputation, and marketing efforts of each other franchisee. You further acknowledge that the value of the Proprietary Marks and of membership in the **Foliage Design Systems** System to You, to Us and to each other franchisee depends on the maintenance of uniform standards of quality, integrity, and appearance. You further acknowledge that any action which impairs the reputation and goodwill of the Proprietary Marks, impairs, or adversely affects the objectives of Us or brings Us into disrepute, or departs from the uniform practices specified by Us, will be likely to injure all members of the **Foliage Design Systems** System.

8.5 **Variances.**

Complete and detailed uniformity under many varying conditions may not be possible or practicable, and We therefore reserve the right and privilege, at Our sole and absolute discretion and as We may deem in the best interest of all concerned in any specific instance, to vary standards to accommodate special needs of You, or those of any other franchisee, based upon the peculiarities of a particular site or location, density of population, business potential, population of trade area, existing business practices, requirements of local law or local custom, or any other

condition which We deem to be of importance to the successful operation of such franchisee's business.

8.6 Referrals.

You acknowledge that it is in Your best interest to refer prospective customers to other franchisees of the **Foliage Design Systems** System when, because of distance or excessive work, or for other reasons, You cannot promptly, properly and profitably serve such customers Yourself. You agree that You will not undertake any work that You are not capable of performing promptly and properly. If You are prevented by the terms of this Section from accepting one or more new customers, You will refer each such prospective customer to one or more other franchisees who serve the area where such prospective customer lives or works.

9. MARKS

9.1 Ownership and goodwill of marks. Your right to use the Marks is derived solely from this Agreement and limited to your operation of the BUSINESS pursuant to and in compliance with this Agreement and Methods of Operation, which we prescribe from time to time during its term. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the BUSINESS in compliance with this Agreement). All provisions of this Agreement applicable to the Marks apply to any additional proprietary trademarks and service marks and commercial symbols we authorize you to use. You will not represent in any manner that you have any ownership in the Marks or the right to use the Marks except as provided in the Agreement and in the Operations Manual.

9.2 Limitations on your use of marks. You agree to use the Marks as the sole identification of the BUSINESS, except that you agree to identify yourself as the independent owner thereof in the manner we prescribe. You may not use any Marks as part of any corporate or legal business name or as part of an Internet domain name or Internet e-mail address or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you hereunder), or in any modified form, nor may you use any Marks in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Marks may be used in any advertising concerning the transfer, sale or other disposition of the BUSINESS or an ownership interest in you. You agree to display the Marks in the manner we prescribe at the BUSINESS, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trademark and service marks registrations; i.e., "", "TM", as we specify and to obtain any fictitious or assumed name registrations required under applicable law. You agree to withdraw any fictitious or assumed name registrations immediately upon termination or expiration of this Franchise Agreement.

9.3 Notification of infringements and claims. You agree to notify us immediately of any apparent infringement or challenge to your use of any Marks, or of any claim by any person of any rights in any Marks, and agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, United States Patent and Trademark Office ("USPTO") proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Marks. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and

maintain our interests in any litigation or USPTO proceeding or other proceeding or otherwise to protect and maintain our interests in the Marks.

- 9.4 Discontinuance of use of marks.** If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Marks and/or use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within thirty (30) days after receiving notice thereof. We will reimburse you for your reasonable direct expenses of changing the BUSINESS's signs. However, we will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Marks or for any expenditures you make to promote a modified or substitute trademark or service mark. You acknowledge and agree that you will immediately comply with any notice from us to you to discontinue using any of the Marks in the event we receive an injunction to cease using any of the Marks for any reason.

10. OPERATIONS MANUAL & CONFIDENTIALITY

10.1 Confidential Operations Manual.

We have developed and will lend to You during the term of this Agreement an operating manual for the Franchised Business (herein referred to as the "Confidential Operations Manual") containing mandatory specifications, standards, methods, techniques and procedures for the operation of the Franchised Business prescribed from time to time by Us for our franchisees, and containing information relative to Your other obligations hereunder. Our Confidential Operations Manual shall either be a hard copy or may be transmitted to you electronically. All such specifications, standards and operating procedures shall be consistent with this Agreement and all applicable laws. Specifications, standards, and operating procedures prescribed from time to time by Us in the Confidential Operations Manual or otherwise communicated to You in writing shall constitute provisions of this Agreement as if fully set forth herein and shall be kept confidential by You at all times during the term of this Agreement and after the termination or expiration thereof for any reason. You shall operate Your Franchised Business strictly in accordance with the Confidential Operations Manual. We shall have the right to add to, and otherwise modify, the Confidential Operations Manual from time to time to reflect changes in the Approved Products and Services, the System, or the operation of the Franchised Business; provided, however, no such addition or modification shall alter Your fundamental status and rights under this Agreement. You covenant to accept, implement, and adopt any such modifications at Your own cost. You shall keep the Confidential Operations Manual up to date with replacement pages and insertions as instructed by Us. You acknowledge that the Confidential Operations Manual contains Our proprietary information and You agree to keep the Confidential Operations Manual and its contents confidential at all times and not to make any copies thereof. The Confidential Operations Manual shall at all times remain Our property, and You shall promptly return the Confidential Operations Manual to Us upon Our request, and in any event upon the termination or expiration of this Agreement for any reason. In the event a dispute arises as to the contents of the Confidential Operations Manual, the master copy maintained by Us shall be controlling.

- 10.2 Determination of Confidential Information.** We possess (and will continue to develop and acquire), and may disclose to you, certain confidential information (the "Confidential Information") relating to the development and operation of your business, which may include (without limitation):

10.2.1 location selection criteria;

10.2.2 methods, formats, specifications, standards, systems, procedures, recipes, the Operations Manual, any other proprietary materials, the sales and marketing techniques used, and knowledge of and experience in developing and operating a business.

10.2.3 marketing and advertising programs for a business;

10.2.4 knowledge of specifications for and suppliers of certain fixtures, furnishings, equipment, products, materials, and supplies; and

10.2.5 knowledge of the operating results and financial performance of a business other than the business.

10.3 For Business Use Only. You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to you in operating the business during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of this Agreement. You further acknowledge and agree that Confidential Information is proprietary, includes our trade secrets and is disclosed to you solely on the condition that you agree, and you do hereby agree, that you:

10.3.1 will not use Confidential Information in any other business or capacity;

10.3.2 will maintain the absolute confidentiality of Confidential Information during and after the term of this Agreement;

10.3.3 will not make unauthorized copies of any portion of Confidential Information disclosed via electronic medium or in written or other tangible form; and

10.3.4 will adopt and implement all reasonable procedures, including those that we prescribe from time to time to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure thereof to business personnel and others.

10.4 Confidentiality & Non-Competition. You must obtain and deliver executed covenants of confidentiality and non-competition from any persons who have or may have an ownership interest in the Franchisee or in the Franchise or who receive or have access to training and other information under the System. The covenants must be in a form satisfactory to us, and must provide that we are a third party beneficiary of and has the independent right to enforce the covenants.

11. OPERATIONAL REQUIREMENTS

11.1 Sole Business Within Exclusive Territory.

You shall not develop any new business except the Franchised Business within Your Exclusive Territory without prior approval from Us and such approval shall not be unreasonably withheld. Without limiting the generality of the foregoing, You shall not receive mail or telephone calls or visitors within Your Exclusive Territory for or in connection with any other line of business, without Our prior approval.

11.2 Hours of Operation.

You shall be open for business to the public according to the standards and specifications in the Confidential Operations Manual. Natural disasters, war, strikes, or riots preventing You temporarily from complying with the foregoing shall, to that extent, suspend Your obligation to comply therewith.

11.3 Payment Methods.

You shall accept in payment for services rendered and goods sold in connection with the Franchised Business according to the standards and specifications in the Confidential Operations Manual.

11.4 Business Forms.

You shall use only those forms, contracts, invoices, and statements which have been approved as to form by Us.

11.5 Notice of Collection Practices.

You agree not to engage in abusive or excessive collection techniques or unnecessary or unfounded litigation against Your customers that is likely to injure the goodwill of the Proprietary Marks and the reputation of the System. You, therefore, agree that You will provide Us with notice of the name of any customer or former customer with whom you commence any legal action or proceeding.

11.6 Compliance with Laws and Ethical Business Practices.

You shall secure and maintain in force, in Your name, all required licenses, permits and certificates relating to the operation of the Franchised Business. You shall operate Your Franchised Business in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, laws relating to pest control, OSHA, health regulations, workers' compensation insurance, unemployment insurance, and withholding and payment of income taxes, social security taxes and sales taxes. All advertising by You will be completely factual, in good taste in Our sole and absolute discretion, and will conform to high standards of ethical advertising. You will, in all dealings with Your customers, suppliers and public officials, adhere to high standards of honesty, integrity, fair dealing and ethical conduct, in each case above and beyond merely legal requirements. You will refrain from any business or advertising practice which may be injurious to Our business and the goodwill associated with the Proprietary Marks and other **Foliage Design Systems** businesses. You will notify Us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which relates to or which may affect the operation or financial condition of You and/or Your Franchised Business.

In no event shall Your failure or inability to comply with applicable laws or regulations excuse You from timely performance of each and every one of Your obligations under this Agreement.

11.7 Disclosure.

In order to facilitate compliance with current and future legal obligations and requirements, We shall maintain the right, in Our sole and absolute discretion, to disclose, whether in Our Disclosure Documents or otherwise, any information relating to Your ownership and operation of Your "**Foliage Design Systems**" Franchised Business, including, but not limited to, Your name, address and/or telephone number, e-mail address, revenues, expenses, results of operation or other information.

11.8 Inspection by Us.

To determine whether you and the BUSINESS are complying with this Agreement and Methods of Operation, we and our designated agents have the right at any time during your regular business hours, and without prior notice to you, to:

11.8.1 inspect the BUSINESS;

11.8.2 observe, photograph and videotape the operations of the BUSINESS for such consecutive or intermittent periods as we deem necessary;

11.8.3 remove samples of any products, materials or supplies for testing and analysis;

11.8.4 interview personnel and customers of the BUSINESS at their service locations; and

11.8.5 inspect and copy any books, records and documents relating to your operation of the BUSINESS.

11.9 You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal and interviews. You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by us or on our behalf.

11.10 Other Forms of Agreement.

You understand, acknowledge, and agree that We may have offered franchises in the past, may currently be offering franchises and/or may offer franchises in the future on economic and/or other terms, conditions and provisions which may significantly differ from those offered by this Agreement and any related documents.

12. INSURANCE

12.1 Insurance.

Prior to opening the Franchised Business for business, You must obtain the following insurance coverage under policies of insurance issued by carriers: (1) comprehensive public liability insurance and comprehensive product liability insurance against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of the Franchised Business or Your conduct of business pursuant to this Agreement under one (1) or more policies of insurance containing minimum liability coverage prescribed by Us from time to time; (2) general casualty insurance including fire and extended coverage, vandalism, theft, burglary and malicious mischief insurance for the replacement value of the Franchised Business and its contents; (3) Workers' Compensation or other employer's liability insurance as well as such other insurance as may be required by statute or rule in the state in which the Franchised Business is located; (4) automobile liability coverage, including coverage of owned, non-owned and hired vehicles. You must maintain all required policies in force during the entire term of this Agreement and any renewals thereof. We may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name Us (and, if We so request, Our directors, employees or shareholders) as additional insureds and must provide Us with thirty (30) days' advance written notice of any material modification, cancellation, or expiration of the policy.

Before the expiration of the term of each insurance policy, You must furnish Us with a Certificate of Insurance for each policy to be maintained for the upcoming term, along with evidence of the payment of the premium for each.

Your obligation to maintain insurance coverage, as described in this Agreement, will not be reduced in any manner by reason of any separate insurance We maintain on Our own behalf, nor will Our maintenance of that insurance relieve You of any obligations under this Section 12.

13. TERMINATION

13.1 Defaults with No Right to Cure.

Your rights and Our obligations under this Agreement will automatically terminate on delivery or, in any event, on three (3) calendar days after mailing of notice of termination to You, without further action by Us and without opportunity to cure, if:

- 13.1.1 You or any of Your owners fail, in the time provided in, or otherwise in accordance with this Agreement (but not upon the renewal of this Agreement) to: (a) open the Franchised Business; or (b) You or any of Your Managers fail to successfully complete the initial training program;
- 13.1.2 You or any of Your owners abandon the Franchised Business or fail to operate the Franchised Business for ten (10) consecutive days during which You are required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for Us to conclude that You do not intend to continue to operate the business, unless such failure to operate is due to natural disaster or a similar cause beyond Your control, or surrender or transfer control without Our prior written approval;
- 13.1.3 You or any of Your owners have made any material misrepresentation or omission in the application for the Franchised Business, including, but not limited to, failure to disclose any prior litigation or criminal convictions (other than minor traffic offenses);
- 13.1.4 You or any of Your owners become insolvent (meaning unable to pay debts as they become due in the ordinary course of business), make an assignment for the benefit of creditors, or a receiver or other custodian is appointed for a substantial part of the assets of the Franchised Business;
- 13.1.5 You or any of Your owners are convicted by a trial court of or plead no contest to a felony, or to any crime or offense that may adversely affect the reputation of You or any owner of the Franchised Business or the goodwill associated with the Proprietary Marks or engage in any misconduct which unfavorably affects the reputation of You or any owner of the Franchised Business, Us or the goodwill associated with the Proprietary Marks (including, but not limited to, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, discrimination, sexual harassment, or allowing unlawful activities or unauthorized or illegal items to be used or distributed at the Facility or in connection with the Franchised Business);
- 13.1.6 You or any of Your owners make an unauthorized transfer as defined in this Agreement (Section 16);
- 13.1.7 You or any of Your owners make any unauthorized use or disclosure of or duplicate any copy of any confidential information, make any unauthorized use of the Proprietary Marks, or use, duplicate, or disclose any portion of the Confidential Operations Manual or You and/or any other person/entity violate any restriction on ownership, operation etc. of a Similar Business (as hereinafter defined);
- 13.1.8 You or any of Your owners lose the right to possession of the Facility and do not relocate the Franchised Business to other Facility in accordance with this Agreement;
- 13.1.9 You and/or any of Your owners (and/or any affiliate of You and/or any affiliate's owner) make any misrepresentation to Us or any affiliate, including, but not limited to, any misrepresentation of Gross Revenue and/or any amounts due Us and/or any affiliate and/or commit any other act or omission constituting fraud, misrepresentation or similar act or omission, whether with respect to Us, any of Our related entities and/or any third party (You agree that any fraud, misrepresentation or similar act or omission by You,

etc. is by its nature incurable, since it would adversely affect the goodwill associated with the Proprietary Marks and/or irrevocably damage the relationship between You and Us);

- 13.1.10 You fail, for a period of ten (10) days after notification of non-compliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business;
- 13.1.11 You violate any law pertaining to the operation of the Franchised Business, whether or not You receive notice of non-compliance;
- 13.1.12 there are three (3) or more unresolved material complaints from customers with respect to Your Franchised Business in any twelve (12) month period, and/or You fail to comply with the customer complaint procedures in the Confidential Operations Manual; and/or
- 13.1.13 You have failed to retain (or otherwise fail to produce on request) any records required to be maintained by Our record retention policy or otherwise are required for Us to confirm Your compliance with the provisions of this or any other agreement.
- 13.1.14 You or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or You or any of your owners otherwise violate any such law, ordinance, or regulation.
- 13.1.15 You fail to substantially comply with any of the requirements imposed by this Agreement or the Confidential Operation's Manual, whether or not cured after Notice.

13.2 Defaults with Right to Cure.

Your rights and Our obligations under this Agreement will automatically terminate on Our mailing of notice of termination to You, without further action by Us and without further opportunity to cure beyond that set forth in this Section, if You, any of Your owners or any affiliate of any of the foregoing:

- 13.2.1 Five (5) Day Cure. Fail to report accurately the Gross Revenue of the Franchised Business; or fail to submit, in fully accurate and complete form and when required, any other report due under this Agreement; or fail to make payments of any amounts due Us, any affiliate and/or any supplier/creditor of You; or sell any products or services, including the Approved Products and Services, and service customers at or from an area outside of Your Exclusive Territory unless otherwise permitted by the Agreement and do not correct such failure within five (5) calendar days after written notice is mailed to You;
- 13.2.2 Thirty (30) Day Cure. Cause or permit any other default under this Agreement or the Operations Manual and do not: (a) correct such failure within thirty (30) calendar days after written notice of such failure to comply is mailed to You; or (b) if such failure cannot reasonably be corrected within such thirty (30) day period, undertake within thirty (30) calendar days after such written notice is mailed to You, and diligently continue until completion, efforts to bring the Franchised Business into full compliance and furnish, at Our request, proof acceptable to Us of such efforts and the date full compliance will be achieved; provided that, in any event, such defaults must be fully cured within ninety (90) calendar days after such written notice is mailed to You.

13.3 No Equity on Termination, etc.

Your ownership of the Franchised Business is controlled by the provisions of this Agreement and You will have no equity or other continuing interest in the Franchised Business, any goodwill

associated with it or otherwise, or any right to compensation, return of amounts paid or otherwise, at the expiration and/or termination of the Franchised Business.

13.4 Content and Delivery of Notice of Termination.

Termination for any cause shall be accomplished by mailing or delivering written notice of termination to You, which notice shall state the grounds thereof. Any such notice shall be delivered by registered or certified mail, sent by telegram, or personally delivered to You or left with a responsible person at Your place of business or at the home(s) of its owner(s). Termination shall be effective upon Your receipt of such written notice, unless a later date is specified therein, in which event termination shall be effective on such later date. Any termination becomes effective at the close of business on the day on which it takes effect.

13.5 Judicial Termination.

Anything in this Agreement to the contrary notwithstanding, if a court, arbitrator or court-appointed magistrate or referee having jurisdiction of the matter has entered its judgment or award that a party has good cause to cancel or terminate this Agreement, or may be relieved from its obligations hereunder, this Agreement shall be deemed terminated as of the date such judgment or award becomes final. Unless We have terminated this Agreement pursuant to one of the other provisions of this Section 13, this Agreement shall remain in force during the duration of any such proceeding and any appeals therefrom until such judgment has become final, and shall thereupon be terminated.

13.6 Injunctive Relief.

It is agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by You, We shall forthwith be entitled to an injunction restraining such breach, and/or to a decree of specific performance, as applicable, without having to show or prove any actual damage. This remedy shall be in addition to, and not in lieu of, all other remedies or rights which We might have by virtue of any breach of this Agreement by You.

14. YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION

14.1 Payment of Amounts Owed to Us and Other Creditors.

You agree to pay, within seven (7) days of the effective date of termination or expiration of this Agreement, all amounts owed to Us and any company affiliated with Us and Your trade and other creditors which are then unpaid. All periodic payments shall be deemed to accrue daily and shall be adjusted accordingly.

14.2 Return of Manuals and Retention of Records.

You agree that, within fifteen (15) days of the effective date of termination, non-renewal or expiration of this Agreement for any reason, You will immediately return to Us all copies of the Confidential Operations Manual and all lists of customers, prospect and leads of the Franchised Business and all promotional or other materials of a proprietary nature or which bear any of the Proprietary Marks. You shall retain all business records for at least three (3) years following the expiration of termination of this Agreement, and shall keep Us advised of the location of such records and shall grant Us reasonable access and rights of inspection in the manner provided by this Agreement.

14.3 Cancellation of Assumed Names/Transfer of Phone Numbers.

You agree, upon termination, non-renewal or expiration of this Agreement for any reason, to take such action as may be required to cancel all registrations relating to the use of any of the Proprietary Marks, including, but not limited to, any electronic address, domain name, search engine or website that associates You with Us, the Franchised Business or the Proprietary Marks

(if We allowed You to establish same), and will not directly or indirectly at any time or in any manner identify any facility or any business as a franchise, or Yourself as a franchisee, of Us; and You shall not, in any manner or for any purpose, use any of the Proprietary Marks or any colorable imitation thereof. You shall notify the telephone company and all listing agencies of the termination or expiration of Your right to use any telephone number and any classified or other telephone directory listings associated with such names. You shall cease and desist with the use of any of the Proprietary Marks in any form or manner.

14.4 Signs and Appearance of Your Franchised Business.

In the event that You maintain possession of the Facility subsequent to the termination or expiration of this Agreement, You agree to immediately, upon Our request, make such alterations and removals or changes in signs and colors as We may reasonably request so as to distinguish effectively the Facility from its former appearance and from the then-prevailing Franchised Business image.

14.5 Continuing Obligations.

All obligations of the parties hereto which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect, notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 9, 10, 13 and 15 hereof shall survive termination or expiration of this Agreement.

14.6 Liquidated Damages.

Upon termination of this Agreement according to its terms and conditions, You agree to pay to Us within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the present value (using the then-current 30-Year Treasury Bond rate) of the Royalty Fees You would have paid us on the product of (a) Your Franchised Business's average monthly Gross Revenue during its most recent twelve (12) months of operation before the termination multiplied by (b) the number of months remaining in the Franchise Agreement had We not terminated it.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages We would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, We might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers Our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to Our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of Your Owners agree that the liquidated damages provision does not give Us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

14.7 Our Purchase Option.

Upon termination or expiration of this Agreement, we have the option within 30 days of such termination or expiration to purchase the assets of your Franchised Business for net book value at the time. You agree to reasonably cooperate with us if we exercise this option.

15. NON-COMPETITION

15.1 Non-Competition During Agreement.

During the term of this Agreement, You shall not, directly or indirectly, for a fee or charge, in the United States, offer interior landscaping products or services ("Similar Business").

15.2 Non-Competition Following Termination, Expiration or Transfer.

In the event of the expiration, non-renewal or termination of this Agreement for any reason, or in the event this Agreement is transferred pursuant to its terms, You (or, in the case of a Transfer among the individuals comprising You pursuant to Section 16.5, the Transferor individual(s)) shall not, without Our prior written consent, at any time during the period of two (2) years from the date of such expiration, termination, or transfer, directly or indirectly, for a fee or charge, offer interior landscaping products or services, within a radius in any direction of sixty (60) miles of Your Exclusive Territory or within a radius in any direction of sixty (60) miles of any other Franchised Business as of the date of termination, expiration, or transfer. Both Parties agree that if any of the restrictive covenants in this Section 15 are held by any court to be unreasonable in scope or duration, it is our intention that such covenants nevertheless be enforced within the broadest scope and longest duration which shall be found to be reasonable and both parties consent to such reformation of said covenants as may be required by any court of competent jurisdiction in order that the same may be enforced to the fullest extent permitted by law.

15.3 Amendment of Restrictive Covenants.

You acknowledge that the provisions of this Section 15 have been inserted for Our sole benefit and that We shall have the right, from time to time during the term of this Agreement in Our sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Section 15 or any portion thereof without Your consent, effective upon Our giving notice thereof to You.

15.4 Other Covenants.

You covenant that after termination, non-renewal, or expiration of this Agreement, regardless of the cause of termination or expiration, You shall not, without Our prior written consent, directly or indirectly:

- (a) adopt, use, employ or trade under any of the Proprietary Marks, nor adopt, use, employ or trade under any other name, mark or symbol that constitutes a reproduction, counterfeit, copy, imitation or variation thereof, or which is confusingly similar thereto;
- (b) adopt, use, employ or trade under any description or representation that falsely suggests or indicates a connection or association with Us;
- (c) copy, communicate or otherwise use for the benefit of You or of any other person any information deemed confidential pursuant to Section 10 hereof; or
- (d) contest or aid others in contesting the validity or enforceability of the Proprietary Marks or the System, contrary to Section 9 hereof.

16. ASSIGNMENT, TRANSFER, AND SALE

16.1 By Us.

We will have the right to assign this Agreement, and all of Our rights and privileges under this Agreement, to any person, firm, corporation, or other entity.

You agree that We have the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' Franchised Businesses, and to operate, franchise or license those businesses and/or facilities as "**Foliage Design Systems**" operating under the Proprietary Marks or any other marks following Our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which You acknowledge may be within Your Exclusive Territory, proximate thereto, or proximate to any of Your locations).

You agree and affirm that We may sell Our self, Our assets, Our Proprietary Marks and/or Our System to a third party; may go public; may engage in a private placement of some or all of Our securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, You expressly and specifically waive any claims, demands or damages arising from or related to the loss of Our name, Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of Foliage Design Systems Franchise Company as franchisor under this Agreement. You specifically waive any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition, and other business combination activities, including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

If We assign Our rights in this Agreement, nothing herein shall be deemed to require Us to remain in the interiorscape business or to offer or sell any products or services to You.

16.2 By You.

You shall not, in whole or in part, voluntarily or involuntarily, directly or indirectly, pledge, encumber, mortgage, assign, subdivide, subfranchise or otherwise transfer any interest in this Agreement, or any interest in the Franchised Business, or any of the assets of the Franchised Business (including customer lists and contact information) or the franchise granted hereunder (including, without limitation, by Your personal representatives in the event of the death of the non-corporate franchisee, by will, declaration of, or transfer in, trust or the laws of intestate succession), or any interest in You or in any entity which owns any interest in this Agreement or in the Franchised Business or the franchise granted hereunder or in You, nor offer, permit or suffer the same without Our prior written approval. Approval shall be subject to compliance with each of the following conditions either before or concurrently with the effective date of the transfer:

- (a) Your being then in full compliance herewith and settling and paying to Us or Our affiliates and all trade creditors of the Franchised Business all outstanding debts;
- (b) the transferee executing Our then-current franchise agreement and such other ancillary agreements, instruments and documents then customarily used by Us to grant franchises;
- (c) You and Your officers, directors, members, and shareholders execute a general release of Us, Our officers, directors and employees releasing all claims against Us, Our officers, directors and employees;
- (d) the transferee purchasing all of Your assets used in the business of the Franchised Business in accordance with all applicable bulk sales legislation and assuming all of Your business liabilities;

- (e) the transferee being an individual having adequate financial resources and otherwise meeting all the criteria for “**Foliage Design Systems**” franchisees;
- (f) the transferee remitting to Us a transfer fee equal to \$5,000 for the administration of such transfer and the preparation, execution and filing of all documentation required by Us in connection with such transfer and the initial training program;
- (g) the transferee completing the initial training program to Our satisfaction;
- (h) You and transferee entering into a written agreement of purchase and sale, the form and content of which shall be subject to Our approval, which will not be unreasonably withheld, conditioned or delayed;
- (i) neither the transferee nor its owners or affiliates operate or have any ownership interest in a business that sells the Approved Products and Services unless approved by Us, except for other Foliage Design Systems franchisees, or which in any way competes with a “**Foliage Design Systems**” Franchised Business;
- (j) if You finance any portion of the purchase price, You and/or Your owners agree that all of the transferee’s obligations under promissory notes, agreements or security interests reserved in the Franchised Business are subordinate to the transferee’s obligation to pay Royalty Fees and other amounts due to Us, Our affiliates and third party vendors and otherwise to comply with this Agreement;
- (k) You or Your transferring owners (and their spouses) will not, for two (2) years beginning on the transfer’s effective date, engage in any of the activities prescribed in Section 15 hereof; and
- (l) You and Your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Franchised Businesses they own and operate) identify themselves or any business as a current or former “**Foliage Design Systems**” Franchised Business or as one of Our franchisees; use any Proprietary Mark, any colorable imitation of a Proprietary Mark, or other indicia of a “**Foliage Design Systems**” Franchised Business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with Us.

16.3 Effect of Consent to Transfer.

Our consent to a transfer of this Agreement and the Franchised Business or any interest in You is not a representation of the fairness of the terms of any contract between You and the transferee, a guarantee of the Franchised Business’s or transferee’s prospects of success, or a waiver of any claims We have against You (or Your owners) or of Our right to demand the transferee’s full compliance with this Agreement’s terms and conditions.

16.4 Assignment to Entity.

Notwithstanding Section 16.2, after obtaining Our written consent, the franchise granted hereunder may, subject to Section 17.1, be assigned by You without charge, once only, to a newly formed entity which shall conduct no business other than the franchise granted hereunder, which is actively managed by You and in which You at all times own and control greater than fifty percent (50%) of the equity and voting rights and interests. You and such entity shall execute an Assignment and Guarantee Agreement in Our standard form.

In the event of such an assignment by You of the franchise granted hereunder to an entity which You control, You agree, as a condition of being permitted to make such assignment, forthwith to cause the entity and its owners and principals to acknowledge this Agreement and to agree in writing to be bound by the provisions hereof, cause the entity in its Articles of Incorporation or Organization to provide in effect that its object or business is confined exclusively to the operation of a **"Foliage Design Systems"** Franchised Business, and cause the entity to restrict the issuance of, and its directors and shareholders to restrict the transfer of, ownership so that You shall continuously own greater than fifty percent (50%) of the equity and voting rights and interests in such entity.

16.5 Transfer Among Franchisees.

In the event that Your franchise comprises two (2) or more individuals, We shall not unreasonably withhold Our consent to a sale, assignment or transfer of any kind (a "Transfer") of the interest of one (1) such individual (the "Transferor") in the franchise hereunder to the other individual or individuals comprising You, if but only if:

- (a) the Transferor transfers the whole of such interest in this Agreement and the lease and all other agreements relating to the franchise hereunder;
- (b) the Transfer shall not relieve the Transferor of the Transferor's obligations hereunder to Us;
- (c) the Transfer shall be completed in accordance with all applicable bulk sales legislation;
- (d) the Transferor shall have given Us at least thirty (30) days' prior written notice of the proposed Transfer, together with all reasonable details thereof which We may demand;
- (e) the Transferor and the remaining individual(s) with an interest in You execute such documents as may be required by Us in connection with such Transfer; and
- (f) the remaining individual(s) with an interest in You is (are), in Our opinion, capable of operating the business associated with the Franchised Business without the Transferor.

16.6 Our Right of First Refusal.

If You shall at any time decide to sell the Franchised Business or any ownership interest therein, You shall obtain a bona fide, executed written offer to purchase the Franchised Business, together with all real or personal property, leasehold improvements and other assets used by You in connection with the Franchised Business, from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Us. We shall, for a period of thirty (30) days from the date of delivery of such offer, have the right, but not the obligation, exercisable by written notice to You, to purchase all of the Franchised Business and the said assets of You for the price and on the terms and conditions contained in such offer, provided that We may substitute cash for any form of payment proposed in such offer and there shall be deducted from the purchase price the amount of any commission or fee that would otherwise have been payable to any broker, agent or other intermediary in connection with such sale. During said thirty (30) day period, We shall have the right to inspect all of Your books and records relating to the Franchised Business's operation, specifically including all financial records and statements for the three (3) full fiscal years preceding the date on which the thirty (30) day right of first refusal commences, and if You are an entity, all entity minute books and transfer records. If We do not exercise Our right of first refusal, You may complete the sale of the Franchised Business to such purchaser on the same terms offered to Us subject to the provisions of Section 16.2 hereof. If

the sale to such purchaser is not completed within sixty (60) days after delivery of such offer to Us, We shall again have the right of first refusal herein provided.

16.7 Temporary Operation of Business by Us.

For the purposes of this Section 16.7, "You" shall include the controlling shareholder of a corporate franchisee. If You:

- (a) fail to provide the products and services as required by Us (whether pursuant to the Confidential Operations Manual or otherwise);
- (b) are absent from the Franchised Business for more than fifteen (15) consecutive days or for more than thirty (30) days in any consecutive ninety (90) day period, or abandon the Physical facility; or
- (c) die or become incapacitated and Your heirs or personal representatives have not yet, or do not, assume control of the business of the Franchised Business by means of an assignment (with Our approval) pursuant to Sections 16.2 and 16.8 hereof, then, unless and until We terminate this Agreement pursuant to Section 13 or Section 16.8 hereof, We shall be entitled to enter onto the Facility and to operate and manage the business associated with the Franchised Business for Your (or Your estate's) account until the franchise hereunder is terminated, assigned to a party acceptable to Us or until You resume control over the business associated with the Franchised Business and operate it in accordance herewith; provided, however, that no such operation and management by Us shall continue for more than ninety (90) days without the written consent of You or Your personal representatives or the representatives of Your estate. In the event that We so operate the business associated with the Franchised Business, We shall account to You (or Your estate) for all net income from such operation, less Our reasonable expenses (including salaries) incurred in, and a reasonable management fee not to exceed fifteen (15%) of Gross Revenues for, Our operation of the Franchised Business provided that the sum of Our reasonable expenses and the management fee does not exceed Gross Revenues.

16.8 Death or Incapacity.

For the purposes of this Section 16.8, "You" shall include the controlling shareholder of a corporate franchisee. If You die or become incapacitated (which shall be deemed to include, in Our reasonable opinion, Your inability, by reason of physical or mental illness or disability, to operate the business of the Franchised Business in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period) so that You (or, in the case of Your incapacity only, the Manager(s)) are not able to devote full time and attention to the operation of the business of the Franchised Business, then the rights granted hereunder may be transferred to Your heirs or personal representatives, if Our prior written consent is obtained, within twelve (12) months from the beginning of the disability or from the date of death. In no event will We be willing to provide Our consent to such transfer unless the conditions set forth in Section 16.2 hereof (save and except the requirement to pay Our then-current transfer fee) are satisfied. Your heirs or personal representatives will be required to remit to us a training fee equal to Ten Thousand Dollars (\$10,000.00) for the required initial training program provided that the Training Fee and the Initial Training Program may be waived at our discretion if your heirs or personal representatives are deemed by virtue of past experience acceptable to us. In the event that such conditions (save and except the requirement to pay Our then-current transfer fee) are not satisfied, We shall have the right in Our sole discretion to terminate this Agreement by notice, in the case of death, to Your estate and, in the case of Your incapacity, to You.

17. TAXES, PERMITS, INDEBTEDNESS

17.1 Compliance with Laws.

You shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, licenses to do business, name registrations and sales tax permits.

17.2 Notice of Litigation.

You shall notify Us in writing within five (5) business days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other government instrumentality which may adversely affect the operation or financial condition of the business associated with the Franchised Business.

18. DISCOUNTS

18.1 Discounts to You.

If any volume discounts, rebates, allowances, or other similar discounts are negotiated by Us from any manufacturer or other supplier designated by Us on account of volume purchases made by Our Franchised Businesses, we shall instruct the manufacturer or supplier to pass on the full amount of the said volume discounts, rebates, allowances, or other similar discounts to You.

19. RELATIONSHIP AND INDEMNIFICATION

19.1 Independent Parties.

You are and will at all times remain an independent contractor and are not and shall not represent Yourself to be Our agent, joint venturer, partner, or employee, or to be related to Us other than as Our independent franchisee. No representations will be made or acts taken by You which could establish any apparent relationship of agency, joint venture, partnership or employment, and We shall not be bound in any manner whatsoever by any agreements, warranties or representations made by You to any other person, nor with respect to any other action of You. You shall not establish any bank account, make any purchase, apply for a loan, or credit, or incur or permit any obligation to be incurred in the name or on the credit of Us.

19.2 Non-Liability.

We shall not be obligated or liable for any injury or death to any person, or damage to or loss of any property caused by Your action, failure to act, negligence, breach of this Agreement or willful misconduct, nor for any liability of You.

19.3 Indemnification by Us.

We shall, during the term of this Agreement only, indemnify You and hold You harmless from and against all damages, losses, claims, expenses and costs (including Your attorney and customer costs, travel, investigation and living expenses and witness fees) for which You are held liable or which You incur in the defense of any litigation commenced against You as a direct result of Your proper use of the Proprietary Marks in accordance herewith, provided that You have timely notified Us of such litigation or threatened litigation. We shall have the right to participate in and to control such litigation or proceeding at Our expense (including the right to compromise or settle such litigation or proceeding) to the extent that We deem necessary or advisable, and You shall cooperate with Us and execute such documents and do such acts and things (at no cost to You) as, in Our opinion, may be necessary.

19.4 Indemnification by You.

You shall, during the term of this Agreement and after the termination or expiration of this Agreement and in addition to Your obligations contained in Section 14 hereof, indemnify Us and Our officers, directors and employees, and hold them harmless from and against all damages, losses, claims, actions, liability, expenses and costs for which they are held liable or which they incur (including solicitor and customer costs, travel, investigation and living expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of:

- (a) a breach of this Agreement, or any other lease, agreement or contract to which We and You are parties, by You;
- (b) any injury to, or loss of property of, any person in or on the Facility or on any job site;
- (c) Your taxes, liabilities, costs, or expenses of Your business;
- (d) losses, claims or damages incurred by persons, other than You, due to errors or omissions contained in financial statements prepared by Us pursuant to Section 4.7 hereof, even if caused by the negligence of Us, Our employees, agents, contractors, or others for whom We are, in law, responsible;
- (e) any negligent or willful act or omission of You, Your employees, agents, servants, contractors or others for whom You are, in law, responsible; and
- (f) any advertising or promotional material distributed, broadcast or in any way disseminated by You or on Your behalf, unless such material has been produced or approved in writing by Us.

20. DISPUTE RESOLUTION

20.1 Choice of Law. This Agreement is effective upon its acceptance in Florida by our authorized officer. Florida law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

20.2 Jurisdiction and Venue. The Parties agree that as to any Claims, venue will be proper solely in the state or federal courts located in or nearest to where our corporate office is located (presently Orange County, Florida).

20.3 Jury Waiver. The Parties agree to waive the right to a jury trial as to any Claims and to instead have such action tried by a judge.

20.4 Class Action Waiver. You agree that you shall bring any Claims, if at all, individually and not bring, join, or participate in a class action as to such Claims.

20.5 Punitive Damages Waiver. The Parties agree to waive their rights, if any, to seek or recover punitive damages as to any Claims.

20.6 Limitation of Action. You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

- 20.7 Prior Notice of Claims.** As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- 20.8 Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 21.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.
- 20.9 Mediation.** Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we can not mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association ("AAA") and split any AAA and mediator fees equally.
- 20.10 Waiver of bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.
- 20.11 Attorney Fees.** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.
- 20.12 Third Party Beneficiaries.** Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the provisions of this Agreement and the Dispute Resolution provisions contained herein.
- 20.9 Survival.** All of the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

21. GENERAL

- 21.1 Entire Agreement.**
This Agreement constitutes the entire agreement between Us and You with respect to the subject matter hereof, and this Agreement supersedes all prior and contemporaneous agreements between Us and You in connection with the subject matter of this Agreement; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Us in the Disclosure Document that was furnished to You by Us. No officer, employee or other servant or agent of Us or You is authorized to make any representation, warranty or other promise not contained in this Agreement. No change, termination, or attempted waiver of any of the provisions of this Agreement shall be binding upon Us or You unless in writing and signed by Us and You.
- 21.2 Joint and Several Obligation.**
If You, as Franchisee, consist of more than one (1) person, each person's liability under this Agreement shall be deemed to be joint and several.
- 21.3 Counterparts.**
This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument.

21.4 Severability and Construction.

21.4.1 Each section, part, term and provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of, or affect the remaining portions, parts, terms or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms or provisions shall be deemed not to be a part of this Agreement, provided, however, that if We determine that said finding of illegality adversely affects the basic consideration of this Agreement, We and You may terminate this Agreement.

21.4.2 Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity, other than We or You and such of our respective successors and assigns as may be contemplated by this Agreement, any rights, or remedies under or by reason hereof.

21.4.3 You expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law, which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which We are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

21.4.4 All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

21.4.5 This Agreement shall be executed in duplicate and each copy so executed shall be deemed an original.

21.5 Notices.

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, or by facsimile, to our President, David G. Liu, at our corporate office, presently 7048 Narcoossee Road, Orlando, Florida 32822. We may also give any such notice to you in the same manner at the address indicated below, such other more current address as we may have for you, or by e-mail.

To You at:

21.6 Operation in the Event of Absence or Disability.

In order to prevent any interruption of the Franchised Business operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, You authorize Us, who may, at Our option, in the event that You are absent for any reason or are incapacitated by reason of illness and are unable, in Our sole and reasonable judgment, to operate the Franchised Business, operate the Franchised Business for so long as We deem necessary and practical, and without waiver of any other rights or remedies We may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by Us

shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for Our representative, shall be charged to said account. If, as herein provided, We temporarily operate the Franchised Business franchised herein for You, You agree to indemnify and hold harmless Us and any representative of Ours who may act hereunder, from any and all acts which We may perform, as regards the interests of You or third parties.

21.7 Step-In Rights.

If We determine in Our sole judgment that the operation of Your business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, You authorize Us to operate Your business for as long as We deem necessary and practical, and without waiver of any other rights or remedies which We may have under this Agreement. In Our sole judgment, We may deem You incapable of operating the Franchised Business if, without limitation, You are absent or incapacitated by reason of illness or death; You have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against Your business; or We determine that operational problems require that We operate Your business for a period of time that We determine, in Our sole discretion, to be necessary to maintain the operation of the business as a going concern.

We shall keep in a separate account all monies generated by the operation of Your business, less the expenses of the business, including reasonable compensation and expenses for Our representatives. In the event of Our exercise of the Step-In Rights, You agree to hold harmless Us and Our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of Our reasonable attorneys' fees and costs incurred as a consequence of Our exercise of the Step-In Rights. Nothing contained herein shall prevent Us from exercising any other right which We may have under this Agreement, including, without limitation, termination.

22. ACKNOWLEDGMENTS

- 22.1** YOU ACKNOWLEDGE THAT YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISED BUSINESS AND RECOGNIZE THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON YOUR ABILITIES AS AN INDEPENDENT BUSINESSPERSON. WE EXPRESSLY DISCLAIM THE MAKING OF, AND YOU ACKNOWLEDGE THAT YOU HAVE NOT RECEIVED ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.
- 22.2** YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED, READ, AND UNDERSTOOD THIS AGREEMENT, INCLUDING THE EXHIBITS HERETO; THAT WE HAVE FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF EACH TO YOUR SATISFACTION; AND THAT WE HAVE ACCORDED YOU AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF YOUR OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT.
- 22.3** YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED THE DISCLOSURE DOCUMENT AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.
- 22.4** YOU ACKNOWLEDGE AND ARE AWARE OF THE FACT THAT SOME OF OUR FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY,

THAT OUR OBLIGATIONS AND RIGHTS IN RESPECT TO OUR VARIOUS FRANCHISEES
MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day and year
first above written.

**FOLIAGE DESIGN SYSTEMS
FRANCHISE COMPANY**

FRANCHISEE

By:_____

By:_____

Title:_____

Title:_____

SCHEDULE 1

LOCATION OF FRANCHISED BUSINESS

The following is the location of Your Franchised Business:

SCHEDULE 2

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20____,
by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY ("Us" We," or "Our"), each of the undersigned personally and unconditionally (a) guarantees to Us and Our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that ("You") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality and arbitration requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several; (2) he or she will render any payment or performance required under the Agreement upon demand if You fail or refuse punctually to do so; (3) this liability will not be contingent or conditioned upon Our pursuit of any remedies against You or any other person; and (4) this liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgences which We may from time to time grant to You or to any other person, including, without limitation, the acceptance of any partial payment or performance of the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against You arising as a result of the undersigned's execution of and performance under this Guaranty.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

SCHEDULE 3 TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETE AGREEMENT

THIS AGREEMENT is made this ____ day of _____, 20__, by and between _____ (the "Employee"), and Foliage Design Systems _____ (Corporate Name of Franchise), of _____ (Address/City/State/Zip), hereinafter referred to as "Company".

WHEREAS, the Company is engaged in the businesses of selling, leasing, and maintaining interior foliage plants and related products and services to clients, which are primarily other businesses; and

WHEREAS, due to the extremely specialized and technical nature of the services that the Company provides, employees of the Company undergo significant, high-level training, which training is not readily available outside of the Company; and

WHEREAS, due to the extremely specialized and technical nature of the services provided by the Company, employees of the Company have access to Confidential Information and Trade Secrets of the Company; and

WHEREAS, employees of the Company have access to and contact with the Company's clients and prospective clients, which clients and prospective clients have been obtained by the Company due to its reputation, marketing, contacts, expenditures, and efforts; and

WHEREAS, the Company would not provide its technical training and impart its specialized knowledge and skill to Employee but for Employee's covenants and agreements of non-competition, non-disclosure, trust, and confidentiality, and the other promises of Employee as more particularly described herein below.

WHEREAS, the Company has strong and legitimate business interests in preserving and protecting its investment in its employees, its trade secrets and confidential business information, and its substantial relationships with vendors, existing and prospective customers, and desires to preserve and protect these legitimate business.

NOW, THEREFORE, in consideration of the Company offering Employee employment, which employment the Company may terminate at will, without cause, and other good and valuable consideration, Employee hereby covenants and agrees as follows:

1. **Concurrent Business:** As long as Employee is an agent or employee of the Company, Employee will not directly or indirectly, for a fee or charge, in the United States, offer interior landscaping products or services except as authorized through this employment.
2. **Non-Disclosure of Clients:** The Company's Client List is strictly confidential. Employee will not, at any time, either during employment or for a ____ () year period **[Note to franchise owner: Insert the maximum protection allowed according to your state laws.]** after the termination of Employee's employment for any reason, directly or indirectly make known or divulge to any person, firm, corporation or any other entity the name, address, telephone number or any other item identifying any Client or Prospective Client of the Company.

3. **Non-Solicitation of Clients:** Employee will not, at any time, either during employment or for a ____ () year period **[Note to franchise owner: Insert the maximum protection allowed according to your state laws.]** after the termination of Employee's employment for any reason, directly or indirectly, either for Employee's benefit or for any other person, firm, corporation or other entity, call upon, solicit, divert, refer, or take away any Company Client or Prospective Client in _____. **[Note to franchise owner: Include geographical limitation.]** whom Employee actually contacted and/or provided services to during Employee's employment with the Company. **[Note to franchise owner: Some states may permit you to define it "as of time of termination" Please consult with local legal counsel].**
4. **Non-Disclosure of Business Information:** At all times while Employee is employed by the Company and for a ____ () year period **[Note to franchise owner: Insert the maximum protection possible according to your state laws.]** after the termination of Employee's employment with the Company for any reason, Employee shall not, in any fashion, form or manner, either directly or indirectly, divulge, disclose, or communicate to any person, firm, corporation or other entity, in any manner whatsoever, any information of any kind or description concerning any matter affecting or relating to the business of the Company, including but not limited to, the Company's manner of operation, methods of marketing, business plans, financial data, performance data, or any other business information or data of any kind. Employee acknowledges that all business information of the Company is a valuable and unique asset of the Company. Such matters will be imparted to Employee only within the trust and loyalty bounds of the Employer-Employee relationship, and shall not be disclosed by Employee at any time, even after cessation of employment.
5. **Property of the Company:** All books, records, files, forms, reports, accounts, documents, computer data and tangible things relating in any manner to the Company's business, customers or processes, or provided or made available by the Company to Employee at any time, whether prepared by the Company or any other entity, shall be the exclusive property of the Company and shall be returned by Employee to the Company immediately upon termination of employment or the Company's request at any time whatsoever.
6. **Non-Disclosure of Confidential and/or Trade Secret Information:** Employee acknowledges and expressly stipulates that during the term of Employee's employment, Employee will be dealing with Confidential Information (as defined in paragraph 19) which is Company property, used in the course of its business. Employee agrees that Employee will not, either during Employee's employment with the Company or thereafter for a period of ____ () years, **[Note to franchise owner: Insert the maximum protection possible according to your state laws.]** directly or indirectly, divulge or disclose to any third party, any of the Company's Confidential, Proprietary or Trade Secret Information. Further, Employee shall not use any such information other than in the course of his employment at the Company. In the course of using this Confidential Information, the Company shall limit the disclosure of this Confidential Information to those Company employees who are required to have such Confidential Information. All documents that Employee prepares, or Confidential Information that might be given to Employee in the course of Employee's employment with the Company, are the exclusive property of the Company and shall remain in the Company's possession on Company premises, unless otherwise specifically first authorized in writing by management of the Company.

7. **Position of Trust/Irreparable Harm:** Employee further expressly acknowledges that due to the unique services that Employee will perform on behalf of the Company, and including the close working contact that Employee will have with the Company's clients, Employee is placed in a position of trust and confidence and will not take advantage of that trust or confidence to the detriment of the Company. Employee further stipulates and agrees that any breach by Employee of any portion of this Agreement will cause irreparable harm to the Company due to the unique and highly specialized nature of the Company's business and its services.
8. **Non-Competition:** Employee agrees that for a period of ____ (__) year **[Note to franchise owner: Insert the maximum protection possible according to your state laws.]** after termination of Employee's employment with the Company in any manner, voluntary or involuntary, whether with or without cause, whether wrongful or rightful, Employee will not, within the counties of _____ **[Note to franchise owner: Insert the counties or cities in which you are doing business at time of execution of Agreement.]**, directly or indirectly, for a fee or charge, offer interior landscaping products or services. Employee further acknowledges and affirms that Employee's knowledge, qualifications, and skills are such that Employee will be able to earn a livelihood without breaching the terms of this Agreement.
- "Interior landscaping products or services" shall mean: selling, leasing and maintaining interior foliage plants and related products and services to clients, which are primarily other businesses. These products include, but are not limited to, live interior foliage plants, decorative planters, artificial and preserved foliage, seasonal/holiday décor items, colorful blooming plants and flowers, and exterior containerized plant material.
9. **Acknowledgment by Employee:** Employee acknowledges and confirms that the restrictive covenants contained in this Agreement are reasonably necessary to protect the legitimate business interests of the Company. Employee also acknowledges and agrees that the geographic and time restrictions set forth in this Agreement are not overbroad, overlong, or unfair. Employee further acknowledges and confirms that Employee's full, uninhibited, and faithful observance of each of the covenants contained in this Agreement will not cause Employee any undue hardship, financial or otherwise.
10. **Breach:** The parties hereby stipulate that each of the matters in this Agreement is important, material and gravely affects the effective and successful conduct of the Company's business, as well as its reputation and goodwill. It is further recognized and hereby acknowledged that any breach of any term contained in this Agreement is a material breach of this Agreement and will cause irreparable injury and damage to the Company, the monetary amount of which may be virtually impossible to ascertain. As a result, the Company shall be entitled to an injunction from any court of competent jurisdiction enjoining and restraining any violation of any or all covenants contained in the Agreement. In addition, Employee shall also pay the Company all damages, including, but not limited to, compensatory, incidental, consequential and lost profit damages, which arise from any such breach, together with interest, costs and attorneys' fees incurred, including appellate attorneys' fees and costs, for any and all efforts of the Company in the enforcement and/or collection under this Agreement. Employee agrees that damages alone would be an inadequate remedy for the Company and that the injunctive relief will be necessary to give effect to this Agreement and preserve the Company's business interests.

11. **Capacity:** Employee represents and warrants that Employee is entering into this Agreement freely and voluntarily, intending to be bound thereby. Employee affirms that Employee will be able to comply with this Agreement, even after the termination of Employee's employment. Employee recognizes and affirms that the subject employment is a highly beneficial and unique opportunity and is a fair exchange for his promises in this Agreement.
12. **No Waiver of Breach:** The Company may waive a provision of this Agreement only in writing signed by an officer of the Company or an otherwise designated member of management. The waiver by the Company of a breach by Employee shall not operate or be construed as a waiver of any subsequent breach by Employee or any other employee.
13. **Extension of Non-Compete Period:** The periods of time during which Employee is prohibited from engaging in the business practices referenced in this Agreement shall be extended by any length of time during which Employee is in breach of any of such covenants.
14. **Merger/Oral Modification:** No change, deletion, addition or modification of this Agreement shall be valid or binding upon either party unless in writing and signed by both parties. This Agreement replaces and supersedes all prior agreements and understandings as to this subject matter. Employee is not relying upon any prior negotiations, discussions, or representations in executing this Agreement.
15. **Severability:** In the event that any provision or portion of this Agreement or its application shall be held invalid or unenforceable, it shall be deemed severable and shall not affect any other provision of this Agreement, which shall continue in full force and effect.
16. **Choice of Law/Venue:** The parties agree that _____ **[Insert applicable State]** law shall govern this Agreement. The parties further agree to exclusive venue in _____ County, _____ **[Insert applicable State]**, where applicable.
17. **Assignment:** The rights, benefits and obligations of the Company under this Agreement and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by or against its successors and assigns. This Agreement shall be binding upon Employee's heirs, assigns, administrators and representatives. Neither this Agreement nor any rights or obligations hereunder shall be assigned by Employee.

[remainder of page intentionally left blank]

18. **Definition of Confidential Information:** As utilized in this Agreement, every reference to "Confidential Information" hereinabove includes, without limitation, all processes, methods of training or operation, equipment, software compositions, inventions, innovations, trade secrets, patents, intellectual property, data, formulae, methods, designs, production techniques, sketches, plans, drawings, specifications, samples, reports, customer lists, customer identification, sources of supply, price lists, financial information, bid and proposal information, business plans, future plans, research and development activities, inventions, discoveries, improvements, scientific processes and operations, maintenance techniques.

IN WITNESS WHEREOF, the undersigned have executed this ____ () page Agreement as of the ____ day of ____, 20__, at _____, _____ **[Insert City/State]**.

FOLIAGE DESIGN SYSTEMS

(Corporate Name)

EMPLOYEE

By: _____

Print Name: _____

Print Name: _____

Title: _____

Date: _____

Date: _____

SCHEDULE 4 TO THE FRANCHISE AGREEMENT

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

[Not to be used as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

You and we are preparing to enter into a Franchise Agreement. This Acknowledgement is to determine whether any statements or promises were made to you that we did not authorize or are untrue, inaccurate, or misleading, to ensure you have been properly represented, and that you understand the limitations on claims you may make relating to your franchise. **You cannot sign or date this Acknowledgement the same day as the Receipt for the Franchise Disclosure Document. You must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses.

- | | | | |
|-------|------|----|--|
| Yes__ | No__ | 1. | Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it? |
| Yes__ | No__ | 2. | Do you understand all the information contained in the Franchise Agreement? |
| Yes__ | No__ | 3. | Have you received and personally reviewed the Franchise Disclosure Document we provided? |
| Yes__ | No__ | 4. | Do you understand all the information contained in the Franchise Disclosure Document? |
| Yes__ | No__ | 5. | Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor? |
| Yes__ | No__ | 6. | Do you understand the risks of developing and operating this franchise? |
| Yes__ | No__ | 7. | Do you understand that your investment involves substantial business risks and that there is no guarantee that your business will be profitable? |
| Yes__ | No__ | 8. | Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities, and efforts and those of the persons you employ as well as many factors beyond your control such as competition, the economy, labor and supply costs and other relevant factors? |
| Yes__ | No__ | 9. | Do you acknowledge that the success of your franchise in large part relies upon your ability as an independent business person and your active participation in the day to day operation of the business? |

- Yes___ No___ 10. Do you agree that no employee or other person speaking on our behalf has made any statement, promise, or agreement, that is contrary to or different from what is stated in the Franchise Disclosure Document and Franchise Agreement?
- Yes___ No___ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue you will generate, that is not contained in Item 19 of the Franchise Disclosure Document or that is contrary to, or different from, the information contained in Item 19 of the Franchise Disclosure Document, and that you have not made a decision to purchase your franchise based on any such representations?
- Yes___ No___ 12. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning this franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of any liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

By signing below, you are representing that you have responded truthfully to the above questions.

[Not to be signed as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

Name of Applicant (please print)

Signature

Date: _____

Explanation of any negative responses (Refer to Question Number):

SCHEDULE 5 TO THE FRANCHISE AGREEMENT

[RESERVED]

SCHEDULE 6 TO THE FRANCHISE AGREEMENT

SBA ADDENDUM

**ADDENDUM
RELATING TO
FOLIAGE DESIGN SYSTEMS
FRANCHISE AGREEMENT**

THIS ADDENDUM (Addendum) is made and entered into on _____, 20____, by **FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY**, located at **7048 NARCOOSSEE ROAD, ORLANDO, FLORIDA 32822** (Franchisor), and _____, located at _____ (Franchisee).

Recitals. Franchisor and Franchisee entered into a Franchise Agreement on _____, 20__, (Franchise Agreement). The Franchisee agreed among other things to operate and maintain a franchise located at _____ designated by Franchisor as Unit #_____ (Unit). Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.
2. If the Franchise Agreement is terminated and the franchise's personal property is to be sold under Section 14 of the Franchise Agreement and the parties are unable to agree as to a purchase price and terms, the fair market value of such property shall be determined by three Appraisers chosen in the following manner. Franchisee shall select one and Franchisor shall select one, and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be conclusive. The cost of the third appraiser shall be shared equally by the parties.
3. Notwithstanding anything to the contrary in the Franchise Agreement or other ancillary document, Franchisor's (or any Third Party Assignee of the Franchisor) right to elect its Right of First Refusal to exercise said option when the Franchisee decides to sell partial interest(s) in the business is amended. If the Franchisee (or any Third Party Assignee of Franchisee) is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee.
4. Notwithstanding anything to the contrary in the Franchise Agreement the Franchisor will not unreasonably withhold, delay, or condition its consent to any proposed

transfer or assignment by Franchisee which requires Franchisor's consent.

- 5. Notwithstanding anything to the contrary in the Franchise Agreement, or other ancillary document, Franchisor will subordinate its interest in any lien on Franchisee's collateral to that of the lender/SBA.
- 6. Notwithstanding anything to the contrary in the Franchise Agreement or other ancillary document, franchisor's option or right to purchase real estate owned by the franchisee and used for the franchised business will not be recorded against real property.
- 7. This Addendum automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid-in-full; or (iii) SBA no longer has any interest in the Loan.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. § 1001 (\$250,000 fine and/or up to 5 years imprisonment), 15 U.S.C. § 645(a) (\$5,000 fine and/or up to 2 years imprisonment), and, if submitted to a Federally insured institution, under 18 USC 1014 (up to \$1,000,000 fine and/or imprisonment of not more than 30 years), and civil penalty under 12 U.S.C. § 1833a (up to \$1,000,000), and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729-3733.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

FRANCHISOR:

FRANCHISEE:

**FOLIAGE DESIGN SYSTEMS
FRANCHISE COMPANY**

By: _____
Print Name: _____

By: _____
Print Name: _____

Title: _____

Title: _____

EXHIBIT C TO THE DISCLOSURE DOCUMENT
LIST OF CURRENT FRANCHISEES

(As of October 31, 2022)

Operating Outlets:

Alabama

1. Birmingham and Huntsville Area
Raymond and Shelby Osburn
P.O. Box 36416
Hoover, Alabama 35244
205-985-4044

Delaware, Maryland, New Jersey, and Pennsylvania

2. Wilmington, Delaware Area; Baltimore, Maryland Area; Atlantic City, New Jersey Area; and Philadelphia, Pennsylvania Area
MacBeth Farm LLC (George MacBeth)
27 Paulson Place
Haworth, New Jersey 07641
201-387-7997

Florida

3. Ft. Lauderdale/Miami Area
Mark Worsdale
7104 SW 47th Street
Miami, Florida 33155
305-665-7542
4. Naples Area
Simon Brooker
2154 Corporation Blvd.
Naples, Florida 34109
239-455-5513
5. Ocala Area
Charles D. Hagood
4300 SE 44th Avenue Road
Ocala, Florida 34480
352-624-2900
6. Palm Beach Area
Robin Blakeman
17071 93rd Road N.,
Loxahatchee, Florida 33470
561-784-5040

Illinois

7. Chicago Area
Kenny Galt
324 N. Eisenhower Lane
Lombard, Illinois 60148
630-953-2683

Michigan

8. Lansing Area
Maher Abd Mahmoud
1027 S. Washington Avenue
Lansing, Michigan 48910
517-482-7300

Mississippi

9. Biloxi/Gulfport Area and Hattiesburg/Pascagoula Area
Mildred Hunt and Donna Pelto
230 Hunt Road
Perkinston, Mississippi 39573
601-928-9781

New Jersey & New York

10. Newark Area & Rockland County, New York
Horne Farm, Inc. (George MacBeth)
27 Paulson Place
Haworth, New Jersey 07641
201-387-7997

North Carolina & South Carolina

11. Wilmington, North Carolina & Myrtle Beach, South Carolina
Thomas and Tina Wallace
441 Shipyard Boulevard
Wilmington, North Carolina 28412
910-395-5536

Tennessee

12. Jackson Area
Chuck & Brenda Tomlin
778 Airways Blvd.
Jackson, Tennessee 38301
731-427-8350

13. Memphis Area
Bruce and Crystal Miller
P.O. Box 7
Cordova, Tennessee 38088-0007
901-386-3791

Texas

14. Dallas/Ft. Worth Area
Hansal Sheth and Jayna Mehta
P. O. Box 1694
Allen, Texas 75013
972-291-9000

Franchise Agreement Signed But Outlet Not Yet Open (as of 10/31/2022):

None

EXHIBIT D TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
(As of October 31, 2022)

The following is a list of the name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance 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.

North Carolina

Outer Banks Area

Garry Acree

5536 Willow Lake Road

Chesapeake, VA 23321

757-405-0078

(Non-renewal at expiration of Franchise Agreement)

EXHIBIT E TO THE DISCLOSURE DOCUMENT

TABLE OF CONTENTS OF OPERATIONS MANUAL



Master Table of Contents of Operations Manual

Section Title	Number of Pages
1. Company Introduction	40
2. Sales & Marketing	253
3. Profit Centers & Contracts	45
4. Holiday Program	45
5. Design, Bidding, & Proposal Preparation	48
6. Purchasing & Storing Plants, Containers, and Misc. Materials	68
7. Installations	61
8. Professional Plant Health Management	315
9. OSHA Written Hazard Communication Program & Chemical Usage Handbook	323
10. Financial Management & Office Procedures	166
11. Guide for Employee Handbook	<u>27</u>

1,391 Pages*

*Plus applicable inserts, forms, electronic media, and practical examples, which may supplement any section of the Operations Manual.

EXHIBIT F TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

FOLIAGE DESIGN SYSTEMS
FRANCHISE COMPANY

FINANCIAL REPORT

OCTOBER 31, 2022, 2021 and 2020

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Balance sheets	3 and 4
Statements of income	5
Statements of changes in stockholders' equity	6
Statements of cash flows	7
Notes to financial statements	8 – 14

Manuel Naya Jr., CPA LLC

Certified Public Accountant

**225 South Swoope Ave. Suite 106
Maitland, FL 32751**

407-434-1320

Independent Auditors' Report

To the Board of Directors and Stockholders of
Foliage Design Systems Franchise Company
Orlando, Florida

Opinion

We have audited the accompanying financial statements of Foliage Design Systems Franchise Company (an S corporation), which comprise the balance sheets as of October 31, 2022, 2021, and 2020, and the related statements of income and comprehensive income, changes in stockholders equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Manuel Naya Jr., CPA, LLC

January 27, 2023

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

BALANCE SHEETS

October 31, 2022, 2021 and 2020

ASSETS	<u>2022</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash	\$ 113,834	\$ 38,198	\$ 71,576
Accounts receivable, net of allowance for doubtful accounts	24,132	23,038	25,350
Inventories	1,869	2,054	2,257
Prepaid expenses	<u>2,304</u>	<u>2,304</u>	<u>2,304</u>
Total current assets	<u>142,139</u>	<u>65,594</u>	<u>101,487</u>
PROPERTY AND EQUIPMENT			
Furniture and fixtures	23,112	23,112	23,112
Leasehold improvements	<u>1,549</u>	<u>1,549</u>	<u>1,549</u>
	24,661	24,661	24,661
Less accumulated depreciation	<u>(24,661)</u>	<u>(24,661)</u>	<u>(24,661)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
OTHER ASSETS			
Federal tax deposit	8,296	19,762	3,829
Investments	13,043	9,929	5,805
Deferred expense, incentive fees, net of amortization	-	2,500	5,000
Receivables due from related entities	474,779	363,945	317,273
Stockholder advances	<u>1,014</u>	<u>1,014</u>	<u>1,014</u>
	<u>497,132</u>	<u>397,150</u>	<u>332,921</u>
	<u>\$ 639,271</u>	<u>\$ 462,744</u>	<u>\$ 434,408</u>

The Notes to Financial Statements are an integral part of these statements.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

BALANCE SHEETS

October 31, 2022, 2021 and 2020

LIABILITIES AND STOCKHOLDERS' EQUITY	<u>2022</u>	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES			
Accounts payable	\$ 16,468	\$ 8,239	\$ -
Accrued expenses	5,691	1,878	4,375
Accrued payroll	468	-	-
Deferred revenue	<u>334</u>	<u>6,484</u>	<u>1,818</u>
Total current liabilities	<u>22,961</u>	<u>16,601</u>	<u>6,193</u>
LONG-TERM LIABILITIES			
Payables due to related entities	-	547	10,417
Deferred revenue, less current portion	<u>-</u>	<u>334</u>	<u>1,958</u>
Total long-term liabilities	<u>-</u>	<u>881</u>	<u>12,375</u>
STOCKHOLDERS' EQUITY			
Common stock, common, \$.50 par value; authorized 10,000 shares, issued and outstanding 7,599.20	3,800	3,800	3,800
Additional paid-in capital	141,234	141,234	141,234
Retained earnings	<u>471,276</u>	<u>300,228</u>	<u>270,806</u>
	<u>616,310</u>	<u>445,262</u>	<u>415,840</u>
	<u>\$ 639,271</u>	<u>\$ 462,744</u>	<u>\$ 434,408</u>

The Notes to Financial Statements are an integral part of these statements.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

STATEMENTS OF INCOME
For The Years Ended October 31, 2022, 2021 and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Royalty fees	\$ 249,221	\$ 235,091	\$ 286,727
Selling, general and administrative expenses	<u>351,569</u>	<u>338,543</u>	<u>352,681</u>
Loss from operations	<u>(102,348)</u>	<u>(103,452)</u>	<u>(65,954)</u>
Other income (expenses):			
Management fees	264,291	233,108	233,925
Dividend income	379	245	231
Training fee	5,000	-	-
Unrealized holding gain (loss) on marketable securities arising during the period	3,114	4,124	(2,095)
Miscellaneous Income	-	-	22
Interest expense	-	-	(17)
Net supply and promotional	<u>612</u>	<u>577</u>	<u>248</u>
	<u>273,396</u>	<u>238,054</u>	<u>232,314</u>
Net income	<u>\$ 171,048</u>	<u>\$ 134,602</u>	<u>\$ 166,360</u>

The Notes to Financial Statements are an integral part of these statements.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For The Years Ended October 31, 2022, 2021 and 2020

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance, October 31, 2019	\$ 3,800	\$ 141,234	\$ 4,444	\$ 105,736	\$ 255,214
Net income	-	-	-	166,360	166,360
Prior period adjustment - deferred income (Note 7 - Recently Adopted Accounting Standards) (ASU 2014-09)	-	-	-	(5,734)	(5,734)
Retroactive restatement (Note 7 - Recently adopted Accounting Standards (ASU 2016-01))	-	-	(4,444)	4,444	-
Balance, October 31, 2020	3,800	141,234	-	270,806	415,840
Net income	-	-	-	134,602	134,602
Dividend distributions	-	-	-	(105,180)	(105,180)
Balance, October 31, 2021	3,800	141,234	-	300,228	445,262
Net income	-	-	-	171,048	171,048
Balance, October 31, 2022	<u>\$ 3,800</u>	<u>\$ 141,234</u>	<u>\$ -</u>	<u>\$ 471,276</u>	<u>\$ 616,310</u>

The Notes to Financial Statements are an integral part of these statements.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

STATEMENTS OF CASH FLOWS
For The Years Ended October 31, 2022, 2021 and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 171,048	\$ 134,602	\$ 166,360
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Unrealized (gain)/loss on investments	(3,114)	(4,124)	2,095
Amortization	2,500	2,500	2,500
Deferred revenue	(6,484)	3,042	(1,958)
(Increase) decrease in:			
Accounts receivable	(1,094)	2,312	19,281
Inventories	185	203	154
Increase (decrease) in:			
Accounts payable	8,229	8,239	(3,359)
Accrued expenses	3,813	(2,497)	(138)
Accrued payroll	468	-	-
Net cash provided by operating activities	<u>175,551</u>	<u>144,277</u>	<u>184,935</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in federal tax deposit	11,466	(15,933)	(2,345)
(Loans to) repayment by related parties	<u>(110,834)</u>	<u>(46,672)</u>	<u>(102,505)</u>
Net cash used in investing activities	<u>(99,368)</u>	<u>(62,605)</u>	<u>(104,850)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from (repayment to) related parties	(547)	(9,870)	(18,761)
Distributions to stockholders	<u>-</u>	<u>(105,180)</u>	<u>-</u>
Net cash used in financing activities	<u>(547)</u>	<u>(115,050)</u>	<u>(18,761)</u>
 Increase (decrease) in cash	 75,636	 (33,378)	 61,324
Cash at beginning of year	<u>38,198</u>	<u>71,576</u>	<u>10,252</u>
Cash at end of year	<u>\$ 113,834</u>	<u>\$ 38,198</u>	<u>\$ 71,576</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>

The Notes to Financial Statements are an integral part of these statements.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

NOTES TO FINANCIAL STATEMENTS

For The Years Ended October 31, 2022, 2021 and 2020

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Foliage Design Systems Franchise Company (the Company) markets and sells franchises authorizing its franchisees to operate businesses of marketing, leasing and maintenance of foliage plants and related services under the name Foliage Design Systems. As of October 31, 2022, there are 14 franchise owners of 19 franchise territories in 14 states. At October 31, 2021, there were 15 franchise owners of 20 franchise territories in 14 states. At October 31, 2020, there were 16 franchise owners of 22 franchise territories in 15 states.

Income from the sale of a franchise is received in the year of the sale and is earned starting on the commencement date of the agreement and is earned over time based on the term of the underlying franchise agreement. The Company collects royalty fees from its franchisees based on a percent of sales or a monthly flat fee. The Company also sells marketing materials to the franchisees. Income resulting from transfer of a franchise is recorded as income in the year of transfer.

Significant accounting policies are as follows:

Basis of accounting

These statements are prepared using the accrual basis of accounting.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. There are no cash equivalents at October 31, 2022, 2021 and 2020.

Accounts receivable:

Accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on prior years' experience and management analysis of possible bad debts. The allowance for doubtful accounts at October 31, 2022 and 2021 is \$2,500 for each of those years. At October 31, 2020 the allowance was \$5,000. Receivables are charged to the allowance when in management's estimate, it is probable that the receivable is worthless.

Inventory:

Inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventory consists of promotional materials.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

NOTES TO FINANCIAL STATEMENTS

For The Years Ended October 31, 2022, 2021 and 2020

Note 1. Nature of Business and Significant Accounting Policies (continued)

Property and equipment:

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the assets using both the straight-line and declining-balance methods.

Income taxes (in part):

The Company uses the accelerated cost recovery system methods for recording depreciation for tax purposes, while using the straight-line and declining-balance methods of depreciation over the estimated economic useful life of the assets for financial statement presentation.

The Company, with the consent of its stockholders, has elected S corporation status. Earnings and losses are included in the federal income tax returns of the stockholders. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Use of estimates in the preparation of financial statements:

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

Fair value of financial instruments:

Unless otherwise indicated, the fair value of all reported asset and liabilities, which represent financial instruments, approximate the carrying value of such amounts.

Subsequent events:

The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements, through the date the financial statements were available to be issued, on January 27, 2023. No subsequent events have been recognized or disclosed.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

NOTES TO FINANCIAL STATEMENTS

For The Years Ended October 31, 2022, 2021 and 2020

Note 1. Nature of Business and Significant Accounting Policies (continued)

Revenue Recognition:

Income from the sale of a franchise is received in the year of the sale and is earned starting on the commencement date of the agreement over time based on the term of the underlying franchise agreement in accordance with ASU 2014-09, "*Revenue from Contracts with Customers*". In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination.

Royalty revenues represent sale-based royalties that are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to the performance obligation of the franchisees to maintain the intellectual property being licensed in accordance with ASU 2014-09, "*Revenue from Contracts with Customers*".

Management fee revenues represent fees for managing the franchisees that are recognized in the period in which the services were performed. Management fee revenues are variable consideration related to the performance obligation of providing the back-office support for the franchisee in accordance with ASU 2014-09, "*Revenue from Contracts with Customers*".

With the exception of income from the sale of a franchise, revenues are typically billed and collected on a monthly basis.

Note 2. Investments

The Company considers all investments to be held for more than one year, and as such, are not current assets in nature. Investments are carried at fair value, with the unrealized gains and losses reported as investment gains and losses on the statement of income pursuant to ASU 2016-01 described in Note 7. Fair value was measured using quoted price on an active market (Level 1). The basis and fair value of investments in equity securities are as follows:

	<u>2022</u>	October 31, <u>2021</u>	<u>2020</u>
Basis	\$3,456	\$ 3,456	\$ 3,456
Net unrealized gain	<u>9,587</u>	<u>6,473</u>	<u>2,349</u>
Fair value	<u>\$13,043</u>	<u>\$ 9,929</u>	<u>\$ 5,805</u>

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

NOTES TO FINANCIAL STATEMENTS

For The Years Ended October 31, 2022, 2021 and 2020

Note 2. Investments (continued)

Fair Value Measurements

Fair value assumptions are based on the framework established in the fair value accounting guidance under GAAP. The framework specifies a hierarchy of valuation inputs which was established to increase consistency, clarity, and comparability in fair value measurements and related disclosures. The guidance describes the following fair value hierarchy based upon three levels of inputs that may be used to measure fair value, two of which are considered observable and one that is considered unobservable:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company has the ability to access.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability either directly or indirectly; such as, quoted prices for similar assets or liabilities or other inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs for the asset or liability, which are typically based on the Company's own assumptions, as there is little, if any, related market activity.

When market data inputs are unobservable, the Company utilizes inputs that it believes reflect the Company's best estimate of the assumptions market participants would use in pricing the asset or liability. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Note 3. Deferred Expense, Incentive Fees

The Company incurred an incentive fee of \$25,000 at the execution of a franchise transfer on October 24, 2012. The fee is amortized over the term of the successor franchise agreement, or ten years. Amortization expense for each of the fiscal years ending October 31, 2022, 2021, and 2020, was \$2,500. Accumulated amortization as of October 31, 2022, 2021, and 2020 is \$25,000, \$22,500, and \$20,000, respectively.

Note 4. Concentrations of Credit Risk

In the normal course of operations, the Company extends unsecured credit to its franchisees that are located in the United States. All of the Company's accounts receivables are from these franchisees.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

NOTES TO FINANCIAL STATEMENTS

For The Years Ended October 31, 2022, 2021 and 2020

Note 5. Related Party Transactions

The Company has advanced funds to its stockholders. The advances are due on demand. At October 31, 2022, 2021, and 2020, a total of \$1,014 is due on these advances.

The Company has advanced funds to Greenbelt Properties, LLC, an entity that is owned by the stockholders of the Company. There are no stated terms for repayment. At October 31, 2022, 2021, and 2020, \$21,454 is due on these advances, which is included in receivables due from related entities. As part of this arrangement, Greenbelt Properties, LLC provides use of office space on a rent-free basis.

The stockholders of the Company own 100% of the stock of Foliage Design Systems of Central Florida, Inc. The Company provides management services to Foliage Design Systems of Central Florida, Inc. Management fee income for the years ended October 31, 2022, 2021, and 2020 was \$245,667, \$216,432, and \$215,325 respectively. As part of this arrangement, Foliage Design Systems of Central Florida, Inc. does not pay royalty fees to the Company.

At October 31, 2022, 2021, and 2020 the Company advanced Foliage Design Systems of Central Florida, Inc. funds, which is included in receivables due from related entities, a total of \$432,844, \$342,491 and \$295,819, respectively. There are no stated terms for repayment.

The stockholders of the Company own 100% of the stock of Foliage Design Systems of Northeast Florida, Inc. The Company provides management services to Foliage Design Systems of Northeast Florida, Inc. Management fee income for the years ended October 31, 2022, 2021, and 2020 was \$18,624, \$16,676, and \$18,600 respectively. As part of this arrangement, Foliage Design Systems of Northeast Florida, Inc. does not pay royalty fees to the Company.

At October 31, 2022, the Company advanced Foliage Design Systems of Central Florida, Inc. funds, which is included in receivables due from related entities, a total of \$20,481. At October 31, 2021 and 2020 the Company owed Foliage Design Systems of Northeast Florida, Inc. funds, which is included in payables due to related entities, a total of \$547 and \$10,417, respectively. There are no stated terms for repayment.

Foliage Design Systems of Central Florida, Inc. pays administrative payroll for resources that are used by Foliage Design Systems Franchise Company. These resources are allocated against the management fees Foliage Design Systems of Central Florida, Inc. owes to Foliage Design Systems Franchise Company.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

NOTES TO FINANCIAL STATEMENTS

For The Years Ended October 31, 2022, 2021 and 2020

Note 6. Geographic Concentrations and Market Risk

The Company earned approximately 13%, 12% and 11% of royalty fees from franchises in the State of Florida for the years ended October 31, 2022, 2021 and 2020, respectively. For the year ended October 31, 2022, the Company also earned approximately 17% of royalty fees from franchises in both the State of Alabama and New Jersey. The Company held approximately 16%, 10% and 10% of receivables outstanding as of October 31, 2022, 2021 and 2020, respectively, from the State of Florida. As of October 31, 2022, the Company also held approximately 13% and 18% of receivables outstanding from the State of Alabama and New Jersey, respectively. As a result of this concentration, economic floatation of these states could materially affect the Company.

Note 7. Recently Adopted Accounting Standards

Effective November 1, 2019, the Company adopted ASU 2014-09, "*Revenue from Contracts with Customers* (Topic 606)" and all subsequent ASUs that modified Topic 606. The Company elected to apply the modified retrospective method of adoption to those contracts which were not completed as of October 31, 2019.

In doing so the Company applied the practical expedient to aggregate all contract modification that occurred before October 31, 2019 in determining the satisfied and unsatisfied performed obligations, the transaction price and the allocation of the transaction price to the satisfied and unsatisfied performance obligations. Results for reporting periods beginning after October 31, 2019 are presented under Topic 606.

Prior period amounts are not adjusted and continue to be reported in accordance with the Company's historical accounting under Accounting Standards Codification 605 "Revenue Recognition." The cumulative effect adjustment as of November 1, 2019 is \$5,734 and is included in the accompanying statements of changes in stockholders' equity for the years ended October 31, 2022, 2021 and 2020.

Additionally, effective November 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-01 *Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which requires that the Company to measure all equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in net income.

FOLIAGE DESIGN SYSTEMS FRANCHISE COMPANY

NOTES TO FINANCIAL STATEMENTS

For The Years Ended October 31, 2022, 2021 and 2020

Note 7. Recently Adopted Accounting Standards (continued)

Prior to the adoption of ASU 2016-01, marketable equity securities not accounted for under the equity method were classified as trading or available-for-sale. As a result of the ASU, both realized and unrealized gains and losses on equity securities classified as trading securities were recognized in net income.

The cumulative effect adjustment as of November 1, 2019 is \$4,444 and is included in the accompanying statements of changes in stockholders' equity for the years ended October 31, 2022, 2021 and 2020. The unrealized gain of \$3,114 is included as investment gain in the statement of income for the year ended October 31, 2022.

EXHIBIT G TO THE DISCLOSURE DOCUMENT
STATE ADDENDA TO THE DISCLOSURE DOCUMENT

NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled **"Requirements for franchisee to renew or extend,"** and Item 17(m), entitled **"Conditions for franchisor approval of transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this

proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**,” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

EXHIBIT H TO THE DISCLOSURE DOCUMENT

GENERAL RELEASE

THIS RELEASE is made and given by _____,
("Releasor") with reference to the following facts:

1. Releasor and Foliage Design Systems Franchise Company (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

_____ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

_____ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, officers, directors, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims that the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

7. Releasor agrees to comply with all of its applicable post-termination or post-transfer obligations (as the case may be) in the Franchise Agreement described above.

RELEASOR:

(Name)

FRANCHISOR:
FOLIAGE DESIGN SYSTEMS FRANCHISE
COMPANY

By: _____
Name: _____
Title: _____

EXHIBIT I
STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, 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
Michigan	April 2, 2022
New York	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.

EXHIBIT J
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 Foliage Design Systems Franchise Company offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give 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.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Foliage Design Systems Franchise Company 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, DC 20580, and the appropriate state agency listed on Exhibit A.

The franchisor is Foliage Design Systems Franchise Company, located at 7048 Narcoossee Road, Orlando, Florida 32822. Its telephone number is (800) 933-7351.

Issuance date: February 10, 2023

The franchise seller for this offering is:

X David Liu at 7048 Narcoossee Road, Orlando, Florida 32822 (800) 933-7351.

— _____, _____; _____.

Foliage Design Systems Franchise Company authorizes the agents listed in Exhibit A to receive service of process for us in that particular state.

I have received a disclosure document dated February 10, 2023 that included the following Exhibits:

A – State Regulatory Authorities and Registered Agents

B – Franchise Agreement

Schedule 1- Location of Franchised Business

Schedule 2- Guaranty and Assumption of Obligations

Schedule 3- Confidentiality, Non-Disclosure, and Non-Compete Agreement

Schedule 4- Franchisee Disclosure Acknowledgment Statement

Schedule 5- [Reserved]

Schedule 6- SBA Addendum

- C – List of Current Franchisees
- D – List of Franchisees Who Have Left The System
- E – Table of Contents of Operations Manual
- F – Financial Statements
- G – State Addenda to the Disclosure Document
- H – General Release
- I – State Effective Dates
- J - Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please sign, date, and retain this copy for your records.

EXHIBIT J
RECEIPT

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Michigan requires that we give 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.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Foliage Design Systems Franchise Company 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, DC 20580, and the appropriate state agency listed on Exhibit A.

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G – State Addenda to the Disclosure Document
H – General Release
I – State Effective Dates
J - Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please sign, date, and return this copy to us.