

FRANCHISE DISCLOSURE DOCUMENT

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

A Florida Limited Liability Company

1007 N. Federal Highway, #1015

Fort Lauderdale FL 33304

800-895-2729

www.pacificfranchise.com

franchising@pacificlawnsprinklers.com



The franchisee will provide certain installation and maintenance services and related products for residential and small commercial facilities based on leads distributed from a call center system ("Combo Franchise"), or the franchisee will provide certain maintenance services and related products, but not installation services, for residential and small commercial facilities based on leads distributed from a call center system ("Service Franchise").

The total investment necessary to begin operation of a Pacific Lawn Sprinklers Combo Franchise ranges from \$16,800 to \$101,650, including \$7,500 to \$40,000 that must be paid to the franchisor. The total investment necessary to begin operation of a Pacific Lawn Sprinklers Service Franchise ranges from \$16,100 to \$79,700, including \$7,500 to \$40,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mary Mahoney at Pacific Lawn Sprinklers Franchise LLC, 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304 and (800) 895-2729.

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: April 29, 2022

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 D and E.
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 G 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 Pacific Lawn Sprinklers 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 franchise 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 Pacific Lawn Sprinklers franchise?	Item 20 or Exhibits D and E list 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 that 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 Risk(s) 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 arbitration or litigation only in Florida. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with franchisor in Florida than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" to see whether your state requires other risks to be highlighted

TABLE OF CONTENTS

ITEM 1	1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2	2
BUSINESS EXPERIENCE	2
ITEM 3	3
LITIGATION	3
ITEM 4	3
BANKRUPTCY	3
ITEM 5	3
INITIAL FEES	3
ITEM 6	4
OTHER FEES	4
ITEM 7	14
ESTIMATED INITIAL INVESTMENT	14
ITEM 8	18
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	18
ITEM 9	21
FRANCHISEE’S OBLIGATIONS	21
ITEM 10	22
FINANCING	22
ITEM 11	23
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	23
ITEM 12	28
TERRITORY	28
ITEM 13	31
TRADEMARKS	31
ITEM 14	32
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	32
ITEM 15	33
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	33
ITEM 16	34
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	34
ITEM 17	35

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	35
ITEM 18	37
PUBLIC FIGURES	37
ITEM 19	37
FINANCIAL PERFORMANCE REPRESENTATIONS	37
ITEM 20	41
OUTLETS AND FRANCHISEE INFORMATION	41
ITEM 21	43
FINANCIAL STATEMENTS.....	43
ITEM 22	43
CONTRACTS	43
ITEM 23	44
RECEIPTS.....	44

EXHIBITS

Exhibit A – State Administrators/Agents for Service of Process

Exhibit B – State Specific Addenda

Exhibit C – Franchise Agreement with Exhibits

Exhibit D – List of Franchisees

Exhibit E – List of Franchisees Who Have Left the System

Exhibit F – Table of Contents of Operations Manual

Exhibit G – Financial Statements

Exhibit H – Promissory Note

Exhibit I – Receipts

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

Pacific Lawn Sprinklers Franchise LLC (“we”, “our” or “us”) is a Florida limited liability company that was formed on January 22, 2021 and has its principal place of business at 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304. We do business under our corporate and under our trade name “Pacific Lawn Sprinklers.” We will refer to the person who buys this franchise as “you” or “your” throughout this Disclosure Document. If the franchise purchaser is a business entity, “you” or “your” also includes each partner, shareholder and/or other owner of that entity.

We are offering franchises for the operation of businesses operating under the “Pacific Lawn Sprinklers” name which provide installation and maintenance services to consumers for both residential and small commercial facilities, including, but not limited to, the service and installation of lawn sprinkler systems, low voltage and LED landscape lighting systems, outdoor drainage systems, insect control systems, and the design and installation of holiday decorations and displays (collectively referred to in this Disclosure Document as the “Services”). If you purchase a “Combo Franchise”, you will provide all of the Services based on leads distributed from the Call Center (defined below). If you purchase a “Service Franchise”, you will provide all of the Services based on leads distributed from the Call Center, except (a) we will not distribute leads for you for installation services and (b) you may only get holiday installation leads for those jobs where the customer supplies the decorations and materials. Regardless of which type of franchise you purchase, you will be granted the right to provide Services to the number of customers we determine may be adequately serviced utilizing (a) a single Service Vehicle (for a Service Franchise), or (b) two (2) Service Vehicles (for a Combo Franchise). In the event you would like to provide the Services to additional customers, you may, subject to our approval, purchase an “Add-On Franchise”. We began offering businesses of the type being franchised in 2004. We have never offered franchises in any other line of business. Our agents for service of process are listed in Exhibit A.

Our Predecessor and Affiliates

Our predecessor was Pacific Lawn Sprinklers Franchise LLC, a New York limited liability company, formed on November 20, 2003 with an address at 22-42 129th Street, College Point, NY 11356. We merged with our predecessor effective March 31, 2021 and we are the surviving entity. We have three affiliates. The principal business address of all of our affiliates is 2242 129th Street, College Point, NY 11356. Pacific Lawn Sprinklers Inc., a New York corporation (“Pacific Lawn Inc.”) that was formed in November 1984, performs the same services as our franchisees will perform. Pacific Lawn Sprinklers LLC, a New York limited liability company that was formed in September 2004, owns the “Pacific Lawn Sprinklers” service marks and has licensed them to us (see Item 13). Pacific Lawn Sprinklers Hub Inc., a New York corporation that was formed in February 2006, is the management company that operates the call center system (“Call Center”) described in Item 8 of this Disclosure Document. Our affiliates have never offered franchises in this or any other line of business. We have no corporate parent.

The System

Our system includes a method of selling products and providing the Services for the residential and small commercial markets; color scheme and custom lettered vehicles; materials and supplies; using the designated Call Center, which will use its best efforts to dispatch leads for each franchisee and provide back office support and services; methods, specifications and procedures for operations; procedures for management control; training and assistance; 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 “Pacific Lawn Sprinklers”, which is registered and as is now designated and may in the future be designated by us in writing for use with the System (the “Proprietary Mark”).

The Franchise Offered

We offer you a franchise agreement (the “Franchise Agreement”) which gives you the right to establish and operate a Combo Franchise or Service Franchise for the number of customers we determine may be adequately served by a single Service Vehicle (for a Service Franchise) or by two (2) Service Vehicles (for a Combo Franchise) in an area that we mutually agree on (“Service Area”). We refer to the franchise offering that you purchase as the “Franchised Business”. The Franchise Agreement gives you the right to use the Proprietary Mark and the System solely with the operation of the Franchised Business, which you must operate from an approved location. The Service Franchise, Combo Franchise and Add-On Franchise are described in more detail on the FTC Cover page and above in this Item 1.

Competition

In general, the lawn sprinkler and improvement businesses are competitive, but quite fragmented. Your competition will come primarily from other businesses offering lawn care, landscaping, pest control, and/or home improvement services. In some markets, these businesses are locally based and in other markets may include regional or national chains as competitors.

Industry Specific Laws

You must comply with any state or local licensing or regulatory requirements that may apply to this business. You must meet all local, state, or federal contracting laws that may apply to offering this business. In addition, you may be required to undergo a criminal background check and a credit check. You should seek counsel or contact your state and local agencies for detailed information about applicable laws and regulations. There may be other laws of general applicability that could impact your operation.

ITEM 2 **BUSINESS EXPERIENCE**

Chief Executive Officer: Mary Mahoney	She has served as our CEO and CTO since March 2021. From January 2007 through March 2021, she served as the CEO of our predecessor Pacific Lawn Sprinklers Franchise LLC. From March 2006 to March 2021, she served as the CTO of our predecessor. She joined our affiliate Pacific Lawn Inc. in March 1995 as an accounts receivable supervisor.
President: John L. Dellafiora	He has served as our President since March 2021. From November 2003 to March 2021, he served as the President of our predecessor Pacific Lawn Sprinklers Franchise LLC. Since 1980, he has held various executive positions with Pacific Lawn Inc.

Vice President: Peter Dellafiora	He has served as our Vice President since March 2021. From November 2003 to March 2021, he served as Vice President for our predecessor Pacific Lawn Sprinklers Franchise LLC. He has held various executive positions with our affiliate Pacific Lawn Inc. since 1980.
Secretary/Treasurer: Stephen Dellafiora	He has served as our Secretary/Treasurer since March 2021. From November 2003 to March 2021, he served as Secretary/Treasurer for our predecessor Pacific Lawn Sprinklers Franchise LLC. Since 1980, he has held various executive positions with Pacific Lawn Inc.
Franchise Developer: Stephen Dellafiora, Jr.	He has served as a Franchise Developer since March 2021. From August 2017 to March 2021, he served as a franchise developer with our predecessor Pacific Lawn Sprinklers Franchise LLC. Since 2011 Stephen has been President of Della Industries, Inc. and operator of a multi-unit franchise.
Franchise Developer: Steven Licul	He has been a franchise developer with us since March 2021. From August 2017 to March 2021, he served as a franchise developer with our predecessor Pacific Lawn Sprinklers Franchise LLC. From 2011 until July 2017 Stephen was Supervisor at Della Industries, Inc. and operator of a multi-unit franchise.
Director of Franchise Development: Margaret DeSantis	She has served as our Director of Franchise Development since March 2021. From November 2003 to March 2021, she served as the Director of Franchise Development for our predecessor Pacific Lawn Sprinklers Franchise LLC. She has also served as a manager for Pacific Lawn Inc. since January 1986.
Chief Administrative Officer: Donna Rostolder	She has served as our Chief Administrative Officer since March 2021. From November 2003 to March 2021, she served as the Chief Administrative Officer for our predecessor Pacific Lawn Sprinklers Franchise LLC. She has served as Chief Administrative Officer of Pacific Lawn Inc. since March 1998 and as Chief Executive Officer of Pacific Lawn Sprinklers Hub Inc. since May 2006.
Chief Marketing Director: Christine Vigorito	She has served as our Chief Marketing Director since March 2021. From 2015 to March 2021, she served as the Chief Marketing Director for our predecessor Pacific Lawn Sprinklers Franchise LLC.
Associate Director of Franchise Training and Support: Michael Pawluk	He has served as the Associate Director of Franchise Training and Support since March 2021. From 2018 through March 2021, he served as the Associate Director of Franchise Training and Support for our predecessor Pacific Lawn Sprinklers Franchise LLC. From January 2007 through December 2017, he worked as a Field Supervisor for Della Industries, Inc.

Director of Digital Marketing: Nick Licul	He has served as the Director of Digital Marketing since August 2021. Prior to that, he served as Digital Media Manager of Top Line Cabinets in Huntersville, NC from July 2018 through August 2021, and as the Social Media Manager of Cabinets Plus, Inc. in Kannapolis, NC from January 2015 through July 2018.
---	--

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

ITEM 5 **INITIAL FEES**

Initial Franchise Fee

When you purchase a Combo Franchise or Service Franchise, you must pay to us an initial franchise fee upon execution of the Franchise Agreement. The initial franchise fee ranges from \$7,500 to \$35,000, depending on the type of franchise you purchase, as set forth in the chart below.

<u>Type of Franchise</u>	<u>Initial Franchise Fee</u>
Add-On Franchise ⁽¹⁾	\$7,500
Service Franchise – Emerging Area ⁽²⁾	\$25,000
Service Franchise – Established Area ⁽²⁾	\$35,000
Combo Franchise – Emerging Area ⁽²⁾	\$25,000
Combo Franchise – Established Area ⁽²⁾	\$35,000

- (1) If you are an existing franchisee in good standing and you purchase an additional franchised business, truck or route within your existing Service Area (“Add-On Franchise”), you will pay our then-current initial franchise fee for an Add-On Franchise, which is currently \$7,500 for each additional franchised business, truck or route, but we will not finance this initial franchise fee under any circumstances
- (2) The initial franchise fee for a Combo Franchise or a Service Franchise, is \$35,000. The initial franchise fee for a Combo Franchise or a Service Franchise in an emerging area, is \$25,000. An emerging area will be determined, in our sole judgment, based on the previous exposure to the Pacific

Lawn Sprinkler brand (or another brand acquired by us) in the Service Area.

The initial franchise fee is payable in a lump sum. The initial franchise fee is fully earned when paid and non-refundable. We have the option of financing the entire initial franchise fee for franchisees (except if you are an existing franchise purchasing an additional franchised business), provided they are creditworthy. The details of this financing option are discussed in Item 10.

Grand Opening Advertising Fee

Upon execution of a Franchise Agreement for a Combo Franchise or Service Franchise, you must pay us a grand opening advertising fee which will range from \$0 to \$5,000 depending on what we determine in our sole judgment is necessary in the service area in which you will be providing the Services, and on what type of franchise you purchase. If you are purchasing an Add-On Franchise, we will not collect a Grand Opening Advertising Fee. For a Service Franchise or Combo Franchise, this fee will be used for grand opening advertising and other local advertising and promotion of your franchise from one month before opening through the third month after you open. The grand opening advertising fee is payable in a lump sum, is fully earned when paid and is non-refundable.

ITEM 6 **OTHER FEES**

Type of Fee (Note 1)	Amount	Date Due	Remarks
Continuing Royalty Fee	10% of Net Revenues for the prior month's operations, subject to the Minimum Continuing Royalty Fee (See Note 2). Minimum Continuing Royalty Fee is between \$7,500 (or 10% of Net Revenues) and \$45,000 (or 10% of Net Revenues) depending on the type of Franchised Business you operate.	10 th of each month	Net Revenues is defined as revenues generated, billed but not collected, earned, derived and/or received from customers, whether for cash or credit, plus all other revenues derived from your business, excluding taxes collected from customers, and refunds. We reserve the right to collect your Royalty on a different interval (for example, weekly).
Call Center Administration Fee	Varies based on the type of Franchised Business you operate, subject to annual increase in an amount not to exceed 3% (See Note 3)	See Note 3.	This fee is payable to our affiliate currently Pacific Lawn Sprinklers Hub Inc.) and it covers its administrative expenses for operating the Call Center. Payment of the annual fee will be based on a payment schedule. See Note 3.
Call Center Automated	Currently 0.20 per call, rates may	See Note 3.	This optional fee is payable to our affiliate (currently Pacific Lawn

Type of Fee (Note 1)	Amount	Date Due	Remarks
Collection Fee (optional)	increase if carrier increases. (See Note 3)		Sprinklers Hub Inc.) in the event you choose to have our affiliate make collection calls/texts on your behalf. Payment of this will be based on the number of calls and/or texts made on your behalf. See Note 3.
Bookkeeping Services (optional)	Varies based on the type of Franchised Business you operate, subject to annual increase in an amount not to exceed 3% for a particular type of Franchised Business (See Note 3)	See Note 3.	If you request, Pacific Lawn Sprinklers Hub Inc. may perform back-office bookkeeping and billing functions for the franchisee. Payment of the annual fee will be based on a payment schedule. See Note 3.
Additional Services Fee (optional)	Varies based on the type of Franchised Business you operate. We do not currently charge an Additional Services Fee, but we reserve the right to do so at any time in the future (See Note 3)	See Note 3.	At your request, we may, in our sole discretion, authorize you to provide additional services other than sprinkler, drainage, landscape lighting and holiday decorating. If you choose to provide one or more of these services, the fee will be based on type of service you choose to provide, and payment of the annual fee will be based on a payment schedule. See Note 3.
Optional Report and Alert Fee	Then-current fee to create and/or send the requested report or alert. Currently, \$220 per hour, or a lump sum mutually agreed upon.	As incurred	Subject to the schedules and availability of our support staff, you may request and we will create and send customer reports, email alerts or other dispatches created using information available to us through your computer system or elsewhere. You do not have a right to receive any such report, and we may decline to provide you with these optional services for any reason.
Ongoing / Refresher Training	Then-current training fee. Currently, \$500/ day per trainer.	Prior to training.	This fee is paid in connection with additional training/instruction that we may provide on an ongoing basis in connection with the overall operation and development of your Franchised Business. This training may be online, at corporate headquarters or another training location, your Franchised Business, or

Type of Fee (Note 1)	Amount	Date Due	Remarks
			elsewhere. We reserve the right to charge this fee (and any travel-related expenses) in connection with (a) re-training or replacement training with regards to the portions of the initial training that are designed for the franchisee owner and/or manager, (b) any training we require you to complete to cure a default under your Franchise Agreement with us (“Remedial Training”), (c) training you request we provide (other than the kind of day-to-day assistance described below), (d) training we provide on-site at your Franchised Business, or (e) up to five (5) days of mandatory training in connection with new/updated products, technology, software or system policies. We will not charge any training fee in connection with minor, day-to-day assistance that we provide remotely over the phone or via email, subject to our availability. In addition to our then-current training fee, you will always be responsible for the costs and expenses that are incurred in connection with you and your personnel attending training.
Brand Fund Contribution	Then current Brand Fund Contribution. Currently, the Brand Fund Contribution ranges between \$5,000 and \$23,000, depending on the type of franchise. See Note 3 for current contribution amounts for each type of franchise. Brand Fund Contribution is subject to annual increase in an	See Note 3.	Payment of the annual Brand Fund Contribution will be based on a payment schedule. This fee includes the placing of Internet and promotional advertising in your market. It also includes the cost to purchase the business assets (including customer lists/leads) from existing, competitive businesses. See Note 3.

Type of Fee (Note 1)	Amount	Date Due	Remarks
	amount not to exceed 3%.		
Transfer Fee	\$3,500	Upon transfer	No fee is imposed for transfers to corporations formed by you for the convenience of ownership. Fees are paid by either you or the buyer and will apply to each Franchise Agreement that is transferred or assigned to an approved third party. The buyer must sign a new franchise agreement with a new term and must pay the then-current initial training fee.
Rescheduling Fee	100% of the value of the cancelled job	When billed.	If you do not notify the Call Center at least 7 days prior to rescheduling or canceling a job, you will be required to pay this Rescheduling Fee.
Non-Compliance Fee	Infraction fee between \$250 and \$2,500	As incurred	This fee will be charged for Non-Compliance with the System Standards as outlined in the Operations Manual.
Special Non-Compliance Fee	100% of the value of the estimate or the work performed (minimum \$250)	As incurred	This fee will be charged if you perform any estimate or work for a customer without informing the Call Center, whether or not you receive compensation directly from the customer or third party. We can also terminate the Franchise Agreement if you do this.
Initial Training	No fee for the first person who attends training, except for the person's travel, meals and lodging. We will determine a per person fee for Additional Personnel Training which depends on the instructor's fee, travel, lodging, food and materials associated with the training topic	Pre-payment and pre-registration are required 30 days prior to class for Additional Personnel Training	We do not charge any additional money for the initial training for your first person (see Item 11).

Type of Fee (Note 1)	Amount	Date Due	Remarks
Audit	(a) the amount of the deficiency; and (b) if audit is due to non-reporting or understatement, then you must also pay the cost of the audit – see Remarks column	15 days after billing	You pay twice the deficiency; if an audit reveals understatement of greater than 2% or if you fail to furnish information in a timely fashion, you pay twice the deficiency or \$500, whichever is greater, plus the cost of the audit and can be terminated. If a deficiency occurs twice in any 12-month period, we have the right to terminate the Franchise Agreement without opportunity for you to cure the default.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from your Franchised Business' operations
Software Upgrades	This amount has yet to be determined, not to exceed \$2,500 per year	As incurred	This covers the cost of upgrading the recommended or approved Software. We anticipate four modules: operations, accounting, customer service and installations. We can increase the modules on notice to you
Software License Renewal Fee and Company Intranet Fee	This renewal fee will not exceed \$2,000 per year (estimated). Monthly fee for Company Intranet will be no more than \$15 per month per user	15 days from date of billing	This is the current annual renewal of the license for the installation software. The fee for access to the Company Intranet will be paid to us or a third party we selected to collect such monthly fees
Annual Franchisee Convention (if held)	Currently, free of charge.	As incurred	At least one person per franchise must attend this annual convention, which may last for a day. We reserve the right to charge a fee in the future.
Liquidated Damages	See Note 4	15 days after termination	See Note 4

Type of Fee (Note 1)	Amount	Date Due	Remarks
Interest on overdue amounts	3% above the prime rate of interest on the first day of each month or the maximum rate allowable by applicable law. See Note 5.	As agreed	Due on all overdue amounts
Insurance	You must reimburse our costs	As insurance carrier requires	See Note 6. Insurance company sets the premiums and you pay the insurance company, except that if you fail to pay premiums for required insurance, we may pay premiums and charge you for them. Premiums may vary depending upon factors such as the insurance company selected and your claims experience. (See Item 8)

- All fees are imposed by and payable to us or our affiliates and are non-refundable.
- Calculation of Continuing Royalty Fee:** You must pay a Continuing Royalty Fee of 10% of the Net Revenues of the prior month's operations. We will calculate the Continuing Royalty Fee based on the last day of each month, and the Continuing Royalty Fee will be automatically debited from your designated operating account on or before the 10th day of the month for the preceding month. The Continuing Royalty Fee that you pay each Calendar Year (defined, for your first calendar year of operation, as the time between the Effective Date and December 31 of the year of your Effective Date, and for each subsequent calendar year, as January 1 through December 31) will be subject to an annual minimum Continuing Royalty Fee (the "Minimum Continuing Royalty Fee"). If, in any Calendar Year, you have paid a cumulative Continuing Royalty Fee in an amount less than the total Minimum Continuing Royalty Fee due for the Calendar Year, we will invoice you for the remaining balance on December 31, and you must pay us the remaining balance by January 10 of the next Calendar Year. The Minimum Continuing Royalty Fee for each type of franchise is described in the tables below:

Type of Combo Franchise ⁽¹⁾	Minimum Continuing Royalty Fee (Annual) ⁽²⁾
Combo Franchise – Start Up Level 1	Greater of \$26,780 or 10% of Net Revenues
Combo Franchise – Experienced Level 2	Greater of \$36,050 or 10% of Net Revenues
Combo Franchise – Mature Level 3	Greater of \$46,350 or 10% of Net Revenues

Type of Service Franchise⁽³⁾	Minimum Continuing Royalty Fee (Annual)⁽²⁾
Service Franchise – Start Up Level 1	Greater of \$16,480 or 10% of Net Revenues
Service Franchise – Experienced Level 2	Greater of \$20,600 or 10% of Net Revenues
Service Franchise – Mature Level 3	Greater of \$26,780 or 10% of Net Revenues

Type of Add-On Franchise	Minimum Continuing Royalty Fee (Annual)
Add On Franchise – Start Up Level 1	Greater of \$8,240 or 10% of Net Revenues
Add On Franchise – Experienced Level 2	Greater of \$12,875 or 10% of Net Revenues
Add On Franchise – Mature Level 3	Greater of \$15,450 or 10% of Net Revenues

- (1) Mature (Level 3) Combo Franchise franchisees operate in a Service Area that, in our sole judgment, has a minimum of 2 years of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us); Experienced (Level 2) Combo Franchise franchisees operate in an area that, in our sole judgment, has a minimum of 1 year of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us); and Start-Up (Level 1) Combo Franchise franchisees operate in an area that, in our sole judgment, has less than 1 year of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us). As you continue to operate your Franchised Business and brand recognition increases in your Service Area, we will, each year and in our sole judgment, determine whether your Level 1 or Level 2 Franchised Business will be re-categorized as a Level 2 or Level 3 Franchised Business, as applicable.

Mature (Level 3) Service Franchise franchisees operate in an area that, in our sole judgment, has a minimum of 2 years of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us); Experienced (Level 2) Service Franchise franchisees operate in an area that, in our sole judgment, has a minimum of 1 year of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us); Start-Up (Level 1) Service Franchise franchisees operate in an area that, in our sole judgment, has less than one year of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us); Level 3

Add-On Franchise franchisees operate in an area that, in our sole judgment, has a minimum of 2 years of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us); Level 2 Add-On Franchise franchisees operate in an area that, in our sole judgment, has a minimum of 1 years of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us); and Level 1 Add-On Franchise franchisees operate in an area that, in our sole judgment, has less than one year of exposure to the Pacific Lawn Sprinklers brand (or another brand acquired by us).

- (2) If you commence operation of your Franchised Business after April 30, and your Franchised Business is designated as “Seasonal” in Schedule A of the Franchise Agreement, the Minimum Continuing Royalty Fee for the first partial Calendar Year will be prorated accordingly.

If the Franchised Business commences operation in May, you will only pay 80% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in June, you will only pay 60% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in July, you will only pay 50% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in August, you will only pay 45% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in August, you will only pay 45% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in September, you will only pay 40% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in October, you will only pay 30% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in November or December, you will only pay 20% of the Minimum Continuing Royalty Fee.

- (3) Regardless of anything stated above, if your Franchised Business is designated as “Full Season” in Schedule A of the Franchise Agreement, the Minimum Continuing Royalty Fee for the first partial Calendar Year may be prorated depending on the month the Franchised Business commences operation.

If the Franchised Business commences operation in January or February, the Minimum Continuing Royalty Fee will not be prorated. If the Franchised Business commences operation in March, you will only pay 90% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in April, you will only pay 75% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in May, you will only pay 55% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in June, you will only pay 35% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in July, you will only pay 30% of the Minimum Continuing Royalty Fee. If the Franchised Business commences operation in August through December, you will only pay 20% of the Minimum Continuing Royalty Fee.

Your Franchised Business will be identified as either “Seasonal” or “Full Season” in Schedule A of your Franchise Agreement.

3. **Calculation of Other Fees:** The Call Center Administration Fee, the optional Bookkeeping Services Fee, and the Brand Fund Contribution are all flat rate charges. You must pay us the annual Call Center Administration Fee, the optional annual Bookkeeping Services Fee, the optional Call Center Automated Collection Fee, and the annual Brand Fund Contribution, on the last day of the month on a prorated basis each Calendar Year.

If your Franchised Business is designated as “Seasonal” and you commence operation of your Franchised Business between January and April, each fee will be payable in increments as follows: 20% of each fee will be due on the last day of the month in April, May and June; 10% of each fee will be due on the last day of the month in July; 5% of each fee will be due on the last day of the month in August and September; and the remaining 20% will be due on the last day of the month in October and November (10% each).

Regardless of anything stated above, if your Franchised Business is located in a territory we designate as “Full Season,” the annual Call Center Administration Fee, optional Bookkeeping Services Fee, the optional Call Center Automated Collection Fee, and the annual Brand Fund Contribution shall be payable in increments according to a schedule. 5% of the Annual Fee shall be paid in each of the months of June, July, August, September, and November; 10% of the Annual Fee shall be paid in each of the months of February and October; 15% of the Annual Fee shall be paid in March; and 20% of the Annual Fee shall be paid in the months of April and May. No amounts will be due in the months of January and December.

Your Franchised Business will be identified as either “Seasonal” or “Full Season” in Schedule A of your Franchise Agreement.

The Call Center Administration Fee, the optional Bookkeeping Services Fee, the Brand Fund Contribution, and the optional Additional Services Fee will vary according to the following fee schedules. As you continue to operate your Franchised Business and brand recognition increases in your Service Area, we will, each year and in our sole judgment, determine whether your Level 1 or Level 2 Franchised Business will be re-categorized as a Level 2 or Level 3 Franchised Business, as applicable:

Combo Franchise:

Type of Combo Franchise	Call Center Administration Fee (Annual) ⁽¹⁾	Call Center Automated Collection Fee (Annual) (Optional) ⁽¹⁾	Bookkeeping Services Fee (Annual) (Optional) ⁽¹⁾	Brand Fund Contribution (Annual) ⁽¹⁾	Additional Services Fee (Annual) (Optional) ⁽¹⁾
Combo Franchise Start Up Level 1	\$25,750	Pass along cost from Software Company for automated Collection & Sales Calls. Currently 0.20 per call, rates may increase if carrier rate increases.	\$8,240	\$13,390	We do not currently offer additional services for which you will incur the Additional Service Fee, but we reserve the right to do so at any time in the future.
Combo Franchise Experienced Level 2	\$36,050		\$11,330	\$18,540	
Combo Franchise Mature Level 3	\$47,895		\$18,025	\$24,463	

Service Franchise:

Type of Service Franchise	Call Center Administration Fee (Annual) ⁽¹⁾	Call Center Automated Collection Fee (Annual) (Optional) ⁽¹⁾	Bookkeeping Services Fee (Annual) (Optional) ⁽¹⁾	Brand Fund Contribution (Annual) ⁽¹⁾	Additional Services Fee (Annual) (Optional) ⁽¹⁾
Service Franchise Start Up Level 1	\$21,630		\$6,180	\$10,300	We do not currently offer additional

Service Franchise Experienced Level 2	\$27,810	Pass along cost from Software Company for automated Collection & Sales Calls. Currently 0.20 per call, rates may increase if carrier rate increases.	\$8,240	\$12,360	services for which you will incur the Additional Service Fee, but we reserve the right to do so at any time in the future. Service Fee, but we reserve the right to do so at any time in the future.
Service Franchise Mature Level 3	\$36,050		\$11,845	\$15,450	

Add On Franchise:

Type of Service Franchise	Call Center Administration Fee (Annual) ⁽¹⁾	Call Center Automated Collection Fee (Optional) ⁽¹⁾	Bookkeeping Services Fee (Annual) (Optional) ⁽¹⁾	Brand Fund Contribution (Annual) ⁽¹⁾	Additional Services Fee (Annual) (Optional) ⁽¹⁾
Add On Franchise Start Up Level 1	\$12,360	Pass along cost from Software Company for automated Collection & Sales Calls. Currently 0.20 per call, rates may increase if carrier rate increases.	\$3,090	\$5,150	We do not currently offer additional services for which you will incur the Additional Service Fee, but we reserve the right to do so at any time in the future.
Add On Franchise Experienced Level 2	\$15,450		\$4,120	\$6,180	
Add On Franchise Mature Level 3	\$20,549		\$5,150	\$8,240	

If you commence operation of your Franchised Business after April 30, and your Franchised Business is designated as “Seasonal” in Schedule A of the Franchise Agreement, the optional Bookkeeping Services Fee, Call Center Administration Fee and the Brand Fund Contribution for the first partial Calendar Year will prorate accordingly.

If the Franchised Business commences operation in May, you will only pay 80% of the Fees. If the Franchised Business commences operation in June, you will only pay 60% of the Fees. If the Franchised Business commences operation in July, you will only pay 50% of the Fees. If the Franchised Business commences operation in August, you will only pay 45% of the Fees. If the Franchised Business commences operation in September, you will only pay 40% of the Fees. If the Franchised Business commences operation in October, you will only pay 30% of the Fees. If the Franchised Business commences operation in November or December, you will only pay 20% of the Fees.

4. Regardless of anything stated above, if your Franchised Business is designated as “Full Season” in Schedule A of the Franchise Agreement, the optional Bookkeeping Services Fee, the Call Center Administration Fee and the Brand Fund Contribution for the first partial Calendar Year will be reduced depending on the month the Franchised Business commences operation.

If the Franchised Business commences operation in January or February, the Fees will not be prorated. If the Franchised Business commences operation in March, you will only pay 90% of the Fees. If the Franchised Business commences operation in April, you will only pay 75% of the Fees. If the Franchised Business commences operation in May, you will only pay 55% of the Fees. If the Franchised Business commences operation in June, you will only pay 35% of the Fees. If the Franchised Business commences operation in July, you will only pay 30% of the Fees. If the Franchised Business commences operation in August through December, you will only pay 20% of the Fees.

5. If we terminate the Franchise Agreement for cause, you must pay us liquidated damages equal to the present value (using the then-current 30-Year Treasury Bond rate) of the Continuing Royalty Fees you would have paid us on the product of (a) your Franchised Business’s average monthly gross revenues during its most recent 12 months of operation before the termination or \$1,000, whichever is greater, multiplied by (b) the number of months remaining in the Franchise Agreement had we not terminated it.
6. If there is no applicable legal maximum rate, interest will be calculated at the rate of 3% above the prime rate of interest on the first day of each month for the past due amount, as published in The Wall Street Journal.
7. You must maintain the minimum insurance coverage we specify. If you do not purchase the required insurance, we may obtain the insurance for you. We have no duty do so. If we obtain insurance for you, you must pay the premiums to the insurance company or reimburse us for them. We can change the required coverages and amounts.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(COMBO FRANCHISE)*

(1) Type of Expenditure	(2) Amount	(3) Method of Payment	(4) When Due	(5) To Whom Payment Is to Be Made
Initial Franchise Fee (1)	\$7,500 - \$35,000	Lump sum	On execution of Franchise Agreement	Us
Grand Opening Advertising Fee (2)	\$0 - \$5,000	Lump sum	On execution of Franchise Agreement	Us
Service Vehicle and Equipment (3)(6)	\$0 - \$10,250	Lease/ Lease Finance	As Arranged	Vendors

Office Equipment & Supplies (3)	\$300 - \$900	As Arranged	As Arranged	Vendors
Real Property (4)	\$0 - \$300	As Arranged	As Arranged	Suppliers
Leasehold Improvements; Construction Costs (5)	\$0	N/A	N/A	N/A
Signage (6)	\$2,600	As Arranged	As Arranged	Suppliers
Opening Inventory (7)	\$4,000 - \$15,500	As Arranged	As Arranged	Suppliers
Travel and Initial Training (8)	\$500 - \$1,500	As Arranged	As Arranged	Suppliers of transportation, food, lodging
Insurance (9)	\$1,300 - \$3,000	As Arranged	As Incurred	Insurers
Security Deposits (10)	\$0 - \$1,000	As Arranged	As Incurred	Lessor, Utility Companies
Professional Fees (11)	\$0 - \$1,000	As Arranged	As Incurred	Professionals
Supplies (12)	\$600	As Arranged	As Incurred	Vendors
Additional Funds – 3 Months (13)	\$0 - \$25,000	As Arranged	As Incurred	Vendors, Employees
TOTAL (14)	\$16,800 - \$101,650			

*None of the expenditures shown on the tables above are refundable except for security deposits. See Note 11.

- 1 Initial Franchise Fee. The Initial Franchise Fee ranges from \$7,500 to \$35,000, depending on the type of franchise you purchase. The Initial Franchise Fee is non-refundable. We have the option of financing the entire initial franchise fee for qualified franchisees. See Item 10.
- 2 Grand Opening Advertising Fee. You must pay us a grand opening advertising fee ranging from \$0 to \$5,000 depending on what we determine in our sole judgment is necessary in the service area in which you will be providing the Services. The low-end estimate of \$0 is only applicable if you are purchasing an Add-On Franchise. The grand opening advertising fee will be used for grand opening advertising and other local advertising and promotion of your franchise from one month before opening through the third month after you open.
- 3 Equipment. The estimated figures are for a Combo Franchise. You are required to have a service vehicle(s) to operate your business. Depending upon type of service vehicle a trailer may be required to transport the vibratory plow necessary for installations. See Item 8 for specifics regarding the vehicle configuration. An existing vehicle may be converted to use in the business if it conforms to our standards. The estimated cost for the vehicle is based on a minimum down payment required to finance a vehicle and vibratory plow. These numbers will vary based on your credit-worthiness. We require that you have a copier; fax/scanner; an approved touchscreen phone/tablet running on an Android system capable of signature capture and approved credit card swipe and high-speed internet connection.
- 4 Real Property. You may, and we strongly recommend, that you operate from your home and therefore will not incur any real estate costs, such as rent, security deposits or utility deposits. If you are not permitted to park your van in front of your home, you may have to rent a parking space.
- 5 Construction Costs. Our recommendation and standard offering assume that you will operate from your home, and therefore will not incur any construction costs.

- 6 Signage. You will need to letter your vehicle in accordance with local ordinances, our guidelines and the Operations Manual.
- 7 Inventory. There is an initial inventory that we require which will range from \$4,000 to \$15,500 in cost and consists of various parts.
- 8 Training. The figures in the chart are your expenses during initial training. You will have salary, travel and lodging expenses. For this training program, we provide instructors and instructional materials, but you will need to arrange for transportation, lodging and food for yourself. The cost will depend on the distance you must travel and the type of accommodations you choose. You will be responsible for paying us for our airfare, lodging, local transportation and food for our staff members during the time we train at your location.
- 9 Insurance. The figures in the chart are based on your estimated quarterly premiums. In rare cases, you will have to pay the entire annual premium in a lump sum; generally, you pay your premiums quarterly or semi-annually. You are also required to obtain automobile liability coverage which meet the minimum specifications we require.
- 10 Security/Deposits. We estimate that you will need to provide deposits for high-speed Internet, and telephone services. The amount of these deposits will vary depending upon the practices of the utility companies. You will not incur any rent or rent deposits if operating from your home office.
- 11 Professional Fees. You will need to have an attorney and an accountant and possibly other professionals.
- 12 Supplies. These include your uniforms, office supplies, stationery and business cards.
- 13 Additional Funds. You will need capital to support ongoing expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue during the start-up phase, which we estimate to be three months. 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 estimate to be three months.
- 14 Total. We relied upon our principals' 40+ years of experience in the industry, and our experience offering franchises in this line of business for over 18 years when preparing these figures. We have the option of financing the entire initial franchise fee for franchisees, provided they are creditworthy. The details of this financing option are discussed in Item 10. We do not otherwise provide financing for the initial investment.

YOUR ESTIMATED INITIAL INVESTMENT
(SERVICE FRANCHISE)*

(1) Type of Expenditure	(2) Amount	(3) Method of Payment	(4) When Due	(5) To Whom Payment Is to Be Made
Initial Franchise Fee (1)	\$7,500 - \$35,000	Lump Sum	See Item 5	Us
Grand Opening Advertising Fee (2)	\$0 - \$5,000	Lump Sum	See Item 5	Us

Service Vehicle and Equipment (3)(6)	\$0 - \$5,500	Lease/ Lease Finance	As Arranged	Vendors
Office Equipment and Supplies (3)	\$300 - \$900	As Arranged	As Arranged	Vendors
Real Property (4)	\$0 - \$300	As Arranged	As Arranged	Suppliers
Leasehold Improvements; Construction Costs (5)	\$0	N/A	N/A	N/A
Signage (6)	\$2,600	As Arranged	As Arranged	Suppliers
Opening Inventory (7)	\$4,000 - \$9,500	As Arranged	As Arranged	Suppliers
Travel and Initial Training (8)	\$500 - \$1,500	As Arranged	As Arranged	Suppliers of transportation, food, lodging
Insurance (9)	\$800 - \$2,000	As Arranged	As Incurred	Insurers
Security Deposits (10)	\$0 - \$1,000	As Arranged	As Incurred	Lessor, Utility Companies
Professional Fees (11)	\$0- \$1,000	As Arranged	As Incurred	Professionals
Supplies (12)	\$400	As Arranged	As Incurred	Vendors
Additional Funds – 3 months (13)	\$0 - \$15,000	As Arranged	As Incurred	Vendors, Employees
TOTAL (14)	\$16,100-\$79,700			

* None of the expenditures shown on the table above are refundable except for security deposits. See Note 11.

- 1 Initial Franchise Fee. The initial franchise fee is discussed in detail in Item 5. We have the option of financing the entire initial franchise fee for qualified franchisees.
- 2 Grand Opening Advertising Fee. You must pay us a grand opening advertising fee ranging from \$0 to \$5,000 depending on what we determine in our sole judgment is necessary in the service area in which you will be providing the Services. The low-end estimate of \$0 is only applicable if you are purchasing an Add-On Franchise. The grand opening advertising fee will be used for grand opening advertising and other local advertising and promotion of your franchise from one month before opening through the third month after you open.
3. Equipment. The estimated figures are for a Service Franchise. If you buy your vehicle instead of leasing it, you will pay between \$12,500 and \$35,000. We do not recommend such a purchase. Your equipment consists of the following item: a van that will house your equipment. See Item 8 for specifics regarding the vehicle configuration. We require that you have a copier; fax/scanner; an approved touchscreen phone/tablet running on an Android system capable of signature capture and approved credit card swipe and high-speed internet connection.
- 4 Real Property. You may, and we strongly recommend, that you operate from your home and therefore will not incur any real estate costs, such as rent, security deposits or utility deposits. If you are not permitted to park your van in front of your home, you may have to rent a parking space.
- 5 Construction Costs. Our recommendation and standard offering assume that you will operate from your home, and therefore will not incur any construction costs.
- 6 Signage. You will need to letter your vehicle in accordance with local ordinances, our guidelines and the Operations Manual.

- 7 Inventory. There is an initial inventory that we require which will range between \$4,000 and \$9,500 in cost and consist of various parts.
- 8 Training. The figures in the chart are your expenses during initial training. You will have salary, travel and lodging expenses. For this training program, we provide instructors and instructional materials, but you will need to arrange for transportation, lodging and food for yourself. The cost will depend on the distance you must travel and the type of accommodations you choose. You will be responsible for paying us for our airfare, lodging, local transportation and food for our staff members during the time we train at your location.
- 9 Insurance. The figures in the chart are based on your estimated quarterly premiums. In rare cases, you will have to pay the entire annual premium in a lump sum; generally, you pay your premiums quarterly or semi-annually. You are also required to obtain automobile liability coverage which meet the minimum specifications we require.
- 10 Security/Deposits. We estimate that you will need to provide deposits for high-speed Internet, and telephone services. The amount of these deposits will vary depending upon the practices of the utility companies. You will not incur any rent or rent deposits since you operate from your home office.
- 11 Professional Fees. You will need to have an attorney and an accountant and possibly other professionals.
- 12 Supplies. These include your uniforms, office supplies, stationery and business cards.
- 13 Additional Funds. You will need capital to support ongoing expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue during the start-up phase, which we estimate to be three months. 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 estimate to be three months.
- 14 Total. We relied upon our principals' 40+ years of experience in the industry, and our experience offering franchises in this line of business for over 18 years when preparing these figures. We have the option of financing the entire initial franchise fee for franchisees, provided they are creditworthy. The details of this financing option are discussed in Item 10. We do not otherwise provide financing for the initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have developed standards and specifications for the Services provided by you. You must operate your Franchised Business according to these standards. These standards will guide you in operating your Franchised Business and in the performance of the Services. Currently, you must purchase all upgrades to the recommended or approved Software from us or from a designated supplier. We may derive revenue from these upgrades. We do not provide any other items that you would use in operating your Franchised Business.

During the fiscal year ended December 31, 2021, we did not derive any revenue from our franchisees'

required purchases.

In addition to your required purchase or lease of your service vehicle, which, depending on whether you purchase a Combo or Service Franchise and whether you lease or buy the vehicle, represents approximately between 28% to 77% of all purchases and leases required in connection with establishing your Franchised Business and approximately 25% to 30% of all purchases and leases required in operating the Franchised Business, there may be other required purchases from designated or approved suppliers. The service vehicle must be a cargo van or pickup truck approved by us and capable of providing the Services, and must be equipped with vibratory plow and trailer if you buy a Combo franchise, a Global Positioning System which will allow us to know the exact location of your vehicle, a mobile phone and a touch-screen tablet or similar device capable of running Android operating system (or newer), signature capture and credit card processing that we determine.

Except for our affiliate Pacific Lawn Sprinklers Hub Inc., which is owned by our officers John, Stephen and Peter Dellafiora, no officer of ours owns any interest in another approved supplier.

We require all of your appointments (including site meetings and estimates) to be scheduled, processed, reviewed and delivered by the designated Call Center. The Call Center will disperse all jobs to you and our other franchisees. The Call Center is operated by our affiliate Pacific Lawn Sprinklers Hub Inc. If you own a Service Franchise, you will be permitted to perform installations if you generate those types of leads on your own. The designated Call Center will not direct any installation leads to a Service Franchisee. Both the Service and the Combo Franchisee will be required to sign a Call Center Use Agreement, which is an exhibit to the Franchise Agreement.

Pacific Lawn Sprinklers Hub Inc. receives revenues from franchisees for services related to the Call Center. In the fiscal year ended December 31, 2021, Pacific Lawn Sprinklers Hub Inc. received \$1,421,994 in revenues from required purchases of services from franchisees. The source of this information is Pacific Lawn Sprinklers Hub Inc.'s financial records.

Certain manufacturers and suppliers may also provide us payment term discounts, volume discounts, cash rebates, concessions, advertising allowance, discount bonuses and other cash payments based on mandatory and/or voluntary franchisee purchases of computer hardware and software, inventory, fixtures, furnishings, signs and other products and supplies purchased and used by our franchisees. We do not currently receive any such rebates or payments, but we reserve the right to do so in the future.

Except as described above, there are currently no other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software or real estate relating to the establishment or operation of your Franchised Business that you must purchase or lease from us or a designated supplier. You are obligated to purchase or lease equipment, including products and related supplies that meet our minimum standards and specifications or are from suppliers that we approve, and if we develop any proprietary products or equipment in the future, you will be required to purchase these from us or our designated supplier. For example, you must operate your Franchised Business using only the recommended or approved Software. We will notify you in our Confidential Operations Manual (the "Manual") or on our Company Intranet site or other communications of our standards and specifications and/or names of approved suppliers. There may be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be considered an approved supplier. There are currently no purchasing or distribution cooperatives, but we expect to have them in the future and we expect to be paid fees from such vendors or approved suppliers. We, from time to time, negotiate purchase arrangements (including price terms) for the benefit of franchisees with North Shore Sprinkler Supply, SiteOne Landscape, Atlantic Irrigation, AGC Irrigation Supply, Ewing Irrigation & Landscape Supply, Heritage Landscape Supply Group,

Melrose Irrigation Supply & Sales, and Central Irrigation Supply, each a supplier of sprinkler and landscape lighting supplies. We do not receive any form of consideration for these purchase arrangements.

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 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, integrity of standards of service, familiarity with our System and ability to negotiate favorable terms for our franchisees. We do not generally make available to you these criteria for supplier approval. We currently do not charge a fee for evaluating potential suppliers, but we may do so in the future.

You must offer the Services and related products that we approve and which strictly conform to our Operations Manual. You must offer all products and the Services we approve for sale on a continuous basis at your Franchised Business at the time and in the manner we require. No sale of any product or service except those products or services approved by us may be solicited, accepted or made at or from your Franchised Business. If we so request on at least 30 days' notice as part of a general program or standardization effort by us, you must discontinue the marketing of a particular product or service. Then this product or service ceases to be an approved product or service.

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit based on your purchase of particular products or services, use of designated or approved suppliers, or otherwise as a result of your compliance with these requirements.

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.

You may not: sell any product or render any service at or from any place except your Franchised Business; or deliver any product or service at any place other than your Franchised Business.

In addition to the purchases or leases described above, you must obtain and maintain, at your own expense, the insurance coverage that we require from time to time. We may regulate the types, amounts, terms and conditions of insurance coverage required for your Franchised Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims.

You currently are required to maintain the following minimum insurance coverage: (1) commercial general liability insurance in a form or forms covering all the Services occurring in conjunction with the

operation of your Franchised Business or your conduct of business under the Franchise Agreement and all subcontractors, written on an occurrence basis, including coverage for products and completed operations, independent contractors, premises and operations, personal injury, broad form property damage, blanket contractual liability, and third-party-over actions, in an amount at least equal to \$1,000,000 per occurrence, \$1,000,000 in the aggregate for completed operations, and \$2,000,000 general aggregate; (2) general casualty insurance including fire and extended coverage, vandalism, theft, burglary and malicious mischief insurance for the replacement value of your Franchised Business and its contents of between \$25,000/\$50,000 minimum limits; (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 work (including the Services) is to be performed by your Franchised Business with minimum limits of \$500,000 for bodily injury (for each accident), \$500,000 for bodily injury by disease (policy limits), and \$500,000 for bodily injury by disease (for each employee); (4) in states where worker's compensation insurance is a monopolistic state-run system, stop gap employer's liability insurance with a minimum limit of \$500,000 per accident or disease; (5) business interruption and rent insurance for a period adequate to re-establish normal business operations with coverage adequate to coincide with the value of your Franchised Business premises and its contents; and (6) commercial automobile liability coverage for hired, leased, owned, borrowed, or rented vehicles used in connection with the operation of the Franchised Business, of \$1,000,000 combined single limit, not less than \$1,000,000 for each accident for bodily injury and property damage. You must maintain all required policies in force during the entire term of the Franchise Agreement and any successor terms. 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 request, our directors, employees or shareholders) as additional insureds and must provide us with 30 days' advance written notice of any material modification, cancellation or expiration of the policy. You should consult with a licensed insurance agent to review these minimum insurance limits and obtain the proper desired coverage for your Franchised Business.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and in other Items of this disclosure document.

	Obligation	Article in Franchise Agreement	Item in Disclosure
(a)	Site selection and acquisition/lease	Article IX	Items 7 and 11
(b)	Pre-opening purchases/lease	Articles V and IX	Items 7 and 11
(c)	Site development and other pre-opening requirements	None	Items 7 and 11
(d)	Initial and ongoing training	Article V	Items 6, 7 and 11
(e)	Opening	Article IX	Item 11

	Obligation	Article in Franchise Agreement	Item in Disclosure
(f)	Fees	Articles VIII, XI, XVI, and	Items 5, 6, 7 and 8
(g)	Compliance with standards and policies /Operations Manual	Articles VI and IX	Items 8, 11, 14 and 16
(h)	Trademarks and proprietary information	Articles VII and XIV	Items 13 and 14
(i)	Restrictions on products/services offered	Articles III and IX	Items 8 and 16
(j)	Warranty and customer service requirements	Article IX	Article 16
(k)	Territorial development and sales quotas	Article III	Item 12
(l)	On-going product/service purchases	Article V	Items 6 and 8
(m)	Maintenance, appearance and remodeling requirements	Article IX	None
(n)	Insurance	Article X	Items 7 and 8
(o)	Advertising	Article XI	Items 6, 7 and 11
(p)	Indemnification	Article XIII	Item 6
(q)	Owner's participation/management/staffing	Article IX	Items 11 and 15
(r)	Records/reports	Articles IX and XII	Item 6
(s)	Inspection/audits	Articles IX and XII	Item 6
(t)	Transfer	Article XVI	Items 6 and 17
(u)	Renewal	Article IV	Items 6 and 17
(v)	Post-termination obligations	Article XVIII	Item 17
(w)	Non-competition covenants	Article XV	Item 17
(x)	Dispute resolution	Article XX	Item 17
(y)	Other (Liquidated Damages)	Article XVIII	Item 6
(z)	Other (Guaranty)	Article IX	Item 15

ITEM 10

FINANCING

Except as described below, we do not offer direct or indirect financing. We do not guarantee your note, lease or any other obligation.

We may, in our sole judgment, offer financing for the payment of the entire initial franchise fee for the first franchise purchased, provided the purchaser is creditworthy. We will not offer financing for the purchase of additional franchises or the purchase of equipment. The amount financed will not exceed \$35,000. The term of financing is 5 years, at a fixed interest rate of 2 to 5 points above the Prime Lending Rate based upon your credit score, with monthly payments by electronic bank draft, beginning 30 days after the opening of your Franchised Business. A copy of our promissory note appears in Exhibit H. The specifics of this financing will be dependent on the amount of your available capital. Debt may be prepaid without penalty. The note will be an obligation under the franchise agreement. Overdue amounts will bear interest, on a monthly basis at the highest amount permitted by law, calculated from the date the amount of principal or interest becomes due. On default, we have the right to cancel the franchise agreement. You also must waive demand, presentment, protest, notice of protest, and notice of dishonor. The security we require is a personal guarantee of the note by you and your spouse, by all of the shareholders of your corporation or all the members of your limited liability company. Although we do not desire to finance the initial franchise fee, financing may be granted in recognition that certain franchisees have limited capital and will need financing in order to purchase the Franchised Business.

The following are two options for financing the initial franchise fee: (a) we finance the initial fee for a term of 5 years at a fixed interest rate of 2 to 5 points above the Prime Lending Rate based upon your credit score, no prepayment penalties apply; or (b) the owner of an acquired irrigation company holds the note for the initial franchise fee for a term of 5 years at a fixed interest rate of 2 to 5 points above the Prime Lending Rate based upon your credit score, no prepayment penalties.

We do not have any past or present practice or intent to transfer, assign, discount, or sell to a third party, any note, contract, or other instrument signed by any franchisee, but we reserve the right to do so in the future. On transfer of the promissory note, we will not remain primarily obligated to provide the financed goods or services. You may lose all of your defenses against us as a result of the sale or assignment of the promissory note.

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. Inform you of the type of accepted vehicle that you will lease or purchase for your Franchised Business and/or approve your selection of a vehicle to use in connection with your Franchised Business (Franchise Agreement - Section 9.5).
2. Lend or otherwise make available to you one electronic copy of the Manual (Franchise Agreement - Section 5.1) and allow you access to our Company Intranet at a monthly fee paid by you (see Item 6). The Manual currently has 298 pages.
3. Provide an initial training program, the cost of which is included in your initial franchise

fee, excluding transportation, lodging, meals and salary (Franchise Agreement - Section 5.3). This training is described in detail later in this Item.

4. Provide, in addition to or in conjunction with the initial training program, additional assistance as we deem advisable (Franchise Agreement - Section 5.3.3).
5. Provide you with access to our directory of franchisees either in print or via intranet (Franchise Agreement - Section 5.14).
6. Use the grand opening advertising fee you pay into the brand development fund ("Brand Fund") on grand opening advertising and other local advertising and promotion of your franchise from one month before opening through the third month after you open (Franchise Agreement - Section 8.2).

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 daily intranet communications and periodic telephone communications and the Call Center system. The Call Center will receive leads which it will distribute to you and all of our other franchisees, regardless of where they are located. (Franchise Agreement, Section 5.12)
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 the Services, (c) maintenance of your vehicle, (d) checklists, (e) general rules and regulations for employees, and all other matters that in our sole judgment require standardization and uniformity in all Franchised Businesses.
3. Establish, to the fullest extent allowed by applicable law, maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and the Services. (Franchise Agreement – Section 5.8). These rights may include (without limitation) prescribing the maximum and/or minimum prices which you may charge customers for the Services and related products offered by your Franchised Business; recommending prices; advertising specific prices for some or all Services and related products offered by your Franchised Business; to engage in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum prices which your Franchised Business may charge the public for the Services and related products it offers.
4. Maintain the Brand Fund. The Brand Fund will deduct the non-refundable Brand Fund Contribution in the amount set forth in Schedule A to the Franchise Agreement, which will be payable in installments. (See Item 6). The Brand Fund will be used for regional and/or local advertising, publicity and promotion relating to our business. We will determine, in our fully unrestricted judgment, the manner in which the Brand Fund will be spent, which may include the following: (1) website development, (2) local or regional advertising, media, promotion or marketing or local or regional public relations programs, (3) the purchase of customer lists, leads and other assets from an existing, competitive business, including the payment of all costs and fees (including attorneys' fees) incurred in connection with such purchase, (4) the cost of preparing and producing television, radio, magazine, and

newspaper, and social and digital media advertising campaigns; (5) the cost of direct mail; (6) the cost of public relations activities and advertising agencies; (6) the cost of maintaining an Internet website and a gift card program; (7) the cost of developing customer loyalty programs; and (8) personnel and other departmental costs for advertising that we internally administer or prepare; (9) other activities connected to the promotion and marketing of the Proprietary Marks and the System; or (10) maintaining quality of customer service and brand confidence. While we do not anticipate that any part of Brand Fund contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Fund for public relations or recognition of our brand, for the creation and maintenance of a web site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available." Some portion of the Brand Fund may be used for creative concept production, marketing surveys, test marketing and related purposes. We have the right to direct all advertising activities with sole judgment over creative concepts, materials and media used, as well as their placement and allocation. We also have the right to determine, in our sole judgment, the composition of all geographic and market areas for the implementation of these advertising and promotional activities. We have no obligation to ensure that expenditures of the Brand Fund in or affecting any geographic area are proportionate or equivalent to payments of the Brand Fund Contribution by franchisees operating in that geographic area, or that any Franchised Business will benefit directly or in proportion to the Brand Fund Contributions paid for the development of advertising and marketing materials or the placement of advertising. We have the right to reimburse ourselves out of the Brand Fund for the total costs (including indirect costs) of developing, producing and distributing any advertising materials and collecting the Brand Fund Contribution (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Fund Contribution) and in addition, for the services provided, each calendar quarter we may be reimbursed from the Brand Fund for administrative costs and overhead related to the administration or direction of the Brand Fund. The Brand Fund is not our asset, and it is not a trust. We do not owe you any fiduciary obligations because we maintain the Brand Fund. We may spend in any calendar year an amount greater or less than the aggregate contributions made by all franchisees contributing to the Brand Fund in that year. We may make loans to the Brand Fund (and the Brand Fund may borrow from us or other lenders) bearing reasonable interest to cover any deficits of the Brand Fund or cause the Brand Fund to invest surplus for future use.

Any Franchised Businesses owned by us or an affiliate may, but are not required to, contribute to the Brand Fund on the same basis as you. Funds from the Brand Fund Contributions paid will be kept separate and distinct and will be accounted for separately from our other funds. These funds will not be used to defray any of our general operating expenses, except as described in the paragraph above and will not be used principally to solicit new franchisees. We will prepare, and furnish to you upon written request, an unaudited annual statement of funds collected and costs incurred. In the calendar year ended December 31, 2021, the Brand Fund spent 62% on media placement/leads, 8% on customer loyalty programs, 7% on production/professional services, and 23% on administrative expenses.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund contributions at the Brand Fund's expense. We also may forgive, waive, settle and compromise all claims by or against the Brand Fund.

We may at any time defer or reduce the Brand Fund contributions of a “Pacific Lawn Sprinklers” business and, upon 30 days’ prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will distribute all unspent monies to all “Pacific Lawn Sprinklers” businesses (whether franchised or operated by us or our affiliates) in proportion to their respective Brand Fund contributions during the preceding 12-month period.

In addition to the Brand Fund Contribution, you must pay us a grand opening advertising fee ranging from \$0 to \$5,000 depending on what we determine in our sole judgment is necessary in the service area in which you will be providing the Services. The grand opening advertising fee will be used for grand opening advertising and other local advertising and promotion of your franchise from one month before opening through the third month after you open.

You are not required to join a local or regional advertising cooperative.

There are presently no advertising councils composed of franchisees, but there may be such councils in the future. We may create an advertising council comprised of franchisees and a company representative. This council will vote on advertising policies for the Brand Fund, but we will always have the deciding vote on any advertising policies.

Any use of social media by you **or your employees** pertaining to the Franchised Business or Services must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. We reserve the right to "occupy" any social media websites/pages and be the sole provider of information regarding the Franchised Business on such websites/pages (e.g., a system-wide Facebook page). At our request, you will promptly modify or remove any online communication pertaining to the Franchised Business that does not comply with the Franchise Agreement or the Manual. You are not prohibited from obtaining members over the Internet provided your Internet presence and content comply with the requirements of the Franchise Agreement.

Site Selection and Opening

We estimate that between 30 and 60 days will elapse from the date of execution of the Franchise Agreement to the opening of your Franchised Business for business. We recommend, but do not require, you to operate from your home and that all service and installation calls, as applicable, emanate from your home address. As such, we do not select the site or approve an area where you will select your site. The Franchise Agreement requires that your Franchised Business be opened for business not later than 60 days after we approve the location for your Franchised Business, which may be your home and which cannot be changed or moved without our consent. You may not open your Franchised Business for business until: (1) we determine that your Franchised Business has been equipped and stocked with materials and supplies in accordance with plans and specifications we have approved; (2) you have completed our initial training program to our satisfaction; (3) the initial franchise fee and all other amounts due to us have been paid; (4) you have furnished us with all certificates of insurance required by the Franchise Agreement; (5) you are in full compliance with all the terms of the Franchise Agreement; and (6) all items in our opening checklist have been complied with to our satisfaction.

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 4 weeks of training will be conducted online and on-site at a location we designate. The cost of the training program is included in your initial franchise fee and will be

provided to you (for a total of one person). However, you will be responsible for all costs of travel, food, lodging and other incidental expenses incurred by you in attending the training program. (Franchise Agreement - Section 5.3.) In addition, one of our designees will assist you throughout your Grand Opening period. You must successfully complete training to our satisfaction.

We may also provide, and require that you (and your manager, as appropriate) attend, up to five (5) days of additional training at our designated training facility or another location we designate ("Additional Training"). We may require you to attend Additional Training in connection with new or updated products, technology, software or system policies, or any other reason we deem appropriate in our sole discretion. You may also request that we provide certain additional or refresher training to you, either at one (1) of our designated training facilities or on-site at your Franchised Business. We reserve the right to charge you our then-current training fee (regardless of location). (Franchise Agreement, Section 5.3).

You will be responsible for the costs and expenses associated with you and your designated personnel attending any such additional training described in this Item. (Franchise Agreement, Section 5.3).

The per person cost of the requested class/training or Additional Training will be determined by us based on the cost of the instructor's fee, travel, lodging, food and materials associated with the training topic. You must also pay all expenses of travel, lodging, meals, meeting rooms and materials incurred by our representatives. (Franchise Agreement - Section 5.3.)

When we decide to hold it, you and/or your representative must attend our annual convention, which currently will be conducted as a half day Webinar.

There currently are no fixed (*i.e.*, monthly or bi-monthly) training schedules. We project the following training schedule:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Customer Relations and Service	10	4	OnSite/ at a designated training location / via the Internet
Marketing / Sales Strategies	10	4	OnSite/ at a designated training location / via the Internet
Installation Methods	10	14	OnSite/ at a designated training location / via the Internet
Service Methods	10	14	OnSite/ at a designated training location / via the Internet
Technology	12	4	OnSite/ at a designated training location / via the Internet
Financial Management	10	0	OnSite/ at a designated training location / via the Internet
TOTAL	62	40	

Notes:

- 1 Classroom training may include webinars or other online training resources for certain subjects.
- 2 It is the nature of the business that all aspects of the training are integrated so there are no definitive starting and stopping times. The instructional material consists primarily of the Manual.
- 3 All of our instructors are part of our management team. The minimum experience of the instructors that is relevant to the subject taught and our operations is from 10 to 40+ years.

Computer Systems and Software

You must own a personal computer or laptop with high-speed internet access. You will use this computer to connect to our dedicated servers to log on to the software system we license to you. You must use this software system to maintain your accounts receivable, accounts payable, service history, dispatch calendar, appointment calendar, etc. We also provide an Outlook platform where you will access e-mail, your calendar, tasks and the company e-mail and telephone directory. You must also have a personal scanner/printer. In addition, you must purchase the approved handheld computer, which must have wireless real time capabilities, to access your daily orders, detail work done and process payment for clients. You must also purchase the approved credit card swipe device.

We will provide you with recommended and approved Software, which is used by our franchisees and which you are required to use in the operation of your Franchised Business. The recommended and approved Software performs some functions for operating your business. You are required to purchase support services for the recommended and approved Software from a supplier we designate. Currently the fees for support services are between \$500 and \$1,000 per year. You are also required to purchase upgrades to the recommended and approved Software as they become available. The upgrades will be made available by us or our designated supplier.

You are required to have a high-speed internet service provider approved by us with internet access and e-mail. We will use these methods to communicate with our franchisees. You will be required to access our Intranet for updates, information and communications. You will be required to pay a monthly fee per user for access to our Intranet. 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 will have independent access to the information and data collected and/or generated by your computer 24 hours a day, 7 days a week, via a high-speed internet connection.

Attached to this Disclosure Document as Exhibit F is the Table of Contents of the Confidential Operations Manual, which contains approximately 298 pages, and consists of the following subjects: Preface (8 pages); Introduction (17 pages); Pre-Opening Procedures (42 pages); Personnel (71 pages); Sales Procedures (41 pages); Office Procedures (29 pages); Installation Procedures (46 pages); Service and Repair Procedures (30 pages); and Advertising (14 pages).

ITEM 12 **TERRITORY**

Franchise Agreement

Due to the unique nature of our franchise relationship, in which many of your referrals will be distributed by the Call Center, we are not granting exclusive territories. We will determine your Service Area,

in which we will route service requests through the Call Center. Your Service Area will be located within 25-miles from your approved location and will be based on zip codes which we may change in our sole discretion. Service Areas are determined through many factors including but not limited to, demand for services, franchisee skill set, municipal restrictions, licensing, travel requirement and availability. As the demand for Services in a Service Area increases, the franchisee will have to be able to timely meet such demand or it will have its Service Area altered.

If you move during the term of the Franchise Agreement, we may, but are not required, to provide you with a new Service Area. The franchise you are granted under a single Franchise Agreement is for the right to provide the Services to the number of customers within your Service Area that may be adequately serviced by a single Service Vehicle (for Service Franchise) or two Service Vehicles (for Combo Franchise). We reserve the right to sell any type of Franchise within your territory if we determine that demand is or is likely to outweigh the capacity of the number of authorized Service Vehicle(s) at any time.

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

Regardless of the non-exclusive character of your Service Area, you may not, without our prior authorization, solicit customers located outside of your Service Area. In addition, you are only permitted to provide the Services to a maximum of twenty-five (25) customers located outside of your Service Area during any calendar year. If you would like to provide Services to any additional customers located outside of your Service Area in excess of twenty-five (25), you must obtain our prior written consent to do so, which may be withheld for any reason. In the event you (a) exceed this limit without our approval, or (b) solicit any customers or direct any marketing or advertising efforts outside of your Service Area, we may reduce the size of your Service Area, revoke your right to service any customers outside your Service Area in subsequent calendar years, or terminate your Franchise Agreement. If you propose to service customers outside of your Service Area who are not located within another franchisee's Service Area, or to solicit customers located in an unoccupied territory, we will not unreasonably withhold our approval. Our approval, however, may be revoked at any time.

In addition to those remedies described above, if you breach your non-solicitation obligations or exceed the permitted number of customers outside your Service Area, you may be required to remit 100% of the total revenue generated from the job(s) giving rise to your breach to the franchisee within whose Service Area you solicited customers or provided unauthorized Services.

You must use your best efforts to promote and increase the sales of Pacific Lawn Sprinklers products and the Services to affect the widest and best possible distribution and sale of products and the Services and to solicit potential customers and accounts for the Services and related products in conjunction with us in your Service Area.

During the term of the Franchise Agreement, we (and any affiliates) have the right:

(1) to establish and operate, and grant rights to other franchise owners to establish and operate, Franchised Businesses or similar businesses at any locations and on any terms and conditions we deem appropriate;

(2) to offer the Services and related products, identical or similar to, or dissimilar from, the products and/or the Services your Franchised Business sells, whether identified by the Proprietary Mark or

other trademarks or service marks through any distribution channels we think best (including the Internet, such as the internet/worldwide web and other forms of electronic commerce; “800” or similar toll-free telephone numbers; catalogs; telemarketing or other direct marketing sales), wherever located or operating, and you will be entitled to no compensation in connection with our sales;

(3) to offer the Services and related products through any distribution channels we think best (including, but not limited to, the Internet and other forms of electronic commerce; “800” or similar toll-free telephone numbers; catalogs; telemarketing or other direct marketing sales), wherever located or operating; and you will be entitled to no compensation in connection with our sales;

(4) to purchase or otherwise acquire the assets or controlling ownership of one or more businesses identical or similar to your Franchised Business (and/or franchise, license, and/or similar agreements for such businesses), some or all of which might be located anywhere;

(5) to be acquired (regardless of the form of transaction) by a business identical or similar to Pacific Lawn Sprinklers Franchised Businesses; and

(6) to engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.

You may relocate only with our prior written approval. Our approval will be based upon many factors, including the viability of the then-current location and demographics (including number of households, size of the space and rental costs relating to the proposed location). You may not relocate your Franchised Business without our prior approval. Our approval will not be unreasonably withheld. This approval should not be construed as an assurance or guaranty that the new site will be successful. Our approval is based on certain limited set of factors, such as the number of residential homes, traffic patterns, size of the premises, lease terms, competition, and similar factors.

You may provide the Services to customers and prospective customers from your approved location only. You may not engage in any promotional activities or sell any lawn sprinkler installations or related 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 or any interactive electronic document contained in a central computer linked to communications software service providers (collectively, the “Electronic Media”) or any other devices sent or directed to customers or prospective customers; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located near your Franchised Business, as determined and approved by us, 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 located anywhere, you may not make any sales or perform services to customers unless the Call Center directs those leads to you because the Call Center will determine which franchisee will perform these services. You have no options, rights of first refusal, or similar rights to acquire additional franchises.

We have not established other franchises or company-owned outlets 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

facility 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.

National or Regional Accounts

We reserve the right (for ourselves and our affiliates) any time and upon written notice to you, to directly enter into and/or service national or regional account contracts or strategic alliances or joint ventures with businesses that have locations in two (2) or more locations. We reserve the right to indirectly establish national or regional accounts with third party contractors, regardless of whether you previously serviced the customer in the past. As long as you are not in breach of the Franchise Agreement, you will be granted the option to service the locations of these accounts in your territory as long as you do so under the terms and conditions (including pricing) of the contract with the national or regional account. If for any reason you do not begin providing or continue servicing an account at the time, in the manner, and under the terms in the contract we may provide or allow others (including other franchisees) to provide the services to such accounts within the territory, you will not be entitled to any compensation for such services.

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, including the primary service mark “Pacific Lawn Sprinklers” and design (together, the “Proprietary Marks”). “Pacific Lawn Sprinklers” and the other Proprietary Marks which have been registered with the United States Patent and Trademark Office are owned by our affiliate Pacific Lawn Sprinklers LLC, which has licensed them to us by virtue of a perpetual, royalty-free license agreement that was entered into in 2005. This license agreement contains no limitations on our use of the Proprietary Marks. The following marks which will be licensed to you are registered on the Principal Register of the United States Patent and Trademark Office:

Mark	Registration Date	Registration Number
PACIFIC LAWN SPRINKLERS (DESIGN)	01/16/2007	3199565
PACIFIC LAWN SPRINKLERS (DESIGN & TAG)	04/24/2007	3234617
PACIFIC LAWN SPRINKLERS	04/18/2006	3083879
PACIFIC	01/10/2006	3042535
THE LEADING NAME IN IRRIGATION	03/20/2007	3220624

There are no currently effective determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of this state or any court, nor is there any pending infringement, 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. We have filed Section 9 renewals for all of the Proprietary Marks described above, and filed all required affidavits for the same, including the six- and ten-year Section 8 affidavits of continued use.

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 take action 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 judgment, 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 any and 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 Mark 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 actually known to us that could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must conspicuously post a sign and include on all written materials, including advertisements, stationery, business cards, etc. and on your vehicles the following: "Independently owned and operated."

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it, at our sole judgment. You do not have any right to compensation in the event we substitute, alter or otherwise require you to modify or discontinue using any of the Proprietary Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

There are no patents or pending patent applications that are material to the franchise. You do not receive the right to use an item covered by any registered copyright, but you can use the proprietary and confidential information that is in our Manual, to which we claim common law rights of copyright. 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 strict standards, methods, policies and procedures specified in the Manual. We will provide you with electronic access to the Manual for the term of the Franchise Agreement after you complete our initial training program to our satisfaction. A copy of the Manual will be placed in our Company Intranet.

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 you must keep your access credentials secure.

We may revise the contents of the Manual, and you must comply with each new or changed standard. You must make sure to regularly check the Company Intranet for any changes to the Manual. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by us at our corporate office will be controlling.

Confidential Information

You must not, during 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 and marketing plans and strategies; (b) proprietary computer software functions, capabilities, code, manuals, fixes, work arounds, revision plans, etc., and any proprietary equipment or products that we may develop; (c) customer lists, customer identities, customer contacts and customer preferences (including identities and plans for approaching potential customers); and (d) leasing plans, rates and information. 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.

Subject to any state laws, if you are an entity, you agree to have a Non-Disclosure and Non-Competition Agreement (the sample form of which is attached as Exhibit "C" of the Franchise Agreement) executed by all of the following persons (as applicable): all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls the franchisee entity. We will be a third-party beneficiary of each Non-Disclosure and Non-Competition Agreement with independent enforcement rights.

ITEM 15 **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

During the term of the Franchise Agreement, and at our judgment, you must attend and complete our initial training program and you (or, if you are a corporation, limited liability company or partnership, a principal or general partner of the corporation, limited liability company or partnership) must devote your full time and best efforts to the management and operation of the Franchised Business. The Franchised Business must have constant supervision by you or by a designated and approved manager who has satisfactorily completed our training program. You must also maintain a competent, conscientious, trained staff, including a fully trained manager. If you are an individual, we recommend that you be the fully trained manager described above. If you are an entity, we recommend that one of your owners be the fully-trained manager. 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 Mark (this requirement may affect who you hire as your manager) and we have the right

to approve or disapprove 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 to our satisfaction, as described in Item 11.

If Franchisee is a business entity, each majority owner of Franchisee (if a corporate entity), the General or Managing Partner (if a limited partnership) or the individual partners (if a standard partnership), and their respective spouses, must sign a personal guarantee in the form of Exhibit E to the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the premises and resources of 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 respond to emergency calls at all times. 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 perform those jobs given to you by the Call Center. If during the term of the Franchise Agreement, you are unable to promptly and properly serve a customer, due to excessive work, you must refer that customer back to the Call Center for dispatch to another franchisee immediately. You must notify the Call Center at least 7 days in advance of any cancellation of a job, and your failure to do so will result in a rescheduling fee. (See Item 6)

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

In addition, you must only use the recommended or approved Software, the supplies and suppliers that we have approved for use at your Franchised Business.

We may supplement, improve or modify the System from time to time. You must comply with all of our reasonable requirements in that regard, including offering and selling new or different products or services as we specify.

You are restricted by the Franchise Agreement, the Manual and any other practice or custom with respect to the goods or the 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, subject to the restrictions described in Item 12.

You must operate the Franchised Business in strict conformity with all applicable Federal, state and local laws, ordinances and regulations. These 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. You are required to honor all warranties on product parts and labor and on the Services.

We may offer prepaid service contracts when a customer wishes to prepay for installations and servicing (maintenance contracts). The Call Center will maintain a trust account with these fees and release them to the franchisee who performs the Services.

In addition, any fees that are generated by the Call Center from central or remote-control monitoring services shall not be distributed to any franchisees and will be paid to us or our designee.

ITEM 17 **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

This table lists important provisions of the Franchise Agreement pertaining to renewal, termination, transfer, and dispute resolution. You should read these provisions in the Franchise Agreement attached to this Disclosure Document. See Exhibit C.

THE FRANCHISE RELATIONSHIP

Provision	Article in Franchise Agreement	Summary
a. Length of the franchise term	Article IV	Ten years
b. Renewal or extension of the term	Article IV	Two successor franchise terms of five years each, subject to performance of contractual requirements
c. Requirements for you to renew or extend	Article IV	Provide notice, compliance with Franchise Agreement, execute new Franchise Agreement, sign release. You may be asked to sign a contract with materially different terms and conditions than your original contract
d. Termination by you	Not Applicable	You may seek to terminate your Franchise Agreement on any ground permitted by law
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Article XVII	Breach of Franchise Agreement and other grounds; see Article XVII for details
g. "Cause" defined - defaults which can be cured	Article XVII	Breach of Franchise Agreement and other grounds, such as failure to pay fees when due, misuse of Proprietary Marks, sale of an unapproved service; report 3 cancellations in any 12-month period; see Article XVII

Provision	Article in Franchise Agreement	Summary
h. “Cause” defined – non-curable defaults	Article XVII	Breach of Franchise Agreement, such as filing for bankruptcy or assignment for the benefit of creditors
i. Your obligations on termination/non-renewal	Article XVIII	Obligations include discontinue using confidential information and materials, return Manual, and payment of amounts due, including liquidated damages; see Article XVIII
j. Assignment of contract by us	Article XVI	No restriction on right to transfer
k. “Transfer” by you - definition	Article XVI	Transfer all or substantially all of the assets of your business
l. Our approval of transfer by you	Article XVI	We have the right to approve transfers
m. Conditions for our approval of transfer	Article XVI	Includes payment of money owed, non-default, execution of release, transferee qualifications, payment of transfer fee, execution of new agreement by transferee and payment of the then-current initial training fee
n. Our right of first refusal to acquire your business	Article XVI	We can match any offer
o. Our option to purchase your business	Article XVIII; Article XXI	Upon expiration or termination, we can buy your Franchised Business.
p. Your death or disability	Article XVI	Franchise must be assigned to approved buyer within 60 days
q. Non-competition covenants during the term of the franchise	Article XV	Includes prohibition on owning or operating business which sells similar services
r. Non-competition covenants after the franchise is terminated or expires	Article XV	Includes prohibition on owning or operating business which sells similar services for two years and located within 50 miles of any unit in the System
s. Modification of the agreement	Article XIX	Must be in writing by both parties

Provision	Article in Franchise Agreement	Summary
t. Integration/merger clause	Article XXI	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. Our merger/integration provision is not intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Article XX	We and you must arbitrate all disputes in Broward County, FL. Most disputes must be mediated before arbitration.
v. Choice of forum	Article XX	Subject to arbitration requirement, litigation must be at a state or federal district court of competent jurisdiction in the state, county and judicial district in which our principal place of business is then located. Your state law may supersede this provision and it may not be enforceable in your state. See special state disclosures in the state addenda to the Franchise Agreement and Disclosure Document.
w. Choice of law	Article XX	Florida law applies. Your state law may supersede this provision and it may not be enforceable in your state. See special state disclosures in the state addenda to the Franchise Agreement and Disclosure Document

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.

The following is historic financial performance information concerning Pacific Lawn Sprinklers Franchised Businesses that have been open for at least the full calendar year of 2021. As of December 31, 2021, there were 8 Combo Franchises open for the full 2021 calendar year (the “Mature Combo Franchises”), and there were 28 Service Franchises open for at the full calendar year of 2021 (the “Mature Service Franchises,” and, together with the Mature Combo Franchises, the “Mature Franchises”). The information provided in the tables below is for the Mature Franchises during the 2021 calendar year (“Measurement Period”).

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

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

Mature Combo Franchises

The following information is for the 8 Mature Combo Franchises:

Average Annual Sales (See Note 1)	\$1,125,789
Number and percentage of Mature Combo Franchises at or above average	4 or 50%
Average Cost of Sales (See Note 2)	\$265,259
Number and percentage of Mature Combo Franchises at or above average	3 or 38%
Average Cost of Labor (See Note 3)	Direct Labor – \$142,627 Management Compensation – \$117,841 Payroll Taxes and Benefits – \$27,346
Number and percentage of Mature Combo Franchises at or above average	Direct Labor – 3 or 38% Management Compensation – 3 or 38% Payroll Taxes and Benefits – 3 or 38%
Gross Profit (See Note 4)	\$572,656
Number and percentage of Mature Combo Franchises at or above average	3 or 38%
Average Cost of Overhead (See Note 5)	\$161,862
Number and percentage of Mature Combo Franchises at or above average	5 or 63%
Operating Profit (See Note 6)	\$410,794

Number and percentage of Mature Combo Franchises at or above average	3 or 38%
---	----------

Mature Service Franchises

The following information is for the 28 Mature Service Franchises:

Average Annual Sales (See Note 1)	\$439,836
Number and percentage of Mature Service Franchises at or above average	12 or 43%
Average Cost of Sales (See Note 2)	\$93,944
Number and percentage of Mature Service Franchises at or above average	14 or 50%
Average Cost of Labor (See Note 3)	Direct Labor – \$30,556 Management Compensation – \$61,745 Payroll Taxes and Benefits – \$9,153
Number and percentage of Mature Service Franchises at or above average	Direct Labor – 11 or 39% Management Compensation – 11 or 39% Payroll Taxes and Benefits – 8 or 29%
Gross Profit (See Note 4)	\$244,438
Number and percentage of Mature Service Franchises at or above average	12 or 43%
Average Cost of Overhead (See Note 5)	\$86,432
Number and percentage of Mature Service Franchises at or above average	10 or 36%
Operating Profit (certain expenses) (See Note 6)	\$158,005
Number and percentage of Mature Combo Franchises at or above average	14 or 50%

Note 1 - “Annual Sales” was calculated as the average of the Net Revenues of Mature Combo Franchises and Mature Service Franchises, respectively. “Net Revenues” has the meaning set forth in Item 6 and includes all revenues generated, billed but not collected, earned, derived and/or received from customers, whether for cash or credit, plus all other revenues derived from the Mature Combo or Mature Service Franchise, excluding taxes collected from customers, and refunds. These numbers do not reflect either gross or net profit. Sales average includes comps and discounts provided to customers.

The Mature Combo Location with the highest Annual Sales over the Measurement Period reported \$1,730,711, and the Mature Combo Location with the lowest Annual Sales reported \$662,298. The Median Annual Sales for the eight (8) Mature Combo Locations was \$1,109,005.

The Mature Service Franchise with the highest Annual Sales over the Measurement Period reported \$885,024, and the Mature Service Location with the lowest Annual Sales reported \$156,069. The median Annual Sales for the twenty-eight (28) Mature Service Locations was \$381,357.

Note 2 - The cost of sales is calculated as the average total cost of all sales for Mature Combo Franchises and Mature Service Franchises, respectively, less payroll and payroll taxes. The highest cost of goods for the eight (8) Mature Combo Locations over the Measurement Period was \$434,169, the median was \$214,325, the lowest was \$177,993. The highest cost of goods for the twenty-eight (28) Mature Service Locations over the Measurement Period was \$178,676, the median was \$90,975, and the lowest was \$37,347.

Note 3 – The labor costs are calculated as the average labor costs for every employee required to run a typical Combo Franchise or Service Franchise, respectively, on a daily basis. "Direct Labor" includes a full staff of 1 to 3 total employees for each Mature Combo Franchise, and 0 to 2 total employees for each Mature Service Franchise. "Management Compensation" refers to the manager's salary for a Mature Franchise (including the owner's salary, if the owner of the Mature Franchise was also the manager and received compensation in the form of a salary. Owner-manager compensation taken in any other form was not included in the calculation of "Management Compensation"). "Payroll Taxes and Benefits" refers to such costs for employees of each Mature Franchise.

The highest cost of direct labor for the eight (8) Mature Combo Locations over the Measurement Period was \$225,530, the median was \$129,237, and the lowest was \$82,080. The highest cost of direct labor for the twenty-eight (28) Mature Service Locations over the Measurement Period was \$146,300, the median was \$0, as was the lowest.

The highest cost of management compensation for the eight (8) Mature Combo Locations over the Measurement Period was \$235,915, the median was \$95,642, and the lowest was \$48,335. The highest cost of management compensation for the twenty-eight (28) Mature Service Locations over the Measurement Period was \$179,604, the median was \$51,072, and the lowest was \$0.

The highest cost of payroll taxes and benefits for the eight (8) Mature Combo Locations over the Measurement Period was \$49,567, the median was \$26,236, and the lowest was \$14,192. The highest cost of payroll taxes and benefits for the twenty-one (28) Mature Service Locations over the Measurement Period was \$39,905, the median was \$6,470, and the lowest \$2,568.

Note 4 – Gross Profit was calculated by taking Annual Sales less the Cost of Sales and Cost of Labor for each Mature Combo Franchise and Mature Service Franchise, and calculating this difference. The highest Gross Profit for the eight (8) Mature Combo Locations over the Measurement Period was \$906,511, the median was \$470,066, and the lowest \$237,207. The highest Gross Profit for the twenty-eight (28) Mature Service Locations over the Measurement Period was \$497,930, the median was \$234,461, and the lowest \$81,546.

Note 5 - The overhead costs are calculated as the average cost of overhead for Mature Combo Franchises and Mature Service Franchises, respectively and include the Brand Fund, bank charges, Call Center Administration Fees, Software support services, insurance, professional services, local advertising, taxes, uniforms, vehicle repairs, and transportation expenses, all as reported to us by the Mature Combo

Franchise franchisees and Mature Service Franchise franchisees, respectively, based on their profit and loss statements. The highest overhead costs for the eight (8) Mature Combo Locations over the Measurement Period were \$202,473, the median was \$170,711 and the lowest was \$95,061. The highest overhead costs for the twenty-eight (28) Mature Service Locations over the Measurement Period were \$161,130, the median was \$77,889, and the lowest \$35,404.

Note 6 – The Operating Profit (certain expenses) was calculated by taking Annual Sales less the Cost of Sales, Cost of Labor, and Cost of Overhead for each Mature Combo Franchise and Mature Service Franchise, and calculating the average of this difference. Operating Profit does not include all costs, fees and/or expenses that your Franchised Business will incur. The highest Operating Profit for the eight (8) Mature Combo Locations over the Measurement Period was \$705,413, the median \$296,525, and the lowest \$142,146. The highest Operating Profit for the twenty-eight (28) Mature Service Locations over the Measurement Period was \$326,211, the median was \$156,993, and the lowest \$39,074.

Other than the preceding financial performance representation, Pacific Lawn Sprinklers Franchise LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mary Mahoney, Chief Executive Officer, Pacific Lawn Sprinklers Franchise LLC, 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304, 800-895-2729, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2019 to 2021

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2019	35	43	+8
	2020	43	45	+2
	2021	45	57	+12
Company-Owned	2019	6	7	1
	2020	7	7	0
	2021	7	7	0
Total Outlets	2019	41	50	+9
	2020	50	52	+2
	2021	52	64	+12

Table No. 2
Transfers of Franchised Outlets to New Owners (Other than the Franchisor)
For Years 2019 to 2021

Column 1	Column 2	Column 3
State	Year	Number of Transfers
New York	2019	0
	2020	1
	2021	0
Total	2019	0
	2020	1
	2021	0

Table No. 3
Status of Franchised Outlets
For Years 2019 to 2021

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
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
New York	2019	29	5	1	0	0	0	33
	2020	33	4	0	0	0	0	37
	2021	37	5	0	0	0	0	42
New Jersey	2019	5	1	1	0	0	0	5
	2020	5	0	2	0	0	0	3
	2021	3	3	0	0	0	0	6
Ohio	2019	1	1	0	0	0	0	2
	2020	2	0	1	0	0	0	1
	2021	1	1	0	0	0	0	2
Florida	2019	0	3	1	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
North Carolina	2019	0	1	1	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
South Carolina	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Virginia	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Total	2019	35	12	4	0	0	0	43
	2020	43	5	3	0	0	0	45

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina- tions	Column 6 Non- Renewals	Column 7 Reacquire d by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
	2021	45	12	0	0	0	0	57

Table No. 4
Status of Company-Owned Outlets
For Years 2019 to 2021

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
New York	2019	6	0	0	0	2	4
	2020	4	1	0	0	0	5
	2021	5	0	0	0	0	5
Ohio	2019	0	2	0	0	0	2
	2020	2	1	0	1	0	2
	2021	2	0	0	0	0	2
North Carolina	2019	0	0	1	0	0	1
	2020	1	0	0	0	1	0
	2021	0	0	0	0	0	0
Total	2019	6	2	1	0	2	7
	2020	7	1	0	0	1	7
	2021	7	0	0	0	0	7

Table 5
Projected Openings
As Of December 31, 2021

Column 1 State	Column 2 Franchise Agreement Signed But Outlet Not Opened As Of 12/31/21	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company Owned Outlets In The Next Fiscal Year
New Jersey	0	1	0
New York	0	2	0
Texas	0	1	0
Florida	0	1	0
North Carolina	0	1	0
Georgia	0	1	0
Total:	0	7	0

A list of the names of all current franchisees as of the issuance date of this Disclosure Document and their addresses and telephone numbers are listed on Exhibit D to this Disclosure Document.

The name, city, state, business telephone number or, if unknown, the last known home telephone number of every franchisee who has had a Franchised Business terminated, cancelled, 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 will be listed on Exhibit E to this Disclosure Document when applicable.

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, we have not signed any confidentiality clauses with a current or former franchisee in a Franchise Agreement, settlement agreement or any other contract. No current or former franchisees have signed any provisions restricting their ability to speak to you openly about their experience with Pacific Lawn Sprinklers. There are no trademark-specific franchisee organizations associated with the franchise system.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit G are our (i) audited financial statements for the period ending December 31, 2019, December 31, 2020, and December 31, 2021. Our fiscal year end is December 31.

ITEM 22

CONTRACTS

The Franchise Agreement, Non-Competition and Non-Disclosure Agreement, Telephone Number Assignment Agreement and Power of Attorney, Guaranty and Call Center Use Agreement are attached to this Disclosure Document as Exhibit C. The Promissory Note and Security Agreement are attached to this Disclosure Document as Exhibit H.

ITEM 23

RECEIPT

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document in Exhibit I. Please return one signed copy to us and retain the other for your records.

EXHIBIT A

AGENTS FOR SERVICE OF PROCESS/STATE ADMINISTRATORS

<u>CALIFORNIA</u> Commissioner of the Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 Agent: California Commissioner of Financial Protection and Innovation	<u>MARYLAND</u> Maryland Division of Securities Office of the Attorney General 200 St. Paul Place, 20th Floor Baltimore, Maryland 21202-2020 (410) 476-6360 Agent: Maryland Securities Commissioner
<u>HAWAII</u> 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, Hawaii 96813 (808) 586-2722 Agent: Commissioner of Securities of the State of Hawaii	<u>MICHIGAN</u> Michigan Department of Commerce Corporations and Securities Bureau 6586 Mercantile Way Lansing, Michigan 48909 (517) 373-7177 Agent: Michigan Department of Commerce
<u>ILLINOIS</u> Attorney General of the State of Illinois 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 Agent: Illinois Attorney General	<u>MINNESOTA</u> Market Assurance Division Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 296-4026 Agent: Minnesota Commissioner of Commerce
<u>INDIANA</u> Indiana Securities Commission 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681 Agent: Indiana Secretary of State	<u>NEBRASKA</u> Nebraska Department of Banking and Finance Commerce Court 1230 O Street, Suite 400 P.O. Box 95006 Lincoln, Nebraska 68509-5006

<u>NEW YORK</u> Administrator: NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 Agent: New York Secretary of State 99 Washington Avenue Albany, NY 12231	<u>SOUTH DAKOTA</u> Division of Securities Department of Revenue and Regulation 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823 Agent: Director of South Dakota Division Securities
<u>NORTH DAKOTA</u> North Dakota Securities Department 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-2910 Agent: North Dakota Securities Commissioner	<u>TEXAS</u> Secretary of State P.O. Box 12887 Austin, Texas 78711
<u>OREGON</u> Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 Agent: Director of Oregon Department of Insurance and Finance	<u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 Agent: Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219
<u>RHODE ISLAND</u> Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex Building 69-1 Cranston, Rhode Island 02920 401-462-9527 Agent: Director of Rhode Island Department of Business Regulation	<u>WASHINGTON</u> State of Washington Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760 Agent: Securities Administrator, Department of Financial Institutions

WISCONSIN

Division of Securities
Bureau of Registration and Enforcement
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 266-8559

Agent: Administrator, Division of Securities

EXHIBIT B

STATE SPECIFIC ADDENDA

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designated jurisdiction and venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

The following provisions will supersede anything to the contrary in the Franchise Disclosure Document or Franchise Agreement and will apply to all franchises offered and sold under the laws of the State of Maryland:

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. The “Summary” sections of Items 17(c), entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Disclosure Document are amended by adding the following:

Any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The “Summary” section of Item 17(h), entitled **"Cause" defined – non-curable defaults**, of the Disclosure Document is amended by adding the following:

The agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce it to the extent the law allows.

3. The “Summary” section of Item 17(v), entitled **Choice of forum**, of the Disclosure Document is amended by adding the following:

You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The “Summary” section of Item 17(w), entitled **Choice of law**, of the Disclosure Document is amended by adding the following:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. 11 1050 et seq.), as amended, and as otherwise required by applicable law for claims arising under the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement will be governed by the laws of Florida.

5. The following language is added to the end of Item 17 of the Disclosure Document:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE 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.

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the “Summary” section of Item 17(h), entitled **“Cause” defined – non-curable defaults**, is amended by adding the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

EXHIBIT C
FRANCHISE AGREEMENT

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

TABLE OF CONTENTS

ARTICLE I.....	2
DEFINITIONS	2
ARTICLE II	3
GRANT OF FRANCHISE AND LICENSE	3
ARTICLE III.....	4
FRANCHISEE RESTRICTIONS AND FRANCHISOR’S RESERVED RIGHTS	4
ARTICLE IV	6
TERM AND RENEWAL.....	6
ARTICLE V.....	7
DUTIES OF FRANCHISOR.....	7
ARTICLE VI.....	12
CONFIDENTIAL OPERATIONS MANUAL	12
ARTICLE VII	14
PROPRIETARY MARKS, TRADE NAMES AND COPYRIGHTED MATERIALS	14
ARTICLE VIII.....	16
PAYMENTS TO FRANCHISOR	16
ARTICLE IX.....	22
OBLIGATIONS OF FRANCHISEE.....	22
ARTICLE X	27
INSURANCE	27
ARTICLE XI.....	29
ADVERTISING	29
ARTICLE XII	31
REPORTING AND FINANCIAL MANAGEMENT REQUIREMENTS	31
ARTICLE XIII.....	33
INDEPENDENT CONTRACTOR AND INDEMNIFICATION	33
ARTICLE XIV	34
CONFIDENTIAL INFORMATION	34
ARTICLE XV.....	35
COVENANTS NOT TO COMPETE.....	35
ARTICLE XVI.....	36
ASSIGNMENT AND RIGHT OF FIRST REFUSAL	36

ARTICLE XVII.....	40
DEFAULT AND TERMINATION.....	40
ARTICLE XVIII.....	44
FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR	
EXPIRATION.....	44
ARTICLE XIX.....	47
MODIFICATION OF SYSTEM.....	47
ARTICLE XX.....	48
DISPUTE RESOLUTION	48
ARTICLE XXI	53
GENERAL PROVISIONS	53
ARTICLE XXII	57
SUBMISSION OF AGREEMENT	57

SCHEDULE:

“A” FEE SCHEDULE

EXHIBITS:

- “A” LOCATION OF FRANCHISE
- “B” STATEMENT OF PROSPECTIVE FRANCHISEE
- “C” SAMPLE FORM OF GENERAL RELEASE
- “D” TELEPHONE NUMBER ASSIGNMENT AGREEMENT AND POWER OF ATTORNEY
- “E” GUARANTY
- “F” CALL CENTER USE AGREEMENT
- “G” STATE SPECIFIC ADDENDA
- “H” ELECTRONIC FUNDS TRANSFER AGREEMENT
- “I” SAMPLE ASSIGNMENT AND ASSUMPTION OF FRANCHISE AGREEMENT

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 20____ (the “Effective Date”) between Pacific Lawn Sprinklers Franchise LLC, a Florida limited liability company with its principal office at 1007 N. Federal Highway, #1015, Fort Lauderdale FL 33304 (the “Franchisor”), and _____, whose principal address is _____, an individual/partnership/corporation formed or incorporated in the State of _____, who will act under this Agreement under the approved trade name “Pacific Lawn Sprinklers” (the “Franchisee”).

W I T N E S S E T H:

WHEREAS, the Franchisor has developed a system of uniform standards, methods, merchandising, and advertising for the operation of a franchise to provide installation and maintenance services and related products for residential and small commercial facilities based on leads distributed from a call center system (in the case of a Combo Franchise) or to provide certain maintenance services and related products, but not installation services, for residential and small commercial facilities based on leads distributed from a call center system (in the case of a Service Franchise), based on a method of selling products and providing the Services (as defined below), all of which may be changed, improved and further developed (the “Pacific Lawn Sprinklers” Business or “System”) using the trade name, trademark and service mark of “Pacific Lawn Sprinklers” (collectively, the “Proprietary Marks”);

WHEREAS, the Franchisee desires to enter into the business of owning and operating a Combo Franchise or a Service Franchise (the “Franchised Business”) in accordance with the System and wishes to obtain a franchise from the Franchisor for that purpose, as well as to receive the training and other assistance provided by the Franchisor in connection therewith;

WHEREAS, the Franchisee understands and acknowledges the importance of, and benefits to be derived from, the System, as well as the Franchisor’s high standards of quality and service and the necessity of operating the Franchised Business hereunder in conformity with the Franchisor’s standards and specifications;

WHEREAS, the Franchisee desires to obtain a franchise to use the System and the Proprietary Marks at the location described in Exhibit “A” hereto, pursuant to the provisions hereof, and Franchisee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Franchise Agreement by counsel of his/her own choosing and represents and warrants that he/she has the business experience and financial ability to operate a Franchised Business;

WHEREAS, the Franchisee acknowledges that Franchisee has read this Agreement and Franchisor’s Franchise Disclosure Document and that Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain uniform high standards of quality at all locations and to protect the goodwill of the Proprietary Marks;

WHEREAS, the Franchisor expressly disclaims the making of any warranty or guarantee, expressed or implied, oral or written, regarding the potential revenues, profits or success of the business venture contemplated by this Agreement;

WHEREAS, the Franchisee acknowledges that he/she has no knowledge of, nor has received nor relied upon, any representations or warranties by Franchisor, its officers, directors, shareholders or Pacific Lawn Sprinklers Franchise LLC
Franchise Agreement 2022

representatives about the franchise offered hereunder, about Franchisor or its franchising programs and policies that are contrary to the statements in Franchisor's Franchise Disclosure Document or to the terms of this Agreement, or regarding the potential revenues, profits or success of the business venture contemplated hereunder; and

WHEREAS, the Franchisee acknowledges that this Agreement places detailed and substantial obligations on Franchisee, including strict adherence to Franchisor's reasonable present and future requirements regarding facilities, equipment, suppliers, operating procedures, management protocols and procedures, merchandising strategies, sales promotion programs and related matters. Franchisee acknowledges that future improvements, changes and developments in the System may require additional expense to be undertaken by Franchisee.

BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH ASSISTANCE OF LEGAL COUNSEL.

NOW, THEREFORE, for and in consideration of the mutual undertakings, covenants, premises and commitments contained hereinabove and below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, **IT IS AGREED**, as follows:

ARTICLE I
DEFINITIONS

1.1 In addition to any other terms defined in this Agreement, the following definitions shall govern this Agreement:

1.1.1 "Add-On Franchise" means a franchise granted to an existing franchisee of Franchisor in good standing who purchases an additional franchised business or Service Vehicle Route.

1.1.2 "Agreement" means this document, including all exhibits hereto and documents referenced and incorporated herein, and any documents or agreements modifying the System.

1.1.3 "Combo Franchise" means a franchise granted to provide all of the Services to residential and small commercial facilities based on leads distributed from a call center system.

1.1.4 "Copyrights" means all work rendered in a tangible medium of expression as defined under U.S. Copyright Law, 17 U.S.C. Sec. 101, *et seq.*, that relates to the Franchised Business, whether published or unpublished, whether confidential or not, whether created by Franchisor or one (1) or more of its franchisees, assigned hereunder to and owned by Franchisor and licensed for use by Franchisee as part of the Franchised Business under this Agreement, including without limitation, the Confidential Operations Manual.

1.1.5 "Franchised Business" means the System as licensed to the Franchisee hereunder to use from Franchisee's Facility or Approved Location.

1.1.6 "Know How" means Franchisor's: (a) trade secrets and know-how, whether existing now or created during the term of this Agreement by Franchisor and/or one (1) or more of its

franchisees (and assigned back to Franchisor), as conveyed to Franchisee, that relates to, *inter alia*, Franchisor's services and/or processes, marketing practices, and business methods, affairs, tools and techniques, as well as including its customer or prospective customer lists and trade relationships including pricing information, which tends to give Franchisor and its network of franchisees a competitive edge over others who provide the same or similar products or services; (b) inventions that may be protected by the filing of U.S. patent applications under Title 35 of the United States Code and/or foreign statutory counterparts; and (c) all unpublished or otherwise confidential work that has been rendered and "work made for hire" protected under Title 17 of the United States Code and other applicable foreign copyright statutes. Know How need not take the form of any particular tangible medium of expression, but may also be found or contained in the form of records, magnetic media, papers, photographs, catalogs, books, cassettes, videotapes, computer files, or stored or fixed on computer hard or soft disks or diskettes.

1.1.7 "Proprietary Marks" means all the trademarks, service marks, logos, emblems, and indicia of origin licensed to and used or contemplated to be used by Franchisor and/or one (1) or more of its franchisees, including, but not limited to, the trade dress, the marks "Pacific Lawn Sprinklers", "Pacific" the "Pacific Lawn Sprinklers" logo, and other such trade names, service marks and trademarks as may be designated now or hereafter by the Franchisor.

1.1.8 "Proprietary Properties" means the Copyrights, Know How, Proprietary Marks and Software.

1.1.9 "Service Franchise" means a franchise granted to provide all of the Services to residential and small commercial facilities, except Franchisor will not distribute leads for the Franchisee for installation services.

1.1.10 "Service Area" is the area defined in Section 3.4 below, and is the geographic area in which Franchisor will route service requests through the Call Center. Franchisee's Service Area will be located within 25-miles of its approved location, and will be based on zip codes which Franchisor may change in its sole discretion.

1.1.11 "Services" means certain improvement and related services, including, but not limited to, the service and installation of lawn sprinkler systems, low voltage and LED landscape lighting systems, outdoor drainage systems, insect control systems, and the design and installation of holiday decorations and displays.

1.1.12 "Software" means the computer software (including all patches, modifications and updates) provided to the Franchisee under this Agreement by which the Franchisee downloads and uploads information relevant to the Franchised Business.

ARTICLE II

GRANT OF FRANCHISE AND LICENSE

2.1 Subject to the provisions of this Agreement and all documents or other agreements ancillary thereto (the "Agreement"):

2.1.1 Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, the franchise and license to operate a Franchised Business in accordance with Franchisor's specifications and subject to Franchisor's approval.

2.1.2 Franchisee agrees to use the Proprietary Properties solely for the Franchised Business and for no other purpose.

ARTICLE III
FRANCHISEE RESTRICTIONS AND FRANCHISOR'S RESERVED RIGHTS

3.1 **Franchisee's Restrictions.** Franchisee's activities are limited to offering and selling the Services and related products permitted under the System to those customers comprising a single Service Vehicle Route (for a Service Franchise or Add-On Franchise) or two Service Vehicle Routes (for a Combo Franchise) within the Service Area. Franchisee has been granted no right of ownership in and/or to any part or all of the Proprietary Properties.

3.2 **Rights Reserved to Franchisor.** Franchisor reserves the right: (i) of ownership in, and control over the Proprietary Properties; (ii) to grant additional franchises, whether similar or dissimilar to the franchise granted hereby, anywhere it deems reasonably appropriate; (iii) to engage fully and freely and without limitation in each and every aspect of the business of selling related services, products and equipment; (iv) to offer to the public-at-large, separately, jointly or with others, all related services and/or products of every type and kind; and (v) to employ and exploit the Proprietary Marks, Copyrights, Know How, and Software, in connection therewith.

Franchisor reserves the right to establish or operate, or license any other franchisee to establish or operate, either a Combo or Service Franchise at any location. Franchisor (and any affiliates that Franchisor periodically might have) reserves 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 and on any terms and conditions Franchisor deems appropriate;

(b) to offer any products and related services identical or similar to, or dissimilar from, those Franchisee's Franchised Business sells, whether identified by the Proprietary Marks or other trademarks or service marks through any distribution channels Franchisor thinks best (including the Internet);

(c) to offer any products and related services through any distribution channels Franchisor thinks best (including, but not limited to, the Internet), wherever located or operating;

(d) to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or franchise, license, and/or similar agreements for such businesses), some or all of which might be located anywhere;

(e) to be acquired (regardless of the form of transaction) by a business identical or similar to "Pacific Lawn Sprinklers", even if the other business operates, franchises and/or licenses competitive businesses anywhere; and

(f) to engage in any other business activities not expressly prohibited by this Agreement, anywhere.

3.3 **National Accounts.** Franchisor shall have the exclusive right, unless otherwise specifically delegated in writing, on behalf of itself, Franchisee, and/or other franchisees utilizing the Proprietary Marks, to negotiate and enter into agreements or approve forms of agreement to provide services to "National Account" customers. These National Account customers can be national or regional companies, third party property managers, or any customer which on its own behalf or through agents, Pacific Lawn Sprinklers Franchise LLC

franchisees, or other third parties owns, manages, controls or otherwise has responsibility for a business in more than one (1) location. Any dispute as to whether a particular customer is a National Account shall be determined by Franchisor in its sole discretion and Franchisor's determination shall be final and binding. So long as Franchisee is in substantial compliance with the terms of this Agreement and any other agreements between itself and Franchisor, Franchisee may perform work for National Account customers pursuant to the terms and conditions of the National Account contract or on such terms and conditions as Franchisor in its discretion determines are appropriate. If Franchisee elects not to provide services to a National Account customer in conformity with the terms and conditions of the National Account contract, or fails to make an election within the time specified by Franchisor, after being offered the opportunity by Franchisor, Franchisor shall have the right, exercisable in its sole discretion, to (i) provide, directly or through any affiliate or other franchisee, services to the National Account customer; and/or (ii) contract with another party to provide such services to the National Account customer.

3.4 Service Area. Franchisee will not receive an exclusive territory. Your Service Area will be located within 25-miles from your approved location, and will be based on zip codes which Franchisor may change in its sole discretion. Service Areas are determined through many factors including but not limited to, demand for services, franchisee skill set, municipal restrictions, licensing, travel requirement and availability. As the demand for Services in a Service Area increases, the Franchisee will have to be able to timely meet such demand or it will have its Service Area altered.

If Franchisee moves during the term of the Franchise Agreement, Franchisor may, but is not required, to provide Franchisee with a new Service Area. Franchisee may not, without Franchisor's prior authorization, (a) solicit customers located outside of the Service Area, or (b) provide the Services to more than twenty-five (25) customers located outside of your Service Area during any calendar year. Franchisee may request Franchisor's approval to provide Services to any additional customers located outside of your Service Area in excess of twenty-five (25), which may be withheld for any reason. In the event Franchisee (a) exceeds this limit without Franchisor's approval, or (b) solicits any customers or directs any marketing or advertising efforts outside of the Service Area, Franchisor may reduce the size of the Service Area, revoke Franchisee's right to service any customers outside the Service Area in subsequent calendar years, or terminate the Franchise Agreement. If Franchisee proposes to service customers outside of the Service Area who are not located within another franchisee's Service Area, or to solicit customers located in an unoccupied territory, Franchisor will not unreasonably withhold its approval. Franchisor's approval may be revoked at any time. In addition to those remedies described above, if Franchisee breaches these non-solicitation obligations or exceeds the permitted number of jobs outside the Service Area, Franchisee may be required to remit 100% of the total revenue generated from the job(s) giving rise to the breach to the franchisee within whose Service Area Franchisee solicited customers or provided unauthorized Services.

3.4.1 Service Vehicle Route. Each "Service Vehicle Route" shall be limited to those number of customers determined by Franchisor up to but not exceeding the number of customers who may be serviced by a single Service Vehicle in a single day. The franchise granted herein is for the right to operate (a) one (1) Service Vehicle Route if the franchise is a "Service Franchise", or (b) two (2) Service Vehicle Routes if the franchise granted herein is a "Combo Franchise". The Service Vehicle Route shall be limited to the Service Area. In the event the Service Area can, in Franchisor's sole judgment, contain more than the number of Service Vehicle Routes granted hereunder, Franchisor may, but is not required, to offer Franchisee the right to purchase an additional Service Vehicle Route therein ("Add-On Franchise"). Franchisor may operate, or grant another franchisee the right to operate, any additional Service Vehicle Routes within the Service Area.

ARTICLE IV

TERM AND RENEWAL

4.1 **Term.** The term of this Agreement, and any subsequent Add-On Franchise, shall be ten (10) years commencing on the Effective Date of this Agreement, unless sooner terminated in accordance with the provisions of this Agreement (and any amendments thereto) (the “Initial Term”).

4.2 **Successor Franchise Terms.** Franchisee will have the right, but not the obligation, to enter into Successor Franchise Agreements (as defined in Subsection 4.3. below) for two (2) additional consecutive terms, each such term to consist of five (5) years (each term a “Successor Franchise Term”), if Franchisee has complied with the conditions and procedures set forth in Sections 4.3 and 4.4, below.

4.3 **Requirements for a Successor Franchise Term.** Franchisee’s right to enter into a Successor Franchise Term is conditioned upon Franchisee’s fulfillment of the following conditions:

4.3.1 Upon Franchisee’s exercise of such right and at the commencement of any Successor Franchise Term, Franchisee shall have fully performed all of his/her obligations under the Agreement.

4.3.2 Franchisee, at the commencement of a Successor Franchise Term, shall satisfy:

(i) Franchisor’s then-current standards applicable to the System; (ii) the requirements of the then-current Franchise Agreement and all other agreements ancillary thereto; (iii) Franchisor’s training requirements, including Franchisee’s demonstrable ability to perform all Services which are part of the System at the time of renewal; (iv) the standards set forth in Franchisor’s then-current Confidential Operations Manual (the “Manual”); and (v) Franchisor’s requests for disclosure of or access to information requested by Franchisor to evaluate Franchisee’s ability to perform.

4.3.3 Franchisee shall not be in default of any provision of this Agreement or any other agreement with Franchisor, its affiliates, subsidiaries, and designees, if any.

4.3.4 Franchisee shall have satisfied all monetary obligations to Franchisor, its affiliates, subsidiaries, and designees, if any, and shall have met such obligations in a timely and responsible manner throughout the Initial Term.

4.3.5 Franchisee shall have executed a general release, in form and substance satisfactory to Franchisor and/or its counsel, of any and all present as well as future claims against Franchisor and its affiliates, subsidiaries, and designees, if any, and their respective officers, directors, shareholders, agents, contractors, and employees, in their corporate and individual capacities, arising out of or related to the Agreement.

4.3.6 Franchisee shall be in compliance with Franchisor’s then-current qualification and training requirements as set forth in the Manual or elsewhere.

4.4 **Successor Franchise Agreement.** If Franchisee wishes to exercise his/her/its right to enter into a Successor Franchise Agreement, it shall do so by executing Franchisor’s then-current form of Successor Franchise Agreement, which agreement shall supersede this Agreement.

4.4.1 The terms of any Successor Franchise Agreement may differ from the terms of this Agreement. Such differences may include, without limitation, a change in the Minimum Continuing Royalty Fee (defined below), Call Center Administration Fees, Bookkeeping Services Fees, Software-related fees, and Brand Contribution Fund Fees, imposed upon Franchisee for any such Successor Franchise Term.

4.4.2 Franchisee shall exercise his/her/its right to obtain a Successor Franchise Term in the following manner:

(a) Not less than one hundred eighty (180) days, but no more than two hundred forty (240) days prior to the expiration of the Initial Term, Franchisee shall, by written notice, inform Franchisor of his/her intention to enter into a Successor Franchise Agreement.

(b) Within thirty (30) days after receipt of Franchisee's request, Franchisor shall deliver to Franchisee a copy of its then-current Disclosure Document (if Franchisor is then legally required and able to do so) and a copy of Franchisee's Successor Franchise Agreement in a form ready to be executed by Franchisee (together, the "Renewal Package"). Franchisee must acknowledge receipt of the Renewal Package in any fashion that Franchisor reasonably specifies.

(c) No sooner than fourteen (14) days but no more than twenty (20) days after Franchisee receives Franchisor's Renewal Package, Franchisee must execute the Successor Franchise Agreement and return it to Franchisor.

(d) If Franchisee has exercised its renewal right as described above and has complied with all of the procedures set forth herein, and on the date of expiration of the Initial Term Franchisee satisfies all of the conditions to renewal identified in Section 4.3 of this Agreement, then Franchisor will execute the Successor Franchise Agreement previously executed by Franchisee and will deliver one fully executed copy of the Successor Franchise Agreement to Franchisee.

(e) If Franchisee shall fail to perform any of the acts or fail to deliver any of the notices required pursuant to the provisions of subsections (a), (b), (c) or (d) of this Section 4.4.2 in a timely fashion, such failure shall be deemed an election by Franchisee not to enter into a Successor Franchise Term, and such failure shall cause Franchisee's renewal right to expire without further notice or action by Franchisor. If this occurs, this Agreement (and any amendments thereto, including any Add On Franchise, if applicable) will terminate at the end of the Initial Term, except for the post-termination and post-expiration provisions of this Agreement which by their nature will survive.

(f) **Time is of the essence with regard to this Section 4.4.2.**

4.5 **Notice Requirement.** If applicable law requires that Franchisor give notice of expiration to Franchisee prior to the expiration of the Initial Term, this Agreement shall be deemed to remain in effect on a month-to-month basis until Franchisor has given to Franchisee that notice of expiration so required and the applicable period required to pass before the notice becomes effective shall have expired.

ARTICLE V

DUTIES OF FRANCHISOR

5.1 Confidential Operations Manual and Intranet.

5.1.1 Franchisor shall, in conjunction with Franchisor's training program and in conformity with the terms and conditions of this Agreement, lend to Franchisee one (1) copy of the Manual or make a copy of the Manual available electronically on a restricted intranet or other website, as described in more detail in Section 5.12 below. Use of any part or all of the Manual shall be only as permitted under this Agreement and during the term thereof.

5.1.2 At Franchisor's option, Franchisor may post the Manual and other communications on a restricted intranet or other website to which Franchisee will have access. If Franchisor does so, Franchisee must periodically monitor the site for any updates to the Manual or other standards, specifications and procedures. Any passwords or other digital identifications necessary to access the Manual on such a site will be deemed to be part of the Confidential Information. Further, Franchisee agrees that he/she will establish the channels of communication with Franchisor and customers as required by Franchisor from time to time, including e-mail, internet and other electronic forms of communication, and that he/she will acquire and maintain any computer or other components necessary for the transmission of such communications.

5.1.3 At Franchisor's option, Franchisor may establish one or more websites to advertise, market and promote Pacific Lawn Sprinklers Businesses, the services they offer and sell, and/or the Pacific Lawn Sprinklers Business franchise opportunity. If Franchisor establishes such a website, Franchisor may designate a web page within the website for each Pacific Lawn Sprinklers Business. Franchisor may implement and periodically modify standards for any such website and individual web pages. Franchisee will not establish a website for his/her Franchised Business, other than the web page(s) designated to describe Franchisee's Franchised Business which are located within Franchisor's website.

5.2 **Additional Materials.** In addition to any other training offered to Franchisee, Franchisor may from time to time furnish to Franchisee other documents and things comprising Copyrights or Know How, including instructions, data, materials, forms or other information developed by Franchisor in connection with the operation of the System. Franchisor shall have the right to incorporate such matters in its Manual and Franchisee shall be required to conduct the operations of the Franchised Business in accordance therewith.

5.3 **Initial Training.** With respect to new franchisees (and not renewal or Add-On franchisees), within thirty (30) days after the execution of this Agreement, Franchisor will offer and Franchisee will thereafter be required to complete a training program (the "Training Program") of up to four (4) weeks at such location(s) as Franchisor shall designate. Such training program will include training regarding operational, management and marketing training pertaining to the System. The Training Program will be offered to Franchisee only. If the Franchisee is a corporation or a partnership, its duty to complete the Training Program shall be discharged by the completion of such Training Program by any shareholder owning at least fifty percent (50%) of the issued and outstanding shares of said corporation, or the chief executive officer thereof, or, in the case of a partnership, by any holder of at least fifty percent (50%) of the partnership's equity.

5.3.1 Franchisor will pay no compensation for any services performed by Franchisee in the course of training. Franchisee shall pay all reasonable expenses incurred in connection with

and during such training, including, but not limited to, transportation, meals, lodging and other expenses.

5.3.2 Franchisor reserves the right to determine the subject matter and content of its Training Program.

5.3.3 Franchisor shall provide such additional advisory assistance and training as Franchisor deems advisable in the operation of the System, on such terms and conditions as Franchisor determines and sets forth in its Manual or otherwise. Franchisor may, in its sole and exclusive judgment, cause its representatives to telephone, Zoom or Facetime video calls, or visit Franchisee from time to time for the purpose of rendering advice and consultation with respect to the operation of the Franchised Business, assessing Franchisee's overall performance and determining whether Franchisee is conducting the Franchised Business in compliance with the standards of the System. Franchisee shall comply with all such requests and visitations, and provide all information requested.

5.3.4 Franchisor reserves the right to elect or decline to train any number of individuals representing any number of franchises individually, or at the same time.

5.3.5 In the event of a valid and complete assignment of the Franchised Business by Franchisee to a third party (as provided for hereafter), Franchisor shall train such third party designated by it in the same manner and under the same circumstances as those described above, except that the new franchisee must pay to Franchisor its then-current training fee for each individual required or designated to be trained (in addition to any fees or other requirements attendant to the assignment).

5.3.6 In the event Franchisee hires any personnel to sell Services and related products pursuant to the requirements of this Agreement and the specifications set forth in the Manual, such personnel are required to attend and successfully complete, at Franchisee's cost and expense (including Franchisor's then-current training fee), Franchisor's training program before performing such Services. In this context, Franchisee shall provide to Franchisor, prior to engagement of any such personnel, a resume of the person. Based upon the resume (and an interview, if Franchisor shall so elect), Franchisor may waive the requirement of such training, provided Franchisor, in its sole judgment, shall determine that qualifications are already met for performance hereunder.

5.3.7 Franchisor may waive the training requirements of any personnel if it shall determine, in its sole judgment, that any such personnel has the skill, experience and/or training necessary to operate in accordance with the System.

5.3.8 In addition to the initial training to be provided to Franchisee, Franchisor will provide, at Franchisor's expense, one (1) of its regional service directors for a two (2) to three (3) day opening evaluation period to ensure that Franchisee is following Franchisor's procedures.

5.3.9 If Franchisee requests additional training, Franchisee shall reimburse Franchisor for its costs in providing such training. Franchisor will determine the cost on a per person basis based upon the instructor's fee and the travel, lodging, food and materials costs associated with the training topic.

5.3.10 If Franchisor determines in its sole judgment that additional training is required in connection with new products, technology, software or system policies, Franchisor may provide, and require that Franchisee, as well as any of its management personnel attend, up to five (5) days of additional training ("Additional Training") at a training facility that Franchisor designates. Franchisee may also

request that Franchisor provide certain additional or refresher training to Franchisee, either at one (1) of Franchisor's designated training facilities or on-site at Franchisee's Franchised Business. Franchisor reserves the right to charge Franchisee its then-current Training Fee in connection with any Additional Training or training that Franchisor provides at Franchisee's request. Such training will be provided subject to the availability and schedules of Franchisor's training personnel.

5.4 Annual Convention. On an annual basis and in Franchisor's judgment, at Franchisee's cost and expense (including Franchisor's then-current annual convention fee), Franchisee or one (1) member of Franchisee's staff is required to attend Franchisor's annual convention either online via Webinar, or at a location determined by the Franchisor. Attendance at this convention is required, and a failure to attend shall be grounds for termination, unless failure to attend is due to an illness or act of God.

5.5 Compliance with Manual. In order to maintain uniformity of concept and quality, all proprietary materials and forms used by Franchisee shall be purchased from Franchisor or its affiliates in accordance with the terms and procedures set forth in the Manual. The use or sale of unapproved products or services shall constitute a material and incurable breach of this Agreement.

5.5.1 Franchisor shall, at all times during the term of this Agreement, provide information pertaining to sources of supply of any products or materials which may be used in the System.

5.6 Software. Franchisor or a third party will license to Franchisee the Software, as may be made available from time to time and made part of the System. In connection therewith, Franchisee may be required to execute a software license agreement provided by the third party vendor and such other license agreements which may be applicable to additional or revised software used in the System. Any and all warranties for such software shall be provided by the third party vendor and not by the Franchisor.

5.6.1 In addition to the training to be provided by Franchisor, during the term of this Agreement, at an additional charge to Franchisee, Franchisor or its designee will provide to Franchisee at Franchisee's request such amount of technical advice on the use of the Software in addition to the Training Program as Franchisor, in its sole judgment, determines to be reasonably necessary.

5.6.2 Franchisor will make available to Franchisee, at an annual maintenance fee of Three Hundred Fifty (\$350) Dollars per module (or the then-current fee) ("Maintenance Fee"), any routine standard updates, modifications, revisions and enhancements to the Software ("Updates"). This Agreement will apply to the Software in its initial form, as well as any form so updated, modified, revised and/or enhanced. Franchisor may, in its sole discretion upon notice to Franchisee, increase the Maintenance Fee annually in an amount not to exceed 3% of the immediately preceding year's Maintenance Fee.

5.7 Computer Hardware. Franchisor shall specify the particular computer hardware and peripheral equipment which Franchisee must purchase or lease.

5.8 Pricing. Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices Franchisee may charge for Services and related products. These rights may include (without limitation)

prescribing the maximum and/or minimum prices which Franchisee may charge customers for the Services and related products offered by Franchisee's Franchised Business; recommending prices; advertising specific prices for some or all Services and related products offered by Franchisee's Franchised Business; to engage in marketing, promotional and related campaigns which Franchisee must participate in and which may directly or indirectly impact Franchisee's prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum prices which Franchisee's Franchised Business may charge the public for the Services and related products it offers. Franchisor may engage in any such activity either periodically or throughout the Term of this Agreement. Further, Franchisor may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. Franchisee acknowledges that the prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of Franchisee's Franchised Business and Franchisee irrevocably waive any and all claims arising from the establishment or suggestion of Franchisee's Franchised Business' prices.

5.9 Brand Development Fund. Franchisor shall administer the Brand Development Fund ("Brand Fund") as is more fully described in Section 11.2 hereof.

5.10 Force Majeure. Delays in the performance by Franchisor or its designee of any obligations hereunder which are not the fault of or within the reasonable control of Franchisor including, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders, shall not give rise to a default by Franchisor hereunder. Rather, Franchisee shall be required to extend the time of performance of any such obligations for the period of such delay or for such other reasonable period of time as may be appropriate in the circumstances.

5.11 Intranet. Franchisor may produce and distribute communications to its franchisees via its intranet system and all franchisees must subscribe to this intranet service.

5.12 Call Center. Franchisor or its designee, may own, operate and maintain a national Call Center ("Call Center"), which will operate for the benefit of all franchisees in the System and which Franchisee must use. The Call Center will derive the majority of Franchisee's appointments from its advertising and networking. The Call Center will use its best efforts to maintain a staff sufficient to distribute leads and drive business to its franchisees. The Call Center may provide back office bookkeeping services to Franchisee at an additional cost and may also bill and collect the fees for the Services performed by Franchisee. Franchisee shall be required to execute a Call Center Use Agreement in the form attached hereto as Exhibit "F".

5.13 Refresher Training. 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 Franchisor on new or revised procedures or requirements, Franchisee may be required to attend refresher training courses lasting up to five (5) days conducted by Franchisor for franchisees, to be held at a location to be determined by Franchisor.

5.13.1 Franchisee will pay the costs of the personnel and their expenses in conducting such refresher training program, and Franchisee shall be responsible for his/her own travel expenses, meals and lodging, including those of his/her Manager(s), if any. However, Franchisor shall be under no obligation to conduct such program until, in Franchisor's sole and absolute judgment, it is advisable to do so.

5.13.2 Franchisee may be excused from attending any meetings only for reasonable

necessity, after prior notice in writing to Franchisor. However, regardless of any excuses, Franchisee must attend a make-up session to be arranged by Franchisor at a date and location to be selected by Franchisor. The cost of organizing and conducting each such make-up session, including the fees of any guest lecturer, rental of a meeting place and audio-visual materials and equipment, and reasonable compensation for the time of Franchisor personnel required to organize such make-up session, shall be borne in equal shares by all those who attend it. Failure to attend a make-up session after missing a regional meeting shall be deemed good cause for termination of this Agreement.

5.13.3 Franchisee's Manager(s), if any, must attend and complete, at Franchisee's expense, all the meetings and training sessions described herein, in addition to Franchisee and to the same extent as Franchisee.

5.14 **Franchisee Directory.** To assist in the efficient operation of the Franchised Business, Franchisor shall provide and Franchisee shall assist Franchisor in the continuous development and maintenance of the following directory for use solely within the System:

5.14.1 Franchisee Directory. To assist Franchisee in maintaining contact with other franchisees, Franchisor shall publish, from time to time, a directory of the names and telephone numbers of every franchisee in the System.

5.15 **Installation and Service Requests.** The Call Center shall direct all orders for installation or service requests from potential customers to the franchisee within whose Service Area the customer resides. If Franchisee is unable to complete such request for installation or service requests to the customer, Franchisor shall have the right to fulfill such order itself, or the Call Center shall direct such order to another franchisee, without compensating Franchisee for his/her failed efforts. Both a Combo and Service Franchisee shall be required to provide at least seven (7) days' notice to the designated Call Center for any cancelled appointments. Failure to do so shall cause Franchisor to impose a rescheduling fee of one hundred percent (100%) of the value of the cancelled job, Franchisor shall have the right, but not the duty to terminate this Franchise Agreement. It is understood and accepted that a Combo Franchisee shall be required to handle any service call before taking in any new installation calls.

5.16 **Supply Manual.** Franchisor will publish and distribute from time to time a supply manual suggesting sources of supply for forms, signs, cards, stationery and other items necessary to operate a modern business offering the Services. The suggested source of supply for items may be Franchisor, an affiliate of Franchisor or an independent supplier. Franchisee may purchase supplies either from a source of supply suggested by Franchisor or from any other supplier which can first demonstrate to the satisfaction of Franchisor that its products or services meet the specifications established from time to time by Franchisor.

ARTICLE VI

CONFIDENTIAL OPERATIONS

MANUAL

6.1 **Conduct of Franchised Business.** In order to protect the reputation and goodwill of the Franchisor, the System, and Proprietary Properties, and to maintain requisite operating standards under the Proprietary Marks, Franchisee shall conduct his or her Franchised Business in strict accordance with the provisions, standards, and procedures set forth in this Agreement and in the Manual.

6.2 **Confidential Information.** Franchisee shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein as confidential Know How, and shall use all efforts to maintain such information as secret and confidential in accordance with the terms and conditions governing Know How and Copyrights, including, without limitation, the following: Franchisee shall not, at any time, without the Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

6.3 **Sole Property of Franchisor.** The Manual shall at all times remain the sole property of the Franchisor, and shall be returned to the Franchisor immediately upon expiration or termination of this Agreement.

6.4 **Revisions.** The Franchisor may, from time to time, revise the contents of the Manual when it reasonably considers such revisions to be necessary to improve or maintain the standards of the System and Franchisee expressly agrees to comply with each new or changed standard, provided, however, that such revisions are made for all franchisees and are reasonable in nature. Any revisions to the contents of the Manual shall be deemed effective seven (7) days after the date of mailing or providing same electronically of such revisions to Franchisee, unless otherwise specified by the Franchisor.

Franchisee acknowledges the contents of the Manual and any revisions or modifications made thereto shall constitute additional provisions of and modifications to this Agreement as if fully set forth herein.

6.5 **Modification of Standards.** Franchisor and Franchisee acknowledge there may be circumstances that require the Franchisee to modify the implementation of the standards and guidelines set forth in the Manual. The Franchisor and Franchisee recognize the Manual is an operational guideline for conducting the Franchisee's business operations and, although the Franchisee shall use his/her best efforts to faithfully follow the standards and guidelines set forth in the Manual, the Franchisor shall be permitted to modify the operational standards and guidelines so that Franchisee's business is best served.

6.6 **Improvements.** To the extent that any improvements, inventions or discoveries are made by Franchisee, or Franchisee's employees or agents, during the course of this Agreement and relating to the Proprietary Properties or System ("improvements"), such improvements shall be deemed assigned to and owned by Franchisor for the purpose of improving the entirety of the franchised network and the provision of services in accordance with the System. All documents and other information concerning any such improvements shall be disclosed to Franchisor promptly after creation or invention. Franchisor shall, in its sole judgment, decide whether such improvements are worthy of inclusion in the System and the best and most practical method of implementation and protection. Franchisee shall execute all documents reasonably necessary to perfect Franchisor's ownership in and to any such improvements and shall cooperate with Franchisor in the creation, implementation, use and protection thereof.

ARTICLE VII
PROPRIETARY MARKS, TRADE NAMES AND COPYRIGHTED
MATERIALS

7.1 **License.** The license granted in Section 2.1 hereof does not grant Franchisee any right, title or interest, at law or in equity, in or to any of the Proprietary Properties, including the Proprietary Marks, Copyrights, and Know How, except as provided by said license. Further, such license applies only to those portions of the Proprietary Properties which have been, or may be, designated in writing by Franchisor for use by Franchisee in conjunction with the operation of the Franchised Business. Franchisee shall not represent to others, or conduct himself/herself in any manner that might indicate to others, that he/she possesses any other legal or equitable rights in or to the Proprietary Properties by virtue of the license granted hereunder. Franchisee must conspicuously post a sign and include on all written materials, including without limitation all advertisements, stationery, and business cards, and on Franchisee's vehicles, the following verbiage: "Independently owned and operated." Execution of this Agreement by Franchisee shall further set forth Franchisee's consent that the Proprietary Marks, Copyrights and Know How are valid and enforceable (without defense or recourse). Franchisee represents and warrants that he/she will not attack the validity or enforceability of any of the Proprietary Properties, or assist another in any such attack, during the course of this Agreement or thereafter. The terms of this paragraph shall survive termination or expiration of this Agreement for any reason, in addition to any of the other remedies or survival provisions otherwise contained herein.

7.2 **Quality Standards.** Franchisee agrees that the nature and quality of: all services rendered by Franchisee in connection with Franchisor's Proprietary Marks; all goods sold by Franchisee under Franchisor's Proprietary Marks; and all related advertising, promotional and other related use of Franchisor's Proprietary Marks by Franchisee shall conform to standards set by and be under the control of Franchisor.

7.3 **Quality Maintenance.** Franchisee agrees to cooperate with Franchisor in facilitating Franchisor's control of the nature and quality of Franchisor's Proprietary Marks, to permit reasonable inspection of Franchisee's operation, and to supply Franchisor with specimen of all uses of Franchisor's Proprietary Marks upon request. Franchisee shall comply with all applicable laws and regulations and obtain all appropriate government approvals pertaining to the sale, distribution and advertising of services and goods which may be covered by this agreement.

7.4 **No Act in Derogation.** Franchisee shall not do or permit any act in derogation of any of the rights of Franchisor to its Proprietary Properties.

7.5 **No Dispute.** Franchisee shall not contest or dispute Franchisor's title to any part or all of the Proprietary Properties.

7.6 **Use of Proprietary Properties.** Franchisee shall use the Proprietary Properties solely in accordance with this Agreement and the Manual.

7.6.1 Franchisee agrees to use Franchisor's Proprietary Marks only in the form and manner and with appropriate legends as prescribed from time to time by Franchisor, and not to use any other service marks or trademark in combination with any of Franchisor's Proprietary Marks without prior written approval of Franchisor.

7.7 **Identification of Franchisee.** Franchisee shall not use the Proprietary Properties, or any words, phrases, symbols, trade dress, colors, logos or materials which Franchisor deems

Pacific Lawn Sprinklers Franchise LLC
Franchise Agreement 2022

confusingly similar thereto, in his/her trade name (or for any other purpose) without Franchisor's prior written approval. In that connection, Franchisee shall identify himself/herself to the public as doing business as "Pacific Lawn Sprinklers" as designated in the opening paragraph of this Agreement.

7.7.1 During the term of this Agreement and any renewal or extension hereof, Franchisee shall identify himself/herself as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, as well as the display of such notices in such content and form and at such conspicuous locations as Franchisor may designate in writing.

7.8 **Discontinuance of Use.** In addition to all post-termination provisions contained in this Agreement, Franchisee agrees that after the expiration or termination of this Agreement, Franchisee shall discontinue the use of the cellular telephone number(s) of the Franchised Business and shall not advertise in any telephone directory under the name "Pacific Lawn Sprinklers" or any other name, phrase or logo used by the System, discontinue use of any or all of the Proprietary Properties, and not use any words, phrases, logos, designs, colors, trade dress or the like that in any manner may cause customer confusion, or resemble, be confusingly similar to, or be a colorable imitation of the Proprietary Properties. Additionally, upon demand of the Franchisor, Franchisee shall direct his/her local telephone company to transfer such telephone number(s) to Franchisor or its designee by utilization of the Assignment of Telephone Numbers form to be executed by Franchisee, the form of which is annexed hereto as Exhibit "E". If Franchisee fails promptly to direct his/her telephone company to effect such transfer, Franchisee hereby irrevocably appoints Franchisor as his/her attorney-in-fact to so act.

7.9 **Franchisor to Defend.** If Franchisee receives notice of or learns of any actual or potential claim, suit or demand that has been or may be asserted against him/her or Franchisor involving any alleged infringement, unfair competition, or similar matter relating to the use of the Proprietary Properties, Franchisee shall promptly notify Franchisor of any such actual or potential claim, suit or demand. Thereupon, Franchisor shall promptly take such action as it may deem necessary in its sole judgment to address any such claim. Franchisor shall have the sole right to defend, compromise or settle any such claim, using attorneys of its own choosing, and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any such claim. Franchisor shall protect, defend and indemnify Franchisee in connection with such claim unless the claim, suit or demand arises out of or relates to Franchisee's use of the Proprietary Properties in violation of this Agreement, the Manual or otherwise.

7.10 **Notification of Infringement.** If Franchisee learns of any unauthorized use of the Proprietary Properties, Franchisee shall promptly notify Franchisor of the facts relating to such alleged infringing use. Franchisor shall, in its judgment, determine whether or not to take any action with respect to such information. Franchisee shall have no right to take any action with respect to any unauthorized use of the Proprietary Properties without the prior written consent of Franchisor.

7.10.1 Franchisee agrees to notify Franchisor of any unauthorized use of Franchisor's Proprietary Marks by others promptly as it comes to Franchisee's attention. Franchisor shall have the right in its sole judgment to bring infringement or unfair competition proceedings involving Franchisor's Proprietary Marks.

7.11 **Limited License.** Franchisee understands and agrees that the limited license to use the Proprietary Properties granted hereby applies only to such properties as are designated by Franchisor, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that he/she is bound not to represent in any manner that

he/she has acquired any ownership or equitable rights in any of the Proprietary Properties by virtue of the limited license granted hereunder, or by virtue of Franchisee's use or creation of any of the Proprietary Properties, or upon any other basis.

7.11.1 If it becomes advisable at any time, in the sole judgment of Franchisor, to modify or discontinue use of any aspect of the Proprietary Properties and/or to adopt or use one or more additional or substitute items, then Franchisee shall be obligated to comply with any such instruction by Franchisor. The sole obligation of Franchisor in such event shall be to reimburse Franchisee for his/her documented, verified and reasonable expenses of compliance, such as changing signs, stationery, etc. Franchisee waives any other claim arising from or relating to any change, modification or substitution to the Proprietary Properties. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any such addition, modification, substitution or discontinuation, except as provided herein. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

ARTICLE VIII

PAYMENTS TO FRANCHISOR

8.1 **Initial Franchise Fee.** Upon execution of this Agreement and to initiate the franchise rights conveyed hereunder, Franchisee shall pay to Franchisor an Initial Franchise Fee in the amount set forth on Schedule "A." The Initial Franchise Fee is not refundable in whole or in part and is deemed fully earned upon execution of this Agreement.

8.2 **Grand Opening Advertising Fee.** In addition to the Initial Franchise Fee, upon execution of this Agreement, Franchisee shall pay to Franchisor a Grand Opening Advertising Fee as a contribution to the Brand Development Fund ("Brand Fund") in the amount set forth on Schedule "A". Franchisor will use the Grand Opening Advertising Fee for grand opening advertising and other local advertising and promotion of Franchisee's franchise from one month before opening through the third month after Franchisee opens. The Grand Opening Advertising Fee is not refundable in whole or in part and is deemed fully earned upon execution of this Agreement.

8.3 **Continuing Royalty Fee.** In addition to the Initial Franchise Fee and Grand Opening Advertising Fee, Franchisee shall pay Franchisor a monthly Continuing Royalty Fee equal to 10% of Net Revenues ("Continuing Royalty Fee"). The Continuing Royalty Fee is payable on the tenth (10th) day of each month based on Net Revenues for the preceding month.

8.3.1 As used in this Agreement, the term "net revenues" shall mean and include the actual gross revenues billed to customers by Franchisee (including sub-contractors) in connection with the Services and related products sold and performed for such customers, whether for cash or credit or barter, plus any other revenues derived from the operation of the Franchised Business by Franchisee, but excluding federal, state or municipal sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authorities, and customer refunds.

8.3.2 **Minimum Continuing Royalty Fee.** The Continuing Royalty Fee that Franchisee pays each Calendar Year (defined, for Franchisee's first calendar year of operation, as the time between the Effective Date and December 31 of the year of the Effective Date, and for each subsequent calendar year, as January 1 through December 31) will be subject to the annual minimum Continuing Royalty Fee, as set forth on Schedule "A" (the "Minimum Continuing Royalty Fee"). The Minimum Continuing Royalty Fee shall be determined based on the applicable Service Level of the Franchised Business (as described in more detail in Section 8.7 and Schedule A). Franchisor may, in

its sole discretion upon notice to Franchisee, increase the Minimum Continuing Royalty Fee applicable to each Service Level annually in an amount not to exceed 3% of the immediately preceding year's Minimum Continuing Royalty Fee. Franchisor will invoice Franchisee for the Continuing Royalty Fee on the last day of each month, and the Continuing Royalty Fee will be due on or before the tenth (10th) day of the month for the preceding month. If, in any Calendar Year, Franchisee has paid a cumulative Continuing Royalty Fee in an amount less than the total Minimum Continuing Royalty Fee due for the Calendar Year, Franchisor will invoice Franchisee for the remaining balance on December 31, and Franchisee must pay Franchisor the remaining balance by January 10 of the next Calendar Year.

8.4 Brand Fund Contribution. In addition to the Initial Franchise Fee, Grand Opening Advertising Fee and Continuing Royalty Fee, Franchisee shall pay to Franchisor an annual Brand Fund Contribution (to be expended as provided in Section 11.2) as a contribution to the Brand Fund in the amount set forth on Schedule "A". The Brand Fund Contribution shall be determined based on the applicable Service Level of the Franchised Business (as described in more detail in Section 8.7 and Schedule A). Franchisor may, in its sole discretion upon notice to Franchisee, increase the Brand Fund Contribution applicable to each Service Level annually in an amount not to exceed 3% of the immediately preceding year's Brand Fund Contribution. The annual Brand Fund Contribution is payable monthly on a prorated basis each Calendar Year.

8.4.1 If Franchisee commences operation of a "Seasonal" Franchised Business (as designated in Schedule A hereto) between January and April, and for each Calendar Year thereafter, the Brand Fund Contribution will be payable in increments as follows: twenty percent (20%) of the Brand Fund Contribution will be due on the last day of the month in April, May and June; ten percent (10%) of the Brand Fund Contribution will be due on the last day of the month in July; five percent (5%) of the Brand Fund Contribution will be due on the last day of the month in August and September; and the remaining twenty percent (20%) of the Brand Fund Contribution will be due on the last day of the month in October and November (10% each). If Franchisee commences operation of the Franchised Business after April 30, for Franchisee's first partial Calendar Year, Franchisee is only required to pay the Brand Fund Contribution due for the month Franchisee commences operation of the Franchised Business, and for the remaining months in the Calendar Year (as set forth above).

8.4.2 If Franchisee commences operation of a "Full Season" Franchised Business (as designated in Schedule A hereto), the Brand Fund Contribution will be payable in on the last day of each month in increments according to a schedule. 5% of the Brand Fund Contribution shall be paid in each of the months of June, July, August, September, and November; 10% of the Brand Fund Contribution shall be paid in each of the months of February and October; 15% of the Brand Fund Contribution shall be paid in March; and 20% of the Brand Fund Contribution shall be paid in the months of April and May. No amounts will be due in the months of January and December

For Franchisee's first partial Calendar Year, Franchisee is only required to pay the Brand Fund Contribution due for the month Franchisee commences operation of the Franchised Business, and for the remaining months in the Calendar Year (as described above).

8.5 Call Center Administration Fee. In addition to the Initial Franchise Fee, Grand Opening Advertising Fee, Continuing Royalty Fee and Brand Fund Contribution, Franchisee shall pay to Franchisor's designated Call Center an annual Administration Fee (the "Call Center Administration Fee") equal to the amount set forth on Schedule "A". The Call Center Administration Fee shall be determined based on the applicable Service Level of the Franchised Business (as described in more detail in Section 8.7 and Schedule A). Franchisor may, in its sole discretion upon notice to Franchisee,

increase the Call Center Administration Fee applicable to each Service Level annually in an amount not to exceed 3% of the immediately preceding year's Brand Fund Contribution. The annual Call Center Administration Fee is payable monthly on a prorated basis each Calendar Year.

8.5.1 If Franchisee commences operation of a "Seasonal" Franchised Business (as designated in Schedule A hereto) between January and April, and for each Calendar Year thereafter, twenty percent (20%) of the Call Center Administration Fee will be due on the last day of the month in April, May and June; ten percent (10%) of the Call Center Administration Fee will be due on the last day of the month in July; five percent (5%) of the Call Center Administration Fee will be due on the last day of the month in August and September; and the remaining twenty percent (20%) of the Call Center Administration Fee will be due on the last day of the month in October and November (10% each). If Franchisee commences operation of the Franchised Business after April 30, for Franchisee's first partial Calendar Year, Franchisee is only required to pay the Call Center Administration Fee due for the month Franchisee commences operation of the Franchised Business, and for the remaining months in the Calendar Year (as described above).

8.5.2 If Franchisee commences operation of a "Full Season" Franchised Business (as designated in Schedule A hereto), the Call Center Administration Fee will be payable in on the last day of each month in increments according to a schedule. 5% of the Call Center Administration Fee shall be paid in each of the months of June, July, August, September, and November; 10% of the Call Center Administration Fee shall be paid in each of the months of February and October; 15% of the Call Center Administration Fee shall be paid in March; and 20% of the Call Center Administration Fee shall be paid in the months of April and May. No amounts will be due in the months of January and December

For Franchisee's first partial Calendar Year, Franchisee is only required to pay the Call Center Administration Fee due for the month Franchisee commences operation of the Franchised Business, and for the remaining months in the Calendar Year (as described above).

8.6 **Other Fees.** Franchisee shall have the option, but not the obligation, to provide services other than sprinkler, drainage, landscape lighting and holiday decorations, if and as any additional service lines are offered by Franchisor. Franchisor may charge a "per occurrence" fee or an annualized and/or prorated fee for these additional services. Currently, Franchisor offers an automated collection call service where Franchisor or an affiliate will make collection calls/texts on Franchisee's behalf. The current fee for this service is \$0.20 per call or text. Franchisor reserves the right to increase this fee if carrier rates increase.

8.7 **Service Levels.** The annual Minimum Continuing Royalty Fee, Brand Fund Contribution, and Call Center Administration Fee are each based on the applicable "Service Level" of the Franchised Business. The Service Level is determined, in Franchisor's sole discretion, based on the amount of exposure Franchisee's Service Area has to the Pacific Lawn Sprinkler brand (or another brand acquired by Franchisor). "Level 1" franchisees operates in an area that has less than 1 year of applicable exposure; "Level 2" franchisees operate in an area that has a minimum of 1 year of applicable exposure; and "Level 3" franchisee operates in a Service Area that has a minimum of 2 years of applicable exposure. Franchisor may, each year and in its sole judgment, determine whether Franchisee's Level 1 or Level 2 Franchised Business will be re-categorized as a Level 2 or Level 3 Franchised Business, as applicable.

8.8 **Commencement of the Business.** Franchisee's obligations to pay the Continuing

Royalty Fee, Call Center Administration Fee, Optional Bookkeeping Services Fee and the Brand Fund Contribution accrues on the day that Franchisee commences operation of the Franchised Business. "Commencement of the Business" is defined as the first day on which the Franchised Business receives revenues, offers services, or conducts any of the activities contemplated by this Agreement.

8.9 Payment Method Calculation. Any amounts due and owing hereunder shall be computed monthly and netted out of the amounts due to the franchisee (if any) as described in Section 8.3.1. Except as otherwise provided herein, all amounts are payable on the tenth (10th) day of each month for the prior month's operations.

8.10 Right of Set Off. Franchisee agrees to pay promptly, when due, all taxes and assessments that may be assessed or otherwise due against Franchisee's income, premises, equipment and/or supplies used in connection with Franchisee's business, to discharge all liens and encumbrances of every kind and character created or placed upon or against any of said property and to pay all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of said business. In the event Franchisee should default in making any such payment, Franchisor, or Franchisor's affiliate, shall be authorized, but not required, to pay the same on Franchisee's behalf, and Franchisee covenants promptly to reimburse Franchisor, or Franchisor's affiliate, for any such payment. Franchisor, or Franchisor's affiliate, shall also maintain the right of set off to permit deductions of any such amounts from payments that may be due Franchisee hereunder. Any such amounts advanced by Franchisor, or Franchisor's affiliate, shall be due and payable immediately on Franchisee's receipt of written demand from Franchisor, or Franchisor's affiliate.

8.11 Default. Any default by Franchisee in the timely payment of any indebtedness of Franchisee owing to Franchisor, or to any affiliate of Franchisor, or the default by Franchisee in the payment of any indebtedness of Franchisee with respect to which Franchisor or any of the affiliates of Franchisor is a guarantor, co-signer, endorser or obligor, shall constitute a breach of this Franchise Agreement, rendering the same subject to termination in accordance with the provisions of Article XVII hereof.

8.12 Application of Funds. Franchisee waives any and all existing and future claims and set offs against any amounts due hereunder to Franchisor, or to any affiliate of Franchisor, which amounts shall be paid when due regardless of any other claims which Franchisee may have against Franchisor, or any affiliate of Franchisor. However, Franchisor, or Franchisor's affiliate, shall be entitled to apply or cause to be applied against amounts due to it any amounts which may from time to time be held by Franchisor, or Franchisor's affiliate, on Franchisee's behalf or be owed to Franchisee by Franchisor, or by Franchisor's affiliate. Notwithstanding any designation by Franchisee, Franchisor, or Franchisor's affiliate, shall use sound business judgment and be reasonable in applying any payments received from Franchisee, whether designated as payable to Franchisor, Franchisor's affiliate, the Brand Development Fund or otherwise, to any past due or other indebtedness of Franchisee for fees, advertising contributions, purchases, interest or otherwise. Franchisor, or Franchisor's affiliate, may set off from any amounts that may be owed to Franchisee any amount that Franchisee owes to Franchisor, or Franchisor's affiliate, or with respect to any payment. In particular, Franchisor, or Franchisor's affiliate, may retain any amounts it has received for Franchisee's account (whether rebates or other funds and whether paid by or due from suppliers or otherwise) as a credit and payment against any amounts that Franchisee owes or will owe to Franchisor, or to any affiliate of Franchisor, or with respect to any advertising contribution. Franchisor, or Franchisor's affiliate, may do so without notice at any time. However, Franchisee does not have the right to offset or withhold payments owed to Franchisor, or to any affiliate of Franchisor, for amounts purportedly due Franchisee from Franchisor, or from any affiliate of Franchisor. Franchisor, or Franchisor's affiliate, may condition

Franchisee's participation in any program (including, but not limited to, any program involving payments from third party suppliers or otherwise) as Franchisor, or Franchisor's affiliate, determines in its reasonable judgment, including, but not limited to, Franchisee being a "Pacific Lawn Sprinklers" franchisee in good standing and not in default under this or any other agreement with Franchisor, or Franchisor's affiliate. Franchisee agrees that he/she will not withhold any amounts otherwise due to Franchisor, or to any affiliate of Franchisor, as a result of any dispute of any nature, but will pay such amounts to Franchisor, or to any affiliate of Franchisor, and only thereafter seek reimbursement.

8.13 Interest on Late Payments. All royalty and service fees, advertising contributions, lease payments, amounts due for purchases by Franchisee from the Franchisor, and other amounts which Franchisee owes to the Franchisor shall bear interest after due date at the maximum interest rate permitted by law. If there is no applicable legal maximum rate, interest will be calculated at the rate of three percent (3%) above the prime rate of interest on the first day of each month for the past due amount, as published in The Wall Street Journal. Franchisee acknowledges that this Section 8.11 shall not constitute the Franchisor's agreement to accept such payments after same are due or a commitment by the Franchisor to extend credit to, or otherwise finance Franchisee's Franchised Business. Further, Franchisee acknowledges that his failure to pay all amounts when due shall constitute grounds for termination of this Agreement.

8.14 Optional Report and Alert Fee. Subject to the schedules and availability of Franchisor's support staff, Franchisee may request, and Franchisor may create and send, customer reports, email alerts or other dispatches created using information available to us through your computer system or elsewhere. Franchisee will pay Franchisor's then-current hourly fee for the time spend preparing and transmitting these reports and/or alerts, unless Franchisor and Franchisee mutually agree upon a per project fee. Franchisee acknowledges and agrees that it does not have a right to receive any such report or alert, and further acknowledges that Franchisor may decline to provide Franchisee with these optional services for any reason.

8.15 Application of Payments. Notwithstanding any designation by Franchisee, the Franchisor may, in its sole judgment, apply any payments by Franchisee to any of his past due indebtedness for royalty and service fees, advertising contributions, purchases from the Franchisor or its affiliates, interest or any other indebtedness.

8.16 Method of Payment - Electronic Funds Transfer. The Royalty Fee and any other fees owed to Franchisor or its affiliates, will be automatically debited from Franchisee's operating account on a monthly basis throughout the term of this Agreement, unless Franchisor provides reasonable written notice that Franchisor is modifying the collection interval (e.g., notifying Franchisee that Franchisor will be collecting Royalty Fee and other recurring amounts due on a weekly rather than monthly basis, with such monthly fees based on the Gross Sales of the Franchised Business over the preceding calendar month). All fees, penalties, and other amounts owed by Franchisee to Franchisor or its affiliates, whether accruing weekly, monthly, annually or as-incurred, will be debited from Franchisee's operating account by Franchisor as such amounts become owed. Franchisee agrees to complete and execute an "Electronic Funds Transfer Agreement" (attached as Exhibit H to this Agreement) and any other form, including, without limitation, an "Electronic Debit Authorization" (attached thereto) for the purpose of authorizing an electronic debit, and to submit any information required by Franchisor for such authorization.

8.17 Volume Discounts and Rebates From Franchisee Purchases: Franchisor reserves the right to receive payments, discounts or other incentives, including payment term discounts, volume discounts, cash rebates, concessions, advertising allowances, or discount bonuses (collectively

“Discounts”), whether by way of cash, kind or credit, from any manufacturer or supplier designated by Franchisor, whether or not on account of purchases made (i) by Franchisor for its own account or for Franchisee’s account, or franchisees generally, or (ii) by Franchisee directly for its own account. Franchisor is entitled to retain the whole of the amount or any part of such Discounts as it deems appropriate from time to time.

ARTICLE IX

OBLIGATIONS OF FRANCHISEE

9.1 **Obligations of Franchisee.** Each component of the System is vital to Franchisor, to the network of other franchisees of the System and to the operation of the Franchised Business, as well as to the members of the purchasing public who have come to rely upon Franchisor and its network for reliability and promptness. Compliance with each such component is of the essence to this Agreement. Hence, Franchisee undertakes to conduct the Franchised Business at all times in full compliance with the System and each of its components. It is expressly understood and agreed that such services include, but are not limited to, providing Services and related products to customers and such other related services as may be offered by Franchisor to the System from time to time. Franchisor may, from time to time, conduct market research and testing to determine consumer trends and salability of new products and services. Franchisee must cooperate by participating in Franchisor’s market research programs, test marketing new products and related services and providing timely reports and other relevant information regarding marketing research. In connection with such test marketing, Franchisee must purchase a reasonable quantity of products to be tested and effectively promote and make a reasonable effort to sell such products and related services.

9.1.1 Franchisee shall operate the Franchised Business in an efficient and professional manner in accordance with the highest ethical and moral standards. Franchisee shall, as well, comply with all recommendations and standards of quality and service prescribed from time to time by Franchisor in the Manual or otherwise.

9.1.2 We recommend, but do not require, Franchisee to operate from his/her home and that all service and installation calls, as applicable, emanate from Franchisee’s home address.

9.2 **Development of Business.** After execution of this Agreement and payment of the Initial Franchise Fee, Franchisee must equip the Franchised Business, complete his/her training (as required by Section 5.3 of this Agreement), and commence operation of the Franchised Business no later than thirty (30) days after the completion of training.

9.2.1 Franchisee shall be excused from the timely performance of his/her obligations under this Section if the cause of delay is beyond the reasonable control of Franchisee. Such cause would include, by way of illustration, strikes, fires and acts of God or other causes which Franchisee could not, by the exercise of due diligence, have reasonably avoided.

9.3 **Compliance with Laws and Good Business Practices.** Franchisee shall secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the Franchised Business. Franchisee shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including without limitation all government regulations relating to environmental protection, occupational hazards and health, worker’s compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. Franchisee shall, in all dealings with customers,

suppliers, the Franchisor and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the business of the Franchisor and the goodwill associated with the Marks and other Pacific Lawn Sprinklers Businesses. Franchisee shall be required to wear any uniforms that Franchisor determines, in the best interests of the System, to have all of its franchisees wear. Failure to wear such designated uniforms shall cause Franchisor to provide Franchisee notice of violations of its systems and procedures and which could, in turn, lead to a notice of termination of this Agreement.

9.4 Franchisee to Supervise. Franchisee is required personally and directly to operate and exercise daily supervision over the operation of the Franchised Business, unless otherwise permitted in writing by Franchisor.

9.4.1 If Franchisee is a corporation, any shareholder owning at least fifty percent (50%) of the issued and outstanding shares of said corporation, or the chief executive thereof, shall fulfill the requirement set forth in Section 9.4 above. If Franchisee is a partnership, any partner owning at least fifty percent (50%) of the equity of the partnership shall fulfill this requirement.

9.5 Service Vehicle. Franchisee shall be obligated to purchase or lease the type of service vehicle required by Franchisor to be used in the operation of the Franchised Business, the specifications for which are set forth in the Manual.

9.5.1 Use of Service Vehicle. Franchisee and his/her employees, agents and independent contractors shall travel to customers' and prospective customers' residential or small commercial properties only in vehicles (hereinafter referred to as "Service Vehicles") that have been acquired, designed, equipped, painted, decaled, decorated and/or otherwise outfitted as specified and approved by Franchisor and no others. It is acknowledged that such restriction is necessary to present a uniform appearance to the public. Franchisee understands and acknowledges that the Service Vehicle shall only be used for "Pacific Lawn Sprinklers" sanctioned projects and work, and for no other purpose.

9.5.2 Condition. Franchisee shall maintain his/her Service Vehicles in good working order, performing scheduled maintenance as recommended by the manufacturer and repairing all malfunctions promptly. Franchisee shall be required to replace a Service Vehicle every ten (10) years.

9.5.3 Cleanliness and Appearance. Franchisee shall keep all of his/her Service Vehicles neat and clean, and consistent with the image of the Franchised Business as a professionally operated installation and servicing business.

9.5.4 Disposition. Under no circumstances shall Franchisee allow a Service Vehicle to come into the possession of anyone who is not a "Pacific Lawn Sprinklers" franchisee without first removing and/or obliterating all the Proprietary Marks.

9.5.5 Safe Driving. Franchisee shall hire and use only safe and courteous drivers of his/her Service Vehicles.

9.5.6 Compliance with Law. Franchisee shall at all times cause himself/herself and his/her employees, agents and independent contractors, along with all Service Vehicles, to be in full compliance with all applicable laws and regulations pertaining to all Service Vehicles.

9.5.7 Taxes and License Fees. Franchisee shall promptly pay all license and use charges and taxes assessed on or pertaining to his/her Service Vehicles, and shall hold Franchisor harmless therefrom.

9.5.8 Inspection. The Franchisor, by its agents, employees and attorneys, shall have the right at all times during business hours, and without prior notice to Franchisee, to inspect the interior and exterior of Franchisee's Service Vehicles to ascertain if Franchisee is in compliance with this Agreement. Such inspection may include verification of correct registration, licensing and insurance. Franchisee shall cooperate, and shall cause his/her employees to cooperate, fully with such inspection, and shall give his/her permission as may be necessary to allow Franchisor to obtain government and insurance company records pertaining to ownership and operation of the Service Vehicles, and promptly deliver the information and documentation referred to herein to Franchisor, upon Franchisor's request.

9.5.9 Reports. Franchisee shall, when upon adding a Service Vehicle to the Franchised Business, report to Franchisor in writing the identity of the Service Vehicle Franchisee is adding. Also, Franchisee shall, from time to time as requested by Franchisor or pursuant to this Agreement, report to Franchisor in writing the identity of all Service Vehicles Franchisee is then using in connection with the Franchised Business. Franchisee shall also report to Franchisor in writing each time Franchisee disposes of any Service Vehicle, setting forth the date of disposition, the name and address of the purchaser and a description of the measures taken to obliterate all resemblance to a Pacific Lawn Sprinklers Service Vehicle. These reports shall also include such other information as Franchisor may reasonably require, and shall be made on such forms, and at such times, as prescribed by Franchisor.

9.6 **Acknowledgments.** Franchisee acknowledges that he/she is one of a number of franchisees, each of whose success depends in substantial part on the integrity, reputation and marketing efforts of each other franchisee. Franchisee further acknowledges that the value of the Proprietary Marks and of membership in the Pacific Lawn Sprinklers System to Franchisee, to Franchisor and to each other franchisee depends on the maintenance of uniform standards of quality, integrity and appearance. Franchisee further acknowledges that any action which impairs the reputation and goodwill of the Proprietary Marks, impairs or adversely affects the objectives of the Franchisor or brings the Franchisor into disrepute, or departs from the uniform practices specified by Franchisor, will be likely to injure all members of the System.

9.7 **Franchisor's Directives.** Franchisee agrees that he/she will at all times adopt and follow all the Franchisor's directives concerning the appearance of Franchisee's Premises and Service Vehicles, the quality and appearance of goods and services offered, the appearance of Franchisee and his/her staff, other business practices and other matters likely to affect the public perception of the Pacific Lawn Sprinklers System as a unified and reliable network of companies. Franchisee will offer all of, and only, the goods and services which Franchisor authorizes.

9.8 **Variances.** Complete and detailed uniformity under many varying conditions may not be possible or practicable, and Franchisor therefore reserves the right and privilege, at the sole and absolute judgment of Franchisor and as Franchisor may deem in the best interest of all concerned in any specific instance, to vary standards to accommodate special needs of Franchisee, 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 Franchisor deems to be of importance to the successful operation of such franchisee's business. Further, Franchisor may from time to time allow certain franchisees to depart from normal System standards and routines in certain respects in order to experiment with or test new products or services, equipment, Service Vehicles, designs, procedures and the like. In no event shall such variance, or such testing, be deemed a waiver of any of Franchisor's rights, or an excuse from performance of any of Franchisee's duties hereunder. Franchisor may at any time require Franchisee to commence full compliance with all of Franchisor's standards and procedures. Franchisor shall not under any circumstances be required to grant any variance to Franchisee. Nothing contained in this Article is intended to confer on Franchisee any right to compel Franchisor to grant a variance to Franchisee or to grant, withdraw or modify any variance given to any other franchisee. Such matters shall at all times remain within the sole and absolute judgment of Franchisor.

9.9 Customer Referrals. Franchisee must refer prospective customers to the designated Call Center. Franchisee agrees that he/she will not undertake any work that he/she is not capable of performing promptly and properly or work not referred to him/her from the Call Center. If Franchisee is prevented by the terms of this Section from accepting one (1) or more new customers, Franchisee will refer each such prospective customer to the Call Center for disbursement to the appropriate franchisee.

9.10 Former Franchisees. Franchisee acknowledges that former franchisees (those whose franchise agreements have expired or have been terminated) are in a position to compete unfairly with the Franchisee and/or other members of the System, and to cause great injury to the reputation of the System and/or the Proprietary Marks. Franchisee therefore agrees as follows:

9.10.1 Franchisee will not sell, loan, give or otherwise transfer or deliver to any former franchisee, or allow any former franchisee to copy or otherwise obtain, any confidential business information about the System; any advertising or promotional materials produced by the Brand Development Fund or by Franchisor or which bear any of the Proprietary Marks; any other materials or publications of Franchisor, including, without limitation, the Manual; any directory or roster of franchisees or Approved Suppliers, any other customer lists or mailing lists pertaining in any way to the System; or any other information about the Franchised Business or the System which is not available to the public.

9.10.2 Franchisee will not refer prospective customers to any former franchisee.

9.10.3 Franchisee will not notify or advise any former franchisee of, or in any other way assist any former franchisee in learning about, the date, time and place of any meetings of franchisees.

9.10.4 If Franchisee observes any former franchisee using any of the Proprietary Marks in any way, or utilizing business premises or motor vehicles from which the Proprietary Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observation to Franchisor, along with all details available to Franchisee.

9.10.5 Franchisee shall in general have no dealings with a former franchisee which Franchisee, under this Agreement, could not have with a person who has never been a Pacific Lawn Sprinklers franchisee.

9.10.6 The provisions of Section 9.10 of this Agreement shall apply to Franchisee

as soon as Franchisee is on notice of the expiration or termination of another franchise agreement. Franchisee shall be deemed to be on such notice when:

- (i) Franchisee receives a new Franchisee Directory in which such franchise does not appear; or
- (ii) Franchisee receives written notice from Franchisor that one (1) or more particular franchise agreements have expired or have been terminated.

9.11 **Computer Hardware.** Franchisee shall (at his/her sole cost and expense) acquire computer hardware meeting Franchisor's specifications. Franchisee understands and acknowledges that such computer hardware is required to utilize the Software.

9.12 **Authorized Products and Services.** The reputation and goodwill of the Franchisor is based upon, and can be maintained and enhanced only by the use of high-quality Services and related products and services. Franchisee agrees, therefore, that he/she will only offer such Services and related products and other services that the Franchisor shall authorize for the Franchised Business, including but not limited to any newly developed proprietary products or equipment by the Franchisor. Franchisee further agrees that he/she will not sell any Pacific Lawn Sprinklers customer list(s) or customer contracts, or otherwise use any Pacific Lawn Sprinklers customer list(s) for any purpose other than in connection with the operation of his/her Franchised Business. Franchisee agrees that he/she will not, without the prior written approval by the Franchisor, offer or sell any type of service or offer, sell or use any product that is not authorized by Franchisor for the Franchised Business. Franchisee further agrees that any equipment used in Pacific Lawn Sprinklers Businesses shall not be used for any purpose other than the operation of his/her Franchised Business in compliance with this Agreement.

Franchisee and Franchisor agree that the handling of prohibited products, which are products other than the Services or other products authorized by Franchisor, shall result in damages to Franchisor, which damages shall range from Two Hundred Fifty Dollars (\$250) to Two Thousand Five Hundred Dollars (\$2,500). The amount of damages shall be immediately payable by Franchisee to Franchisor upon demand. Franchisor's right to collect such damages shall be in addition to any other right or remedy Franchisor may have, including the right to strictly enforce or terminate this Agreement.

9.13 **Approved Products and Supplies.** Franchisee agrees that all products and supplies used in his/her Franchised Business shall comply with the Franchisor's specifications and quality standards. The Franchisor shall provide Franchisee with a list of approved products and supplies and shall from time to time issue revisions thereto. If Franchisee wishes to use any type or brand of product or supply item or wishes to purchase products or supplies from a supplier that is not currently approved by the Franchisor, Franchisee shall notify the Franchisor of his/her desire to do so and submit to the Franchisor specifications, photographs, samples and/or other information requested by the Franchisor. The Franchisor shall, within a reasonable time, determine whether such products, supplies or such supplier meets its specifications and standards and notify Franchisee whether he/she is authorized to use such product or supply item or purchase from such supplier.

9.14 **Employee Training.** Franchisee shall offer such continuing training programs to his/her personnel as are specified in the Manual.

9.15 **Advertising.** Franchisee shall comply with all of the obligations regarding advertising as are set forth in Article XI of this Agreement.

9.16 **Hours of Operation.** The Franchisee shall operate his/her Franchised Business during those hours prescribed in the Manual.

9.17 **Inspection.** Franchisor or any of its authorized agents or representatives may, upon reasonable notice, inspect the Franchised Business during normal business hours to determine whether it is in compliance with this Agreement and with the System.

9.17.1 Further, Franchisee understands and consents to Franchisor's ability to access all files, data, accounts, reports and the like resulting from Franchisee's transmission of any required reports to Franchisor via computer.

9.18 **Reports.** Franchisee shall submit to Franchisor such reports regarding the Franchised Business as Franchisor prescribes in the Manual.

9.19 **Good Faith.** Franchisee shall act in good faith and use his/her best efforts to comply with his/her obligations under this Agreement, and shall cooperate with Franchisor in accomplishing the purposes of this Agreement. Further, Franchisee shall not directly or indirectly engage in any activities which would be detrimental to or interfere with the operation or reputation of the Franchised Business, the Franchisor, the System, or the operations of any other franchisee.

9.20 **Ethics.** Franchisee agrees to conduct his/her business in a manner that complies with the terms and intent of this Agreement; with national, state and local laws, regulations and ordinances; and with the Franchisor's Code of Ethics (if and when adopted and published by Franchisor). Franchisee hereby authorized any federal, local or state body regulating or supervising landscaping, improvement, and related practices to release to Franchisor information related to complaints and to any disciplinary actions taken based upon Franchisee's practices. Franchisee agrees to notify Franchisor within five (5) business days of any such complaints or disciplinary actions. Franchisee also agrees to maintain all permits, certificates and licenses (necessary for his/her franchise operation) in good standing and in accordance with applicable laws and regulations.

9.21 **Guaranty.** Upon execution of this Agreement, the majority owners of Franchisee (if a corporate entity), the General or Managing Partner (if a limited partnership) or the individual partners (if a standard partnership) shall each execute the Guaranty in the form annexed hereto as Exhibit E of all obligations hereunder, including those of payment of money.

9.22 **Warranties.** Franchisee must offer warranty terms on all sales made by the Franchisee in conformity with this Section, and as may be more specifically provided in the Manual. Franchisee may establish reasonable limitations intended to prevent serious abuse of this warranty policy, provided those limitations comply with such restrictions as Franchisor may include in the Manual, or elsewhere.

9.23 **Prepaid Service Contracts.** Franchisor or its designated Call Center, and as part of the Call Center's responsibilities, may issue prepaid installation and service/maintenance contracts to customers. As a result, payments will be remitted to the Call Center who will hold these funds in escrow for all system franchisees and release these funds to the franchisee who performs the relevant services. Each such franchisee shall be required to remit the appropriate Continuing Royalty Fee on such released funds.

9.24 **Monitoring Systems.** Franchisee acknowledges that Franchisor or its designee may develop a remote monitoring system for customers. The proceeds of any fees charged for this

monitoring service shall be paid to the Franchisor or its designee and Franchisee shall not be entitled to participate in such fees.

9.25. PCI Compliance. Franchisee agrees to abide by (i) the Payment Card Industry (“PCI”) Data Security Standards enacted by the applicable card associations (as they may be modified at any time and from time to time or as successor standards are adopted); and (ii) all other security standards and guidelines that may be published at any time and from time to time by payment card companies and applicable to customer credit card and debit card information. If Franchisee knows of or suspects a security breach, Franchisee must immediately notify Franchisor. Franchisee will promptly identify and remediate the source of the compromise. Franchisee assumes all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transactions concerning customers from whom Franchisee collects data or personal information.

ARTICLE X **INSURANCE**

10.1 Prior to opening the Franchised Business for business, Franchisee must obtain the following minimum insurance coverage under policies of insurance issued by carriers having an A.M. Best rating of “A” or better: (1) commercial general liability insurance in a form or forms covering all the Services occurring in conjunction with the operation of the Franchised Business or Franchisee’s conduct of business pursuant to this Agreement and all subcontractors, written on an occurrence basis, including coverage for products and completed operations, independent contractors, premises and operations, personal injury, broad form property damage, blanket contractual liability, and third-party-over actions, in an amount at least equal to \$1,000,000 per occurrence, \$1,000,000 in the aggregate for completed operations, and \$2,000,000 general aggregate; (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 of between \$25,000/\$50,000 minimum limits; (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 work (including the Services) is to be performed by the Franchised Business with minimum limits of \$500,000 for bodily injury (for each accident), \$500,000 for bodily injury by disease (policy limits), and \$500,000 for bodily injury by disease (for each employee); (4) in states where worker’s compensation insurance is a monopolistic state-run system, stop gap employer’s liability insurance with a minimum limit of \$500,000 per accident or disease; (5) business interruption and rent insurance for a period adequate to re-establish normal business operations with coverage adequate to coincide with the value of the Franchised Business premises and its contents; and (6) commercial automobile liability coverage for hired, leased, owned, borrowed, or rented vehicles used in connection with the operation of the Franchised Business, of \$1,000,000 combined single limit, not less than \$1,000,000 for each accident for bodily injury and property damage. Franchisee must maintain all required policies in force during the entire term of this Agreement and any renewals thereof. Franchisor 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 Franchisor and its affiliates (and, if Franchisor so requests, the directors, employees or shareholders of Franchisor and the directors, employees or shareholders of its affiliates) as additional insureds and must provide Franchisor with thirty (30) days’ advance written notice of any material modification, cancellation, or expiration of the policy. Franchisee acknowledges that Franchisee should consult with a licensed insurance agent to review the minimum insurance limits described above and obtain the proper desired coverage for the Franchised Business.

Before the expiration of the term of each insurance policy, Franchisee must furnish Franchisor 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. If Franchisee does not maintain the required insurance coverage, or does not furnish Franchisor with satisfactory evidence of the required insurance coverage and the payment of the premiums for same, Franchisor may obtain, at its option and in addition to its other rights and remedies under this Agreement, any required insurance coverage on Franchisee's behalf. If Franchisor does that, Franchisee agrees to fully cooperate with Franchisor in its effort to obtain the insurance policies, promptly execute all forms or instruments required to obtain or maintain the insurance, allow any inspections of the Franchised Business which are required to obtain or maintain the insurance and pay to Franchisor, on demand, any costs and premiums Franchisor incurs, including interest.

10.2 Franchisee's obligation to maintain insurance coverage, as described in this Agreement, will not be reduced in any manner by reason of any separate insurance Franchisor maintains on its own behalf, nor will Franchisor's maintenance of that insurance relieve Franchisee of any obligations under this Article X.

10.3 If Franchisee fails or refuses to purchase or maintain the prescribed insurance coverage, or to comply with any other requirement set forth in this Article X, Franchisor shall have the right, without waiver of any other remedies, to secure such insurance on Franchisee's behalf, at Franchisee's expense, through agents and insurance companies of Franchisor's choosing, and to take all other action necessary to protect its interests hereunder, or in the alternative, Franchisor shall have the right to terminate this Franchise Agreement.

ARTICLE XI

ADVERTISING

11.1 **Approval by Franchisor.** Franchisee shall use for his/her advertising and promotional activities only those materials, concepts and programs which have been furnished or approved in advance by Franchisor by specification in the Manual or otherwise.

11.2 **Brand Development Fund.** Franchisor maintains and administers a Brand Fund for such advertising, brand development, customer outreach, loyalty programs and promotional programs as Franchisor may deem necessary or appropriate. The responsibility for maintenance and administration of such Brand Fund shall remain with Franchisor. Advertising and promotional activities conducted by the Brand Fund shall be funded by Brand Fund Contributions paid by Franchisee to Franchisor, and any such promotional activities shall be participated in by each franchisee of the System.

Franchisee's Brand Fund Contributions shall be placed in the Brand Fund, managed by Franchisor. Such funds will be held by Franchisor or its designated agent in the Brand Fund account. Franchisor will administer such funds in accordance with this Article. Franchisor agrees that contributions to the Brand Fund shall be used exclusively for advertising and public relations purposes for the exclusive, collective benefit of all participants of the System, including all franchisees and the Franchisor. Franchisor will spend the majority of the money collected for the Brand Fund on advertising that it considers in its sole judgment, to be appropriate, which may include the following: (1) website development, (2) local or regional advertising, media, promotion or marketing or local or regional public relations programs, (3) the purchase of customer lists, leads and other assets from an existing, competitive business, including the payment of all costs and fees (including attorneys' fees)

incurred in connection with such purchase, (4) other activities connected to the promotion and marketing of the Proprietary Marks and the System; or (5) maintaining quality of customer service and brand confidence. Franchisor may also spend a portion of the contributions to the Brand Fund to engage in test marketing, to conduct research, surveys of advertising effectiveness, produce new commercials and other promotional and advertising materials and programs, or other purposes deemed beneficial by Franchisor for the general recognition of the Proprietary Marks and the System. Franchisee shall receive on at least an annual basis a report describing the activity of the Brand Fund if requested in writing by Franchisee. Franchisor or its designated agent shall be entitled to reimburse itself for reasonable accounting, collection, bookkeeping, reporting and legal expenses incurred with respect to the Brand Fund. Franchisor or its affiliates shall not be liable for any act or omission with respect to the Brand Fund which is consistent with this Agreement or done in good faith.

All sums paid by franchisees to the Brand Fund, and any income earned thereon, shall be maintained by Franchisor or its designated agent in a segregated account and shall be used only for the purposes specified herein; provided, however, that each calendar quarter Franchisor or its designated agent may be reimbursed from the Brand Fund for administrative costs and overhead related to the administration or direction of the Brand Fund in an amount up to twenty percent (20%) of the sums franchisees are required to pay to the Brand Fund for such calendar quarter. Franchisor shall, within one hundred twenty (120) days following the close of its fiscal year, prepare an unaudited statement detailing Brand Fund income and expenses for the fiscal year then ended which it will supply to Franchisee within thirty (30) days of any written request.

The Brand Fund is not the Franchisor's asset. The Brand Fund is not a trust, and the Franchisor does not owe Franchisee fiduciary obligations because of the Franchisor's maintaining, directing or administering the Brand Fund or for any other reason. The Franchisor may spend in any fiscal year an amount greater or less than the aggregate contribution of Pacific Lawn Sprinklers Businesses to the Brand Fund in that year and the Franchisor may make loans to the Brand Fund (and the Brand Fund may borrow from the Franchisor or other lenders) bearing reasonable interest to cover any deficits of the Brand Fund or cause the Brand Fund to invest any surplus for future use by the Brand Fund. A report of monies collected and costs incurred by the Brand Fund shall be prepared annually by the Franchisor and shall be made available for inspection by Franchisee upon written request. The Franchisor may incorporate the Brand Fund or operate it through a separate entity whenever the Franchisor deems appropriate. The successor entity will have all of the rights and duties specified in this Subsection.

Franchisee understands and acknowledges that the Brand Fund is intended to maximize general public recognition and patronage of the Pacific Lawn Sprinklers Businesses and the Marks for the benefit of all Pacific Lawn Sprinklers Businesses. The Franchisor undertakes no obligation to ensure that expenditures by the Brand Fund are proportionate or equivalent to contributions by Pacific Lawn Sprinklers Businesses or that any Pacific Lawn Sprinklers Business will benefit direct or in proportion to its contribution to the Brand Fund from the conduct of marketing programs or the placement of advertising.

The Franchisor has the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund contributions at the Brand Fund's expense. The Franchisor also may forgive, waive, settle and compromise all claims by or against the Brand Fund. Except as expressly provided in this Subsection, the Franchisor assumes no direct or indirect liability or obligation to Franchisee for collecting amounts used in maintaining, directing or administering the Brand Fund.

The Franchisor may at any time defer or reduce the Brand Fund contributions of a Pacific Lawn Sprinklers Business, and upon thirty (30) days' prior written notice to Franchisee, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If the Franchisor terminates the Brand Fund, the Franchisor will distribute all unspent monies to all Pacific Lawn Sprinklers Businesses (whether franchised or operated by the Franchisor or its affiliates) in proportion to their respective Brand Fund contributions during the preceding twelve (12) month period.

11.3 Local Councils. In the event the Franchisor develops a franchisee advisory council program, the Franchisee shall be required to actively participate in all council activities, follow the guidelines as stated in any council by-laws drafted by Franchisor, and pay all dues and assessments levied by the council program. The purpose of the council program shall include, but not be limited to, exchanging ideas between franchisees, exchanging ideas between franchisees and the Franchisor, and providing suggestions for improving the overall quality of the System. Franchisor may establish a local council of Pacific Lawn Sprinklers franchisees within boundaries as determined, from time to time, by Franchisor. Franchisee agrees to join and participate in the council established in the area designated by Franchisor as Franchisee's local council area. The local council may make recommendations and suggestions concerning the expenditure of council funds available for promotional purposes in the local area. Such local council may adopt its own by-laws, rules and procedures, but such by-laws, rules and/or procedures shall not restrict Franchisee's rights or obligations under this Agreement. Except as otherwise provided herein, and subject to the approval of Franchisor, any lawful action of such council at a meeting attended by two-thirds (2/3) of the members, including reasonable assessments for local promotional and advertising purposes, shall be binding upon Franchisee if approved by two-thirds (2/3) of the member franchisees present, with each member office having one (1) vote, provided that no franchisee (or controlled group of franchisees) shall have more than twenty-five percent (25%) of the vote in a local council regardless of the number of offices owned.

11.4 Social Media Activities. As used in this Agreement, the term "Social Media" is defined as a network of services, including, but not limited to, blogs, microblogs, and social networking sites (such as Facebook, LinkedIn and MySpace), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds, that allows participants to communicate online and form communities around shared interests and experiences. While it can be a very effective tool for building brand awareness, it can also be devastating to a brand if used improperly. Therefore, Franchisee must strictly follow the Social Media guidelines, code of conduct, and etiquette as set forth in the Manual or elsewhere by Franchisor. Any use of Social Media by Franchisee pertaining to the Franchised Business and/or featuring the Proprietary Marks must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. Franchisor reserves the right to "occupy" any Social Media websites/pages and be the sole provider of information regarding the Franchised Business on such websites/pages (e.g., a system-wide Facebook page). At Franchisor's request, Franchisee will promptly modify or remove any online communication pertaining to the Franchised Business that does not comply with this Agreement or the Manual.

ARTICLE XII

REPORTING AND FINANCIAL MANAGEMENT REQUIREMENTS

12.1 Record Keeping. Franchisee shall keep true and accurate records, including those which may be specified by Franchisor from time to time, from which all sums payable under this Agreement and the dates of accrual thereof may be readily determined. Franchisee shall keep such

records on his/her business premises at all times, unless Franchisor permits them to be kept at another location. In any event, Franchisee shall at all times inform Franchisor of any change in the location of Franchisee's said records. Franchisee shall be required to make all data and records available to Franchisor, twenty-four (24) hours per day, seven (7) days per week, via a high-speed internet connection.

12.2 Reporting Systems. Franchisee agrees to utilize such reporting and financial control systems as Franchisor may direct.

12.2.1 Franchisee shall maintain on forms approved or provided by Franchisor a monthly sales report and monthly profit and loss statement accurately reflecting the operations and condition of said business.

12.2.2 Franchisee shall employ such methods of filing, record-keeping, bookkeeping, accounting and reporting as Franchisor shall from time to time reasonably require.

12.2.3 Franchisee shall adopt and shall strictly adhere to such methods for control and protection of cash receipts (and of records pertaining thereto) as Franchisor may from time to time direct.

12.2.4 Franchisee will submit a profit and loss statement to Franchisor not later than January 31 of each year that accurately reflects the operations and condition of said business in the prior calendar year.

12.2.5 Within 5-days of submitting Franchisee's annual tax return to the IRS, Franchisee will provide Franchisor with a true and correct copy of the filed tax return.

12.3 Reports. To enable Franchisor to verify the Continuing Royalty Fees, payments and contributions due hereunder and to monitor the progress of Franchisee and Franchisee's compliance with this Agreement, in addition to reports otherwise required under this Agreement, Franchisee shall provide to Franchisor quarterly written reports in such form as Franchisor may prescribe. In addition, Franchisor shall, at all times, have on-line access to Franchisee's reports.

12.3.1 In the event that Franchisee fails for any reason to provide any of the reports hereinabove required within the prescribed time, Franchisee shall pay a late reporting charge of Fifty Dollars (\$50.00) for each month (or week, if applicable) during which the same report remains undelivered. It is agreed that Franchisor's damages in the event of Franchisee's failure to deliver such reports would be unreasonably difficult to ascertain with certainty, and that the foregoing charges are a reasonable estimate of such damages and not a penalty or forfeiture. Neither the requirement nor the receipt of such late charges shall be deemed to waive or restrict the right of Franchisor to declare a default in, and terminate, this Agreement for Franchisee's failure to make timely reports.

12.3.2 Reports shall be deemed timely made if personally delivered to the offices of Franchisor, electronically transmitted to and received by Franchisor, or postmarked by the U.S. Postal Service (with proper first-class postage prepaid) on or before the required date.

12.4 Audit. Franchisor and its authorized representatives shall have the right at all times during the business day to enter Franchisee's Franchised Business or any other location where books and records relative to the Franchised Business are kept, and to inspect, copy and audit

Pacific Lawn Sprinklers Franchise LLC
Franchise Agreement 2022

such books and records, including, without limitation, Franchisee's state and federal income tax returns and state sales and use tax and personal property tax returns, and Franchisee hereby waives any privileges with regard to any tax returns. Franchisee shall cooperate completely and in good faith with such audit, and shall provide and explain all records requested by such auditor or necessary to provide information sought by such auditor.

12.4.1 In the event that any such inspection or audit reveals a variance of three percent (3%) or more from amounts reported by Franchisee to Franchisor, Franchisee shall pay two (2) times the amount of the deficiency or Five Hundred Dollars (\$500), whichever is greater, and shall reimburse Franchisor for the cost of such audit. In addition to any other rights it may have, including the right of termination of this Agreement, Franchisor may conduct such further periodic audits and/or inspections of Franchisee's books and records as it reasonably deems necessary for up to one (1) year thereafter at Franchisee's sole expense, including, without limitation, reasonable professional fees, travel, and lodging expenses directly related thereto.

12.4.2 If such audit or inspection discloses that Franchisee has underpaid any sums due Franchisor under this Agreement, Franchisee shall pay the same immediately. If such audit or inspection reveals any overpayment by Franchisee, the amount thereof shall be credited against royalty fees and advertising contributions next falling due.

12.4.3 In the event that there is a deficiency two (2) times in any twelve (12) month period, this second deficiency shall be considered a material default of this Agreement and Franchisor shall have the right to terminate this Agreement without providing Franchisee the opportunity to cure the default.

12.4.4 If Franchisee performs any work for a customer without informing Franchisor's Call Center and receives compensation directly from the customer, Franchisee must pay Franchisor a Special Non-Compliance Fee of the greater of \$250 or one hundred percent (100%) of the value of the estimate or the work performed and, in addition, Franchisor shall have the right, but not the obligation, to terminate the Franchise Agreement on notice to Franchisee.

ARTICLE XIII

INDEPENDENT CONTRACTOR AND INDEMNIFICATION

13.1 **Independent Parties.** It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Franchisee is, and shall at all times be and remain an independent contractor, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

13.2 **Independent Contractor.** During the term of this Agreement and any renewal hereof, Franchisee shall hold himself/herself out to the public as an independent contractor operating the business pursuant to a franchise granted by the Franchisor. Franchisee shall take such affirmative action as may be necessary to indicate same, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Service Vehicle, business cards, and letterhead, the content of which the Franchisor reserves the right to specify.

13.3 **Indemnification by Franchisee.** Franchisee agrees at all times to defend, at his/her own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its corporate parent, the corporate subsidiaries, affiliates, successors, assigns, and designees of either Pacific Lawn Sprinklers Franchise LLC
Franchise Agreement 2022

entity and the respective directors, officers, employees, agents, shareholders, designees, and representatives of each (Franchisor and all others hereinafter referred to collectively as “Indemnities”) from all losses and expenses (as hereinafter defined) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: Franchisee’s infringement or any other violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; Franchisee’s violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive or of any industry standard; libel, slander or any other form of defamation by Franchisee; Franchisee’s violation or breach of any warranty, representation, agreement, or obligation in this Agreement; any acts, errors, or omissions of Franchisee or any of his/her agents, servants, employees, contractors, partners, proprietors, affiliates, or in any manner in connection with the Franchised Business; the inaccuracy, lack of authenticity, or non-disclosure of any information by Franchisee; any service provided by Franchisee at, from, or related to the operation from the Service Vehicle; any services provided by any affiliated or non-affiliated participating entity. For the purpose of this Section, the term “losses and expenses” shall be deemed to include all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, attorneys’ fees, experts’ fees, arbitrators’ fees, court costs, settlement amounts, judgments, compensation for damages to Franchisor’s reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting, or replacing same, and any and all expenses of recall, refunds, compensation, public notices, and other such amounts incurred in connection with the matters described. Franchisee agrees to give Franchisor notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. The foregoing indemnification shall not apply to losses or expenses arising from Franchisor’s gross negligence or willful acts.

13.3.1 At the expense and risk of Franchisee, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation, provided that Franchisor will seek the advice and counsel of Franchisee and shall keep Franchisee informed with regard to any such proposed or contemplated settlement(s). Such an undertaking by Franchisor shall in no manner or form diminish Franchisee’s obligation to indemnify Franchisor and to hold it harmless.

13.3.2 All losses and expenses incurred under this Section 13.3 shall be chargeable to and paid by Franchisee pursuant to his/her obligations of indemnity under this Section, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense.

13.3.3 Indemnities do not assume any liability whatsoever for acts, errors, or omissions of those with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify Indemnities for all losses and expenses which may arise out of any acts, errors, or omissions of these third parties.

13.3.4 Under no circumstances shall Indemnities be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by Indemnities from Franchisee.

ARTICLE XIV

CONFIDENTIAL INFORMATION

14.1 Franchisee shall not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information or Know How concerning, among other things, customer identities and information, as well as the methods of operation of the Franchised Business hereunder which may be communicated to Franchisee, or of which Franchisee may become apprised, by virtue of the operation of the System under this Agreement. Franchisee shall divulge such confidential information only to such of his/her employees or officers and directors who must have access to it in order to operate the Franchised Business. Any and all information, knowledge and know how, including, without limitation, the materials, equipment, specifications, techniques, and other data which the Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to his/her attention prior to disclosure thereof by the Franchisor; or which, at the time of disclosure by the Franchisor to Franchisee, had become a part of the public domain through publication or communication by others; or which, after disclosure to Franchisee by the Franchisor, becomes a part of the public domain through publication or communication by others.

14.2 If Franchisee is an entity, Franchisee shall require the following personnel (as applicable) to execute the Non-Competition and Non-Disclosure Agreement in the form provided as Exhibit C hereto: all of Franchisee's owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of Franchisee's officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls Franchisee. It is expressly understood that Franchisor is designated as a third party beneficiary of such covenants with the independent right to enforce them. In addition to the above, Franchisee's Manager(s), if any, must also execute the Non-Competition and Non-Disclosure Agreement in the form provided as Exhibit C hereto.

14.3 Franchisee acknowledges that any actual or threatened failure to comply with the requirements of this Article XIV will cause the Franchisor to suffer immediate and irreparable injury, non-compensable by the payment of mere money damages, permitting Franchisor with or without notice to seek immediate injunctive relief. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by the Franchisor when Franchisor seeks to obtain specific performance or an injunction against violation of the requirements of this Article XIV.

ARTICLE XV

COVENANTS NOT TO COMPETE

15.1 **In-Term Covenants.** Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee shall receive valuable training and confidential information, including, without limitation, information regarding the promotional, operational, sales, and marketing methods and techniques of the Franchisor and the System, and that the covenants not to compete set forth below are fair and reasonable and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience, and education which afford Franchisee the opportunity to derive income from other endeavors. Franchisee covenants that during the term of this Agreement and for a period of two (2) years thereafter, except as otherwise approved in writing by the Franchisor, Franchisee shall not, either directly or indirectly, for himself/herself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

15.1.1 Divert or attempt to divert any business or customer of the Franchised Business hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

15.1.2 Knowingly employ or seek to employ any person who is at that time employed by the Franchisor or its affiliates, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment (subject to applicable law); or

15.1.3 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in, or have any interest in any business (including any business operated by Franchisee prior to entry into this Agreement) specializing, in whole or in part, in the activities conducted by the Franchisee, and any other type of service which Franchisee may be authorized to render hereunder and sell any other products and services which Franchisee may be authorized to sell hereunder.

15.2 Post-Term Covenants. Franchisee covenants that, except as otherwise approved in writing by the Franchisor, Franchisee shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, or upon transfer of this Agreement or the Franchised Business pursuant to Article XVI hereof, and continuing for two (2) years thereafter (and in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for himself/herself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in, or have any interest in any business specializing, in whole or in part, in the activities conducted by the Franchisee or any other type of service which Franchisee may be authorized to render hereunder:

15.2.1 Within a radius of fifty (50) miles of Franchisee's premises or Approved Location; or

15.2.2 Within a radius of fifty (50) miles of the location of any business using the System and/or the Proprietary Marks, whether franchised or owned by the Franchisor or its subsidiary or affiliated companies.

15.3 Amendment of Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article XV is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which the Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made part of this Article XV.

15.4 Franchisor May Amend. Franchisee understands and acknowledges that the Franchisor shall have the right, in its sole judgment, to reduce the scope of any covenant set forth in Sections 15.1 and 15.2 of this Agreement, or any portion thereof, without Franchisee's written consent, effective immediately upon receipt by Franchisee of written notice thereof. Franchisee agrees that he/she shall comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of this Article XV.

15.5 Existence of Claim. Franchisee expressly agrees that the existence of any claim that he/she may have against the Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Franchisor of the covenants in this Article XV.

15.6 **Injunction.** Franchisee acknowledges that any threatened or actual failure to comply with the requirements of this Article XV would cause the Franchisor to suffer immediate and irreparable injury for which no adequate remedy at law may be available, and Franchisee hereby accordingly consents to the *ex parte* entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Article XV. The Franchisor may further avail itself of any other legal or equitable rights and remedies which it may have under this Agreement, statute, common law or otherwise.

15.7 **Additional Covenants.** At the Franchisor's request, Franchisee shall require and obtain execution of covenants identical in scope to those set forth in this Article XV (including covenants applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons:

15.7.1 All officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of Franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation;

15.7.2 The general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership; and

15.7.3 Each covenant required to be executed pursuant to this Section 15.7 shall be on a form supplied by the Franchisor, including, without limitation, specific identification of the Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. Failure by Franchisee to obtain execution of a covenant required by this Section 15.7 shall constitute a default under Section 17.2 hereof.

ARTICLE XVI

ASSIGNMENT AND RIGHT OF FIRST REFUSAL

16.1 **Assignment by Franchisor.** Franchisor shall have the right, without the need for Franchisee's consent, to assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity provided that the transferee agrees in writing to assume all obligations undertaken by Franchisor herein and Franchisee receives a statement from both Franchisor and its transferee to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Franchisee further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its 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, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of Pacific Lawn Sprinklers Franchise LLC as Franchisor under this Agreement. Franchisee specifically waives 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.

Franchisee agrees that Franchisor has 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' facilities, and to operate, franchise or license those businesses and/or facilities as "Pacific Lawn Sprinklers" facilities operating under the Proprietary Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which Franchisee acknowledges may be proximate to Franchisee's location.

If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the business of providing Services and related products or to offer or sell any products or related services to Franchisee.

Franchisee acknowledges that Franchisor may assign this Agreement as part of a sale, transfer or other disposition of all or part of the System to an entity or entities which engage(s) in similar or competitive businesses. Franchisee acknowledges that any such successor shall be deemed to possess, in addition to all other rights, those specific rights reserved to Franchisor in Section 3.2 hereof.

16.2 Assignment by Franchisee. Neither Franchisee's interest in this Franchise Agreement nor any of his/her rights or privileges hereunder, nor the Franchised Business nor any interest therein, may be assigned, transferred, shared or divided, voluntarily or involuntarily, directly or indirectly, without the prior written consent of Franchisor, which shall not be unreasonably withheld, and without the Franchisee first complying with Section 16.2.1 hereof. (The use of the term "assignment" herein encompasses any actual or purported assignment, sale, transfer or other arrangement having the purpose or effect of shifting ownership or control interests in the Franchised Business.) Any actual or purported assignment of this Agreement or of the Franchised Business in violation of the terms hereof shall be null and void and shall constitute an incurable breach of this Agreement. The actual or purported transfer in the aggregate of more than fifty percent (50%) of the Franchised Business shall be deemed to be an "assignment" hereunder.

16.2.1 Franchisor's consent (such consent not to be unreasonably withheld) to any assignment is subject to the following conditions:

(a) The assignee must demonstrate that it has the skills, qualifications, licensing and economic resources necessary, in Franchisor's judgment, to conduct the Franchised Business and to fulfill its obligations to Franchisee and to Franchisor.

(b) The assignee must expressly assume in writing all of the obligations of Franchisee under this Franchise Agreement.

(c) As of the date of any such assignment, Franchisee shall have fully complied with all of his/her obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor.

(d) The assignee must execute a new Franchise Agreement with a new term in the form and on the terms and conditions then being offered by Franchisor to franchisees.

(e) Franchisee shall pay the Franchisor a transfer fee in the amount of \$3,500

(f) The assignee shall satisfactorily complete the training then required of

all new franchisees and pay the then-current initial training fee.

(g) Franchisor shall be furnished copies of the executed contract between Franchisee and any such assignee and all related documentation.

(h) The Franchisee must have executed a general release in a form satisfactory to the Franchisor of any and all claims against the Franchisor, its subsidiaries, affiliates, and designees, and its officers, directors, shareholders and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

(i) The assignee shall not be affiliated in any way with a competitor of Franchisor

16.2.2 Upon the death of Franchisee, or in the event Franchisee is determined to suffer any legal incapacity (or, if Franchisee is a corporation or partnership, then upon the death or legal incapacity of the shareholder or partner responsible for the operation of Franchised Business), the transfer of Franchisee's interest to his/her heirs, legatees, personal representatives or conservators, surviving partner(s) or fellow shareholder(s), as applicable, shall not constitute an "assignment" hereunder and shall not give rise to the Franchisor's right of first refusal to purchase the Franchised Business as set forth in Section 15.4 hereof, if the following conditions are met: The heirs, legatees, personal representatives, conservators, surviving partner(s) or fellow shareholder(s), as applicable, meet the Franchisor's standards for qualification of new franchisees and agree in writing to be bound by the terms and conditions of this Agreement.

(a) Within sixty (60) days after the death or incapacity of the Franchisee (or, if Franchisee is a corporation or a partnership, within sixty (60) days after the death or incapacity of the principal shareholder or partner of Franchisee responsible for the operation of the Franchised Business), a person designated by Franchisee's heirs, legatees, personal representative(s), conservator(s), surviving partners or fellow shareholders, as applicable, shall have satisfactorily completed Franchisor's then- current training requirements, including payment to Franchisor of the then-current initial training fee. If at the time of such death or incapacity Franchisee has employed a manager who has satisfactorily completed any version of Franchisor's Training Program, this requirement shall be deemed satisfied.

16.3 Transfer to a Corporation. In the event Franchisee desires to transfer his/her interests herein to a corporation formed by Franchisee solely for the convenience of ownership, Franchisee must obtain the prior written consent of Franchisor, which consent shall be granted if:

16.3.1 Franchisee shall be the owner of all the voting stock of the corporation or, if Franchisee comprises more than one (1) individual, each such individual shall have the same proportionate ownership interest in the corporation as it held in Franchised Business prior to the contemplated transfer; and

16.3.2 Appropriate forms of corporate resolutions and minutes, which have been duly adopted, are furnished to Franchisor prior to the transfer.

16.4 Right of First Refusal. The right of Franchisee to assign, transfer or sell his/her interest in this Agreement (voluntarily or by operation of law) and/or the Franchised Business, as provided above, shall be subject to Franchisor's right of first refusal with respect thereto. (Franchisor shall maintain the option of waiving this right in writing.) That is, Franchisor shall have the

right to be offered by Franchisee the opportunity to purchase such interest in this Agreement and/or the Franchised Business on the terms and conditions which have been offered to and accepted by a third party in a wholly arms-length transaction. Franchisor's right of first refusal shall be exercised in the following manner:

16.4.1 Franchisee shall serve upon Franchisor a written notice setting forth all of the terms and conditions of the proposed assignment which shall specify the purchase price established by the parties and include reasonably complete information concerning the identity, financial standing and character of the proposed purchaser. Franchisee shall attach to such notice a copy of a binding agreement between Franchisee and the proposed purchaser, which agreement shall, however, be subject to cancellation if Franchisor exercises its right of first refusal hereunder or disapproves of the proposed transfer under Section 16.2.

16.4.2 Within thirty (30) days after Franchisor's receipt of such notice (or, if Franchisor shall request additional information, within thirty (30) days after receipt of such additional information), Franchisor may, at its option, purchase the Franchised Business upon the terms and conditions specified in the notice and the agreement attached thereto.

16.4.3 If Franchisor shall elect not to exercise its right of first refusal and shall consent to an assignment, Franchisee shall, subject to the provisions of this Article, be free to assign this Agreement and/or the Franchised Business to such proposed assignee on the terms and conditions specified in said notice and the agreement attached thereto. If, however, the terms of such agreement shall be materially modified after submission thereof to the Franchisor, Franchisor shall have such right to evaluate such modified agreement for an additional thirty (30) days and, if it chooses to do so, exercise its right of first refusal with respect thereto.

16.5 **Franchisor Must Approve.** Franchisee shall not have the right to pledge, encumber, hypothecate or otherwise give any third party any security interest in this Agreement or in the Proprietary Properties or the Franchised Business in any manner whatsoever without the express written permission of Franchisor, which permission may be withheld for any reason.

ARTICLE XVII

DEFAULT AND TERMINATION

17.1 **Termination Without Notice.** Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee or the Franchised Business shall become insolvent; or if Franchisee shall make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by or against Franchisee or the Franchised Business and is not dismissed within sixty (60) days of the filing thereof; or if Franchisee or the Franchised Business is adjudicated as bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian of Franchisee or the Franchised Business or its assets is filed and consented to by Franchisee or the Franchised Business; or if a receiver or other permanent or temporary custodian of Franchisee's assets or property, or any part thereof, or of the Franchised Business is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee or the Franchised Business; or if a final judgment against Franchisee or the Franchised Business remains unsatisfied or of record for thirty (30) days or longer (unless a supersedes bond is filed); or if Franchisee or the Franchised Business is dissolved; or if a suit to foreclose any lien or mortgage against the Franchisee or the Franchised Business with respect to his/her or its personal, real or mixed property is instituted against Franchisee or the

Franchised Business and is not dismissed within thirty (30) days from the date such suit is instituted; or if execution is levied against Franchisee or the Franchised Business or the property of either of them; or if the real or personal property of Franchisee or the Franchised Business shall be sold after levy thereupon by any sheriff, marshal or constable.

17.2 Termination Without Right to Cure. Upon the occurrence of any of the following events, Franchisee shall be deemed to be in default and Franchisor may, in its sole and exclusive judgment, terminate this Agreement and all rights granted hereunder without affording Franchisee any opportunity to cure the default. Termination under this Section shall be effective immediately upon the earlier of the occurrence of any of the following or receipt of notice by Franchisee:

17.2.1 If Franchisee abandons the Franchised Business by failing to operate such business for a period of ten (10) consecutive days, or any shorter period after which it is reasonable for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Business, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the reasonable control of Franchisee;

17.2.2 If Franchisee, or any owner or shareholder, director or officer of a corporate franchisee, or any partner or officer of a franchisee conducting business as a partnership, is convicted of a felony, a fraud, a crime involving moral turpitude or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, or the goodwill associated therewith;

17.2.3 If the Franchisee makes any material misrepresentation relating to the creation, acquisition or operation of the Franchised Business or engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business, Franchisor or the System;

17.2.4 If the Franchisee fails, for a period of ten (10) days after notification of non-compliance by any duly constituted authority, to comply with any federal, state or local law, regulation or requirement applicable to the operation of the Franchised Business, including the requirement to perform Services, and fails promptly to notify Franchisor of such notification and the steps taken to cure any such non-compliance;

17.2.5 If Franchisee repeatedly fails to comply with one (1) or more requirements of this Agreement, whether or not such failures are ultimately corrected;

17.2.6 If a second default by Franchisee occurs within any twelve (12) month period, notwithstanding that a prior default was cured;

17.2.7 If Franchisee's default under this Agreement is by its very nature incapable of being cured, including, but not limited to, failure to complete service orders given to Franchisee by the Call Center in a timely fashion and according to Franchisor's standards;

17.2.8 If Franchisee fails to attend and successfully complete Franchisor's Training Program or fails to attend the annual convention;

17.2.9 If Franchisee (or any of its shareholders, directors, officers or partners) acquires any interest in a business similar to the Franchised Business, except that Franchisee or such

other persons may own less than five percent (5%) of the shares of any company listed on any national or regional securities exchange or whose shares are traded through the National Association of Securities Dealers Automated Quotation System (NASDAQ);

17.2.10 If Franchisee engages in the unauthorized use or duplication of any aspect of Franchisor's business, services or products;

17.2.11 If Franchisee engages in the unauthorized disclosure of any confidential information or Know How relating to the Franchisor, the Franchised Business or the System;

17.2.12 If Franchisee sells, sublicenses, assigns or transfers any interest in this Agreement or the Franchised Business in violation of this Agreement;

17.2.13 If Franchisee violates any covenant not to compete set forth in Article XV of this Agreement; If Franchisee fails to pay the balance of the Initial Franchise Fee or fails to commence the operation of the Franchised Business within the time provided in this Agreement;

17.2.14 If Franchisee misrepresents, substitutes or "palms off" non-authentic services and/or products for or as Franchisor's services and/or products;

17.2.15 If Franchisee knowingly maintains false books or records or submits any false reports to anyone;

17.2.16 If Franchisee purports to transfer any rights or obligations under this Agreement or any interest in Franchisee to any third party without Franchisor's prior written consent or otherwise in violation of the terms of this Agreement;

17.2.17 If Franchisee fails to timely forward installations and related services fees received by Franchisee, it being conclusively established hereunder that installations and related services fees received by Franchisee in a manner other than by payment by Franchisor to Franchisee constitutes "trust" money that does not belong to, nor can be retained by, Franchisee, and any receipt or retention of such "trust" money by Franchisee shall create a preferred debt to Franchisor carrying priority over every single other debt that Franchisee may have, of any kind or nature, whether preferred or secured. For the purposes of this paragraph, such retention by Franchisee shall be deemed a violation of Franchisee's fiduciary duties to Franchisor and conversion, subjecting Franchisee to criminal and civil liability. In the event of any such retention, as established by an affidavit of Franchisor setting forth the basis for Franchisor's finding of any such retention, Franchisee consents to the entry of an immediate provisional, injunctive and other remedies by a court of competent jurisdiction directing that such moneys be restrained and immediately paid over to Franchisor. Should there be insufficient funds to restrain and pay over any such amounts to Franchisor, Franchisee consents to the immediate seizure and sale of any and all assets that Franchisee may own or pay over to Franchisor the retained amounts;

17.2.18 If Franchisee violates any state or federal law or ordinance that in any manner relates to or impacts upon the provision of or ability to provide Services and related products and other services hereunder by Franchisee as an entity, or by any individuals who exercise any level of dominion or control over the operations of Franchisee, including, without limitation, a conviction based upon such a violation, allegation or charge of such violation without explanation that Franchisor shall deem to be reasonably satisfactory, or failure on Franchisee's part to inform Franchisor of the existence of, threat of, charge or allegation of, or conviction of such violation;

17.2.19 If Franchisee fails or refuses to perform Services for customers;

17.2.20 If Franchisee has cancelled three (3) appointments in any twelve (12) month period;

17.2.21 If Franchisee performs any work for a customer without informing Franchisor's Call Center and receives compensation directly from the customer; or

17.2.22 If Franchisee fails to comply with any other provision or requirement of this Agreement or the Manual.

17.3 Termination With Right to Cure. Except as provided in Sections 17.1 and 17.2 of this Agreement, Franchisee shall have thirty (30) days after receipt from Franchisor of a written notice of termination in which to remedy any default hereunder (or, if the default cannot reasonably be cured within such thirty (30) days, to initiate within that time substantial and continuing action to cure the default) and to provide evidence thereof to Franchisor. If any default is not cured within that time (or if substantial and continuing action to cure the default is not initiated within that time), or such other period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the thirty (30) day period, or such longer period as applicable law may require. Such defaults shall include, without limitation, the occurrence of any of the following events:

17.3.13 If Franchisee fails, refuses or neglects promptly to pay when due any monies owed to Franchisor (or its affiliates, subsidiaries or designees) or to Franchisee's landlord or fails, refuses or neglects promptly to submit financial or other information required by Franchisor under this Agreement, or makes any false statements in connection therewith;

17.3.14 If Franchisee fails to maintain and operate the Franchised Business in accordance with the provisions or requirements of this Agreement or the Manual;

17.3.15 If Franchisee fails to obtain Franchisor's prior written approval or consent where the same is required pursuant to this Agreement;

17.3.16 If Franchisee misuses, or uses in an unauthorized manner, any of Franchisor's Proprietary Marks, Know How, Copyrights or Software or materially impairs the goodwill associated therewith or Franchisor's rights therein;

17.3.17 If Franchisee participates in any business or in the marketing of any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to any of the Proprietary Marks;

17.3.18 If Franchisee offers or sells, as part of the Franchised Business, any unapproved service or fails to offer or provide on a regular basis all services which comprise part of the System;

17.3.19 If Franchisee, by act or omission, permits a violation of any law, ordinance, rule or regulation of any governmental entity to remain uncorrected in the absence of a good faith dispute over its applicability or legality and without promptly resorting to an appropriate

administrative or judicial forum for relief therefrom; or

17.3.20 If Franchisee fails to obtain and maintain all required insurance policies or fails to name Franchisor as an additional insured thereunder in accordance with the terms of this Agreement.

17.4 Cross-Defaults, Non-Exclusive Remedies, etc. Any default by Franchisee (or any person/Company affiliated with Franchisee) under this Agreement may be regarded as a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee). Any default by Franchisee (or any person/Company affiliated with Franchisee) under any other agreement, including, but not limited to, any lease and/or sublease, between Franchisor (or any affiliate of Franchisor) and Franchisee (or any person/Company affiliated with Franchisee), and any default by Franchisee (or any person/Company affiliated with Franchisee) under any obligation to Franchisor (or any affiliate of Franchisor) may be regarded as a default under this Agreement. Any default by Franchisee (or any person/Company affiliated with Franchisee) under any lease, sublease, loan agreement, security interest or otherwise, whether with Franchisor, any affiliate of Franchisor and/or any third party may be regarded as a default under this Agreement and/or any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee).

In each of the foregoing cases, Franchisor (and any affiliate of Franchisor) will have all remedies allowed at law, including termination of Franchisee's rights (and/or those of any person/Company affiliated with Franchisee) and Franchisor's (and/or Franchisor's affiliates') obligations. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity and Franchisor may pursue any rights and/or remedies available.

17.5 Limitation on Rights of Termination. Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by Franchisor that the grounds for termination set forth herein do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation. Franchisor shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination thereof.

ARTICLE XVIII

FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION

18.1 Discontinue Use of Proprietary Properties. In the event of termination or expiration of this Franchise Agreement (and any subsequent Add-On Franchise), Franchisee shall forthwith discontinue the use of the Proprietary Marks, Know How, Copyrights and Software, and Franchisee shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that he/she is in any manner affiliated with Franchisor or a "Pacific Lawn Sprinklers" business, or any business similar thereto, and Franchisee shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's confidential

information, knowledge or know-how concerning the operation, products, services, trade secrets, procedures, policies, techniques or materials or by virtue of the relationship established by this Agreement, including, without limitation, the following:

18.1.1 Standards, specifications or descriptions of Franchisor's products and services;

18.1.2 Franchisor's Manual and any supplements thereto;

18.1.3 Any forms, advertising matter, marks, devices, signs, insignia, slogans or designs used from time to time in connection with the Franchised Business;

18.1.4 Any copyrights, trademarks, trade names and patents now or hereafter applied for or granted in connection therewith, or any marks, logos, words or phrases confusingly similar thereto or colorable imitations thereof;

18.1.5 Any telephone number listed in any telephone directory under the name "Pacific Lawn Sprinklers" or any similar designation or directory listing which relates to the Franchised Business; and

18.1.6 Any and all of the systems, procedures, techniques, criteria, concepts, designs, advertising and promotional techniques, products or service specifications, and all other components, specifications and standards which comprise (or in the future may comprise) part of the System.

18.2 Cancellation of Name. Upon termination or expiration of this Agreement (and any subsequent Add On Franchise or amendment), Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains any name or mark identical or similar to "Pacific Lawn Sprinklers" or any other name, trademark or service mark of Franchisor, and Franchisee shall furnish Franchisor with proof of discharge of this obligation within thirty (30) days following the termination or expiration of this Agreement.

18.3 Franchisor is Attorney-in-Fact. Franchisor may, if Franchisee fails or refuses to do so, execute in Franchisee's name and on Franchisee's behalf any and all documents necessary to cause discontinuation of Franchisee's use of the name "Pacific Lawn Sprinklers" or any other related or similar name or use thereunder, and Franchisor is thereby irrevocably appointed by Franchisee as Franchisee's attorney-in-fact to do so.

18.4 Continuation of Obligations. The expiration or termination of this Franchise Agreement shall be without prejudice to the rights of Franchisor against Franchisee, and such expiration or termination shall not relieve Franchisee of any of his/her obligations to Franchisor existing at the time of expiration or termination or terminate those obligations of Franchisee which by their nature survive the expiration or termination of this Agreement.

18.5 Cease Using Telephone Numbers. Upon termination or expiration of this Agreement, Franchisee shall cease and desist from using any telephone and/or cellular telephone number(s) listed in any telephone directory under the name "Pacific Lawn Sprinklers" or any other name similar thereto and, upon demand of the Franchisor, shall direct the telephone company servicing the Franchised Business to transfer said telephone number(s) to Franchisor, or to such other person or persons at such location or locations as Franchisor shall direct.

18.6 Payment of Sums Due. Upon termination or expiration of this Agreement, Franchisee shall promptly pay all sums owing to Franchisor (and its subsidiaries, affiliates or designees), including, without limitation, any remaining payments of the Brand Fund Contribution and the Call Center Administration Fee due to Franchisor for that Calendar Year. In the event of termination based upon a default of Franchisee, such sums shall include all damages, costs and expenses (including actual attorneys' fees) incurred by Franchisor as a result of the default. The obligation created hereunder shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, inventory, fixtures or other assets owned by Franchisee at the time of default.

18.7 Post-Term Covenants. Upon termination or expiration of this Agreement (and any subsequent Add-On Franchise or amendment), Franchisee shall comply with the post-term covenants not to compete set forth in Article XV hereof.

18.8 Franchisor May Purchase. Upon termination or expiration of this Agreement (and any subsequent Add-On Franchise or amendment) for any reason whatsoever, Franchisor or its designee shall have the option (but not the obligation) for a period of sixty (60) days from such termination or expiration to purchase all of Franchisee's right, title and interest in the Franchised Business (including, without limitation, inventory and supplies) for a purchase price (the "Purchase Price") equal to the sum of two (2) times the amount of earnings before interest, taxes, depreciation and amortization ("EBITDA") of the Franchised Business for the twelve (12) month period of operations preceding such termination or expiration, less the total of (a) the amount of any indebtedness remaining against or secured by any such assets; (b) the amount of any indebtedness or obligation owed by Franchisee to Franchisor, its affiliates, subsidiaries or designees; (c) the amount of any indebtedness or obligation for which Franchisee or the Franchised Business is liable (directly or indirectly, contingently or otherwise) and for which Franchisor is or may become liable (directly or indirectly, contingently or otherwise) upon acquiring the Franchised Business or otherwise; and (d) all amounts advanced by Franchisor, or which Franchisor has paid, or which Franchisor has become obligated to pay, on behalf of the Franchisee for any reason whatsoever (including, without limitation, interim sums required to be advanced for operations prior to the date of Franchisor's (or its designee's) exercise of the option granted hereunder).

18.8.1 If the parties cannot agree upon the Purchase Price within a reasonable time, an independent appraiser shall be designated by Franchisor, and his determination of the Purchase Price shall be binding on Franchisor and Franchisee. The cost of such appraisal shall be borne by the Franchisee.

18.8.2 If Franchisor exercises its option to purchase the Franchised Business, the Purchase Price shall be payable as follows:

(a) Ten percent (10%) of the Purchase Price shall be paid at the closing of the purchase transaction by bank or certified check.

(b) The balance of the Purchase Price shall be paid over a period of three (3) years in thirty-six (36) equal monthly installments, the first monthly installment being made on the tenth (10th) day of the month following the month in which the initial payment is made. The obligation to make monthly installment payments shall be evidenced by a series of thirty-six (36) negotiable promissory notes of the Franchisor payable to the order of the Franchisee, each bearing interest from the date of the closing at the published "Prime Rate" charged by Chase Manhattan Bank, New York, New York, to its most substantial commercial customers and containing provisions

to the effect that should any note be unpaid for more than ten (10) days after written notice of default, the remaining notes shall forthwith become due and payable without any further notice; provided, however, that the Franchisor or any holder in due course shall have the right at any time after the calendar year in which the closing takes place to prepay the notes in multiples of One Thousand Dollars (\$1,000) in inverse order of maturity, together with interest to the date of payment.

18.8.3 If Franchisor exercises its option to purchase the Franchised Business, Franchisee agrees fully to cooperate in effectuating such transaction and undertakes to use his/her best efforts to provide Franchisor and its designees with all such data and documentation as reasonably may be required to give effect to the purposes of this Section.

18.8.4 In the event Franchisor does not elect to exercise the foregoing option to purchase the Franchised Business, Franchisee shall immediately return to Franchisor all materials which bear any of the Proprietary Marks, trade names or copyrighted material. Franchisee shall also destroy any and all materials not otherwise required to be returned to Franchisor in accordance with this Agreement or the Manual. Contemporaneously, Franchisee shall return to Franchisor all copies in his/her possession of materials and documents (including, among other things, the Manual, corporate records and files, correspondence, brochures, agreements, and disclosure statements) relating to the grant or operation of the Franchised Business.

18.9 **Discontinue Use; Modification.** Upon expiration or termination of this Agreement (and any subsequent Add-On Franchise or amendment), Franchisee shall immediately discontinue the use of each and every aspect of the Proprietary Properties, including the Proprietary Marks and trade dress, including the custom designs on vehicles, advertisements, brochures, tee shirts, clothing, or any other article of commercial or other use, and Know How, and thereafter shall no longer use or have the rights to use the Proprietary Properties, or any colorable or confusingly similar variations thereof, or any word, logo or figure similar to the Proprietary Marks or Know How. In the event of expiration or termination, Franchisee will be responsible for the payment of fees and costs associated with deidentification. In addition, Franchisee understands and agrees that it shall immediately repaint any and all Service Vehicles that show markings similar to, or that would cause confusion of the public as misrepresenting, any connection to Franchisor or the System.

18.10 **Liquidated Damages.** Upon termination of this Agreement according to its terms and conditions, Franchisee agrees to pay to Franchisor 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 Continuing Royalty Fees Franchisee would have paid on the product of (a) the Franchised Business' average monthly gross revenues during the twelve (12) months of operation preceding the effective date of termination or One Thousand Dollars (\$1,000), whichever is greater, multiplied by (b) the number of months remaining in the Agreement had it not been terminated.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Continuing Royalty Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Continuing 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 Franchisor's damages from the loss of cash flow from the Continuing Royalty Fees. It does not cover any other damages, including damages

to its reputation with the public and damages arising from a violation of any provision of this Agreement other than the Continuing Royalty Fee section. Franchisee and each of its owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Continuing Royalty Fee section.

18.11 Costs and Attorneys' Fees. Upon the expiration, termination, or in the event of any litigation or arbitration between the parties hereto with respect to the subject matter hereof, Franchisee agrees to pay all legal fees, court costs, arbitrator's fees, collection fees, interest and expenses incurred by Franchisor, in addition to any award to which Franchisor may be entitled.

ARTICLE XIX

MODIFICATION OF SYSTEM

19.1 Franchisee understands and agrees that the System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other market place variables, and if it is to best serve the interests of Franchisor, Franchisee, and the network of all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System, including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which Franchisee's Franchised Business is authorized and required to offer; modifying or substituting entirely the building, premises, vehicles, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving, modifying or substituting the Proprietary Properties. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase Franchisee's obligations hereunder.

Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

19.1.1 It shall be the obligation of Franchisee to spend up to Ten Thousand Dollars (\$10,000) upon each Successor Franchise Term for the upgrading and/or refurbishment of each Service Vehicle, at least every ten (10) years. This amount shall be subject to ten percent (10%) increases for each Successor Franchise Term.

19.2 Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation, arbitration, or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

ARTICLE XX

DISPUTE RESOLUTION

20.1 Severability and Substitution of Valid Provisions. Except as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which the Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party thereto; otherwise upon Franchisee's receipt of written notice of non-enforcement thereof from the Franchisor. If any covenant herein which restricts competitive activity is deemed enforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, Franchisee and the Franchisor agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to enter into a successor franchise agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Franchisor is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and the Franchisor shall have the right, in its sole judgment, to modify such invalid or enforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Such modification(s) to this Agreement shall be effective only in such jurisdiction, unless the Franchisor elects to give it greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions. Franchisee agrees to be bound by any such modification to this Agreement.

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

Neither the Franchisor nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy, or the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal

government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (3) acts of God; (4) fires, strikes, embargoes, war or riot; or (5) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of royalty and service fees, Brand Fund contributions or lease payments due thereafter.

20.3 Injunctive Relief. Franchisee explicitly affirms and recognizes the unique value and secondary meaning attached to the Franchised Business and the Proprietary Marks. Accordingly, Franchisee agrees that any noncompliance by Franchisee with the terms of this Agreement, or any unauthorized or improper use of the Franchised Business or the Proprietary Marks by Franchisee, will cause irreparable damage to Franchisor and other System franchisees. Franchisee therefore agrees that if Franchisee engages in this non-compliance, or unauthorized and/or improper use of the Franchised Business or Proprietary Marks, during or after the Initial Term or any Successor Franchise Term, Franchisor will be entitled to both temporary and permanent injunctive relief against Franchisee from any court of competent jurisdiction, in addition to all other remedies which Franchisor may have at law. Franchisee consents to the entry of these temporary and permanent injunctions.

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

20.5 Arbitration. Franchisor and Franchisee agree that all controversies, disputes, or claims between Franchisor and Franchisor's affiliates, and Franchisor's and Franchisor's affiliates' respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between Franchisor and Franchisee;
- (2) Franchisor's relationship with Franchisee;
- (3) the scope and validity of this Agreement or any other agreement between Franchisee and Franchisor or any provision of such agreements (including the validity and scope of the arbitration obligations under this Subsection, which the parties acknowledge is to be determined by an arbitrator and not a court); or
- (4) any System Standard

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in the metropolitan area of Franchisor's then current principal business address (currently in Broward County, FL). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except as expressly provided otherwise in the remainder of this Article XX, judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, except as expressly provided in Sections 20.8 and 20.9 below, award any punitive or exemplary damages against either party (Franchisor and Franchisee hereby waiving to the fullest extent permitted by law, except as expressly provided in Sections 20.8 and 20.9 below, any right to or claim for any punitive or exemplary damages against the other).

Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor. Franchisor reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished Franchisor's right to seek the recovery of those costs.

Franchisee and Franchisor agree that arbitration will be conducted on an individual, not a class- wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates, and Franchisor's and Franchisor's affiliates' respective shareholders, members, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person. Notwithstanding the foregoing or anything to the contrary in this Section or Section 20.1, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 20.5, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Article XX (excluding this Section 20.5).

Except as expressly provided otherwise in the remainder of this Article XX, despite Franchisor's and Franchisee's agreement to arbitrate, Franchisor and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Franchisee must contemporaneously submit Franchisor's and Franchisee's dispute for arbitration on the merits as provided in this Section.

The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

20.6 Governing Law. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Florida without recourse to Florida's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement

would not be enforceable under the laws of Florida, and if the Franchised Business is located outside of Florida and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section 20.6 is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of Florida, or any other state, which would not otherwise apply.

20.7 Jurisdiction/Venue. Subject to Section 20.5 above and the provisions below, any litigation arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between the parties (as defined below); and, any and all disputes between the parties, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment in a state or federal district court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located. Franchisee hereby irrevocably submits himself/herself/itself to the jurisdiction of any such court and waive all questions of personal jurisdiction for the purpose of carrying out this provision. Franchisee agrees that any dispute as the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, Franchisee's Franchised Business, Franchisor may bring such an action in any state or federal district court which has jurisdiction. Franchisee hereby waives and covenants never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens"). As used in this section of the Agreement, the term "parties" includes Franchisee; Franchisee's guarantor(s); if Franchisee are a business entity, Franchisee's owners, officers, directors, shareholders, partners, members, managers, agents, representatives, independent contractors, servants and employees (as applicable) and, as to each of them, whether acting in their corporate or individual capacity; any other individual entity acting or purporting to act by, through, under or under authority granted by Franchisee; and, any affiliate of each of the foregoing.

20.8 Waiver of Punitive Damages. Franchisee, its guarantors and its other parties (as defined in Section 20.7) hereby irrevocably waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other similar damages in any action or proceeding whatsoever between the parties to this Agreement (as defined in Section 20.7) and/or any of their affiliates, and Franchisee and such others covenant never to advance or pursue any such claim for punitive damages. Franchisee and such others agree that in the event of a dispute, Franchisee and such others shall be limited to the recovery from us of any actual damages sustained by Franchisee or them.

20.9 Waiver of Jury Trial. The parties to this Agreement (as denominated in Section 20.7) explicitly waive their respective rights to a jury trial in any litigation between them which is authorized or contemplated by this Agreement, and hereby stipulate that any such trial shall occur without a jury.

20.10 Franchisee May Not Withhold Payments. Franchisee agrees that he will not, on grounds of the alleged nonperformance by the Franchisor of any of its obligations hereunder, withhold payment of any royalty and service fees, Brand Fund contributions, lease payments, amounts due to the Franchisor for purchases by Franchisee or any other amounts due to the Franchisor.

20.11 Binding Effect. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Subject to the Pacific Lawn Sprinklers Franchise LLC Franchise Agreement 2022

Franchisor's right to modify the Manual, this Agreement shall not be modified except by written agreement signed by Franchisee and the Franchisor.

20.12 Limitations of Claims. Any and all claims, except claims for monies due the Franchisor, arising out of or relating to this Agreement or the relationship among the parties hereto shall be barred unless an action or legal proceeding or arbitration is commenced within one (1) year from the date Franchisee or the Franchisor knew or should have known of the facts giving rise to such claims.

20.13 Construction. The preambles and exhibits are a part of this Agreement, which together with the Manual, constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between the Franchisor and Franchisee relating to the subject matter of this Agreement. Notwithstanding the foregoing, however, nothing in this Section 20.13 is intended to disclaim the representations we made in the Franchise Disclosure Document that we delivered to you. The term "Franchisee" as used herein is applicable to one or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee hereunder, their obligations and liabilities to the Franchisor shall be joint and several. References to "Franchisee" and "transferee" which are applicable to an individual or individuals shall mean the principal owner(s) of the equity or operating control of Franchisee or the transferee, if Franchisee or the transferee is a corporation or partnership. References to "controlling interest" in Franchise shall mean greater than fifty percent (50%) of the equity or voting control of Franchisee. The term "Pacific Lawn Sprinklers Franchised Business" as used herein includes the Business Assets. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

Except where this Agreement expressly obligates the Franchisor reasonably to approve or not unreasonably to withhold its approval of any action or request by Franchisee, Franchisor has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee that requires the Franchisor's approval. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

20.14 Withholding Consent. In no event may Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Franchise Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

20.15 Mediation. Franchisee and Franchisor agree to submit any claim, controversy or dispute subject to arbitration under Section 20.5, above, to nonbinding mediation prior to commencing any legal action or proceeding. The mediation shall be conducted either by an individual mediator or a mediator appointed by a mediation services organization or body, experienced in the mediation of franchise industry disputes, agreed upon by Franchisor and Franchisee and, failing such agreement within a reasonable time (not to exceed fifteen days) after either party has notified the other of its desire to seek mediation, by the American Arbitration Association (or any successor organization) in accordance with its rules governing mediation, at Franchisor's principal place of business. The costs and expenses of mediation, including compensation and expenses of the mediator (but not the attorneys' fees incurred by each party), shall be borne by the parties equally. If the parties are unable to resolve the subject claim, controversy or dispute within 90 days after the mediator has

been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring a legal proceeding under this Article XX to resolve such claim, controversy or dispute. So there is no misunderstanding and notwithstanding the foregoing, Franchisor may bring an action against Franchisee for monies owed or owing; injunctive or other equitable or extraordinary relief in a court having jurisdiction and in accordance with the provisions of this Article XX without first submitting such action to mediation.

ARTICLE XXI

GENERAL PROVISIONS

21.1 Relationship; Acknowledgments. Franchisee and Franchisor agree that there does not exist any fiduciary, trust or similar relationship between Franchisee and Franchisor, that the relationship between Franchisee and Franchisor is a normal commercial relationship between independent businesspeople intended for mutual but independent economic benefit, and is not in any sense nor is intended to be a fiduciary, trust or similar relationship.

21.1.1 Franchisee acknowledges that he/she and each of its owners (if Franchisee is a corporation or partnership) and investors has read this Agreement and Franchisor's Franchise Disclosure Document and all exhibits, and that Franchisee and its owners understand and accept the terms, conditions, and covenants contained in this Agreement as being necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all "Pacific Lawn Sprinklers" businesses and thereby to protect and preserve the goodwill of the Marks and the System.

21.1.2 Franchisee and Franchisor, each agreeing on the critical practical business importance of their relationship being governed solely by written documents signed by Franchisee and Franchisor (including any concurrently executed written personal guarantees, Statement of Prospective Franchisee and/or exhibits, schedules, addenda, promissory note(s), security agreement(s) or other written documents signed by the party to be bound thereby, all of which will be deemed to be part of this Agreement for the purposes of this Section 21.1.2) and not wishing to create misunderstandings, confusion and possible conflict through reference to any alleged prior and/or contemporaneous oral and/or written representations, understandings, agreements or otherwise, jointly intend and agree that (i) this Agreement contains the final, complete and exclusive expression of the terms of the parties' agreement and entirely supersedes and replaces any and all prior and/or concurrent understandings, agreements, inducements, prior course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) between Franchisee and Franchisor, (ii) there are no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) which are not fully expressed in this Agreement, and (iii) no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) of any kind or nature whatsoever have been made by Franchisor or anyone else, nor have been relied upon by Franchisee nor will have any force or effect. Franchisor expressly disclaims any understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) which are not fully expressed in this Agreement. Nothing in this paragraph, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor provided to Franchisee.

21.1.3 Franchisee acknowledges and represents that he/she has not been promised, nor has the Franchisor or any of its representatives, employees or agents made any promises, representations and/or warranties, nor has Franchisee received or relied on any promises, representations or warranties, that (i) any payments by Franchisee are refundable at Franchisee's option, (ii) Franchisor will repurchase any rights granted hereunder (or any associated business) or will be able to assist Franchisee in any resale, (iii) Franchisee will succeed in the Franchised Business, (iv) Franchisee will achieve any particular sales, income or other levels of performance, (v) Franchisee will have any exclusive rights of any type other than as specifically set forth herein, or (vi) Franchisee will receive any level of advertising (television or otherwise), marketing assistance, site location, development or other services, operational assistance or otherwise other than as expressly set forth in this Agreement. No contingency, condition, prerequisite, prior requirement, or otherwise (including, but not limited to, obtaining financing, obtaining a site or otherwise) exists with respect to Franchisee fully performing any or all of his/her obligations under this Agreement.

21.1.4 Franchisee has not received or relied on (nor has Franchisor or any of its representatives, employees or agents provided) any: sales, income or other projections of any kind or nature or any statements, representations, data, charts, tables, spreadsheets or mathematical calculations or otherwise which stated or suggested any level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise other than the information provided in Item 19 of Franchisor's Franchise Disclosure Document, and neither Franchisor nor any of its representatives, employees or agents made, nor has Franchisee relied on, any promises, representations or warranties as to any profits Franchisee may realize in the operation of the Franchised Business, nor has Franchisee received or relied on any representations regarding any working capital or other funds necessary to reach any "break-even" or any other financial level. Franchisor is unable, and does not attempt, to predict, forecast or project future performance, revenues, profits or otherwise of any Franchised Business. If any such information, promises, representations and/or warranties has been provided to Franchisee other than the information provided in Item 19 of Franchisor's Franchise Disclosure Document, it should not be relied on, Franchisor will not be bound by it, and, if Franchisee does rely on such information, promises, representations and/or warranties, Franchisee does so at his/her own risk.

21.1.5 Franchisee acknowledges and agrees that the success of the business venture contemplated to be undertaken hereunder is speculative, is and will be dependent upon Franchisee's personal efforts, that entry into any business enterprise is always associated with risk and that no assurance of success has been or can be given to Franchisee. Franchisee acknowledges and represents that he/she has entered into this Agreement and made an investment only after (i) making an independent investigation of the opportunity, including having received a list, in connection with the presentation of Franchisor's Franchise Disclosure Document, of (and having spoken with) other franchisees currently operating "Pacific Lawn Sprinklers" businesses (if applicable), and (ii) having had an opportunity to have this transaction and all related documents reviewed by an attorney and a financial advisor of his/her own choosing, such review having been strongly recommended by Franchisor. Franchisee acknowledges that he/she and each person signing as Franchisee (and/or having any investment and/or interest in the Franchised Business) has received, reviewed, understood and fully read, and all questions have been answered regarding, the Franchisor's Franchise Disclosure Document with all exhibits at least the earlier of ten business days or fourteen calendar days prior to the earlier of Franchisee's and/or any such person (a) signing any binding documents or (b) paying any sums.

21.1.6 Franchisee understands that Franchisor is relying on Franchisee to bring forward in writing at this time any matters inconsistent with any of the matters set forth in this Article XXI or otherwise so that Franchisor can correct any misunderstandings and Franchisee agrees that if any of the statements or matters set forth in this Article XXI or otherwise are not true, correct and complete, Franchisee will make a written statement regarding such next to Franchisee's signature below so that Franchisor may address and resolve any such issue(s) at this time and before either party goes forward.

21.1.7 Franchisee acknowledges and agrees that in all of his/her dealings with the Franchisor, the officers, directors, employees, and agents of the Franchisor acted only in a representative capacity and not in an individual capacity. Franchisee further acknowledges that this Agreement, and all business dealings between Franchisee and such individuals as a result of this Agreement, are solely between Franchisee and the Franchisor. Franchisee further represents to the Franchisor, as an inducement to the Franchisor's entry into this Agreement, that Franchisee has made no misrepresentations in obtaining the Franchised Business.

21.2 **Notices.** Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein shall be in writing, signed by the party giving the same, and personally delivered or deposited in the United States mail, first-class postage prepaid, certified mail, return receipt requested and electronically. If intended for Franchisor, shall be addressed to it at 1007 N. Federal Highway, #1015, Fort Lauderdale FL 33304, with a copy to Dunn & Allsman, LLC, Attn. F. Joseph Dunn, Esq., 18 Campus Blvd., Suite 100, Newtown Square, PA 19073. If intended for Franchisee, shall be addressed to Franchisee at the address set forth on page one. Either party may change its address for notice purposes by giving the other party written notice, as herein provided, of such change.

21.3 **Gender.** Reference to Franchisee as male, female, or no gender shall include male or female franchisee, general or limited partnership, joint venture, corporation, trust, or any other association or business entity, as relevant in the context.

21.4 **Headings.** Headings and captions contained herein are for convenience of reference only and shall not be taken into account in construing or interpreting this Agreement.

21.5 **References.** Any reference herein to any paragraph or other part of this Agreement shall be deemed to include a reference to every subordinate part and/or subparagraph thereof.

21.6 **Time of the Essence.** It is acknowledged and agreed by both parties that any delay in the performance of its obligations hereunder would irreparably and irrevocably injure the other party in the conduct of its business and the value of its property. The parties therefore agree that time is of the essence of this Agreement. Except as otherwise specifically permitted herein, no extension of time shall be implied, nor any delay allowed, in the timely and complete performance of all covenants herein contained.

21.7 **Survival of Terms.** Each provision of this Article XXI and those provisions hereinabove provided relating to covenants against post-termination/expiration use of the Proprietary Marks, Know How, Copyrights and Software will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise. Each provision of this Agreement will be construed as independent of, and severable from, every other provision; provided

that if any part of this Agreement is deemed unlawful in any way, the parties agree that such provision will be deemed interpreted and/or modified to the minimum extent necessary to make such provision lawful or, if such construction is not permitted or available, the remainder of this Agreement will continue in full force and effect. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

ARTICLE XXII
SUBMISSION OF AGREEMENT

22.1 The submission of this Franchise Agreement to Franchisee does not itself constitute an offer to sell a franchise. This Franchise Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee.

I HAVE READ THE FOREGOING AGREEMENT AND I HEREBY AGREE TO AND ACCEPT EACH AND ALL OF THE PROVISIONS.

ATTEST

FRANCHISEE:

By: _____

By: _____

Name: _____

Title: _____

Dated: _____

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

By: _____

By: _____

Name: _____

Title: _____

Dated: _____

SCHEDULE "A"
SCHEDULE OF FEES

Per Section 8.7 of the Franchise Agreement the annual Minimum Continuing Royalty Fee, Brand Fund Contribution, and Call Center Administration Fee and Bookkeeping Services Fee are each based on the applicable "Service Level" of the Franchised Business. The Service Level is determined, in Franchisor's sole discretion, based on the amount of exposure Franchisee's Service Area has to the Pacific Lawn Sprinkler brand (or another brand acquired by Franchisor). "Level 1" franchisees operates in an area that has less than 1 year of applicable exposure; "Level 2" franchisees operate in an area that has a minimum of 1 year of applicable exposure; and "Level 3" franchisee operates in a Service Area that has a minimum of 2 years of applicable exposure. Franchisor may, each year and in its sole judgment, determine whether Franchisee's Level 1 or Level 2 Franchised Business will be re-categorized as a Level 2 or Level 3 Franchised Business, as applicable.

Initial Franchisee Designation: (check one)

- ☐ Combo Franchise
☐ Service Franchise
☐ Add-On Franchise

Initial Service Level: (check one)

- ☐ Service Level 3
☐ Service Level 2
☐ Service Level 1

Regional Designation: (check one)

- ☐ Seasonal
☐ Full Season

Initial Franchise Fee: \$_____

Grand Opening Advertising Fee: \$_____

Initial Minimum Continuing Royalty Fee: \$_____

Type of Combo Franchise	Minimum Continuing Royalty Fee
Combo Franchise – Start Up Level 1	Greater of \$26,780 or 10% of Net Revenues
Combo Franchise – Experienced Level 2	Greater of \$36,050 or 10% of Net Revenues
Combo Franchise – Mature Level 3	Greater of \$46,350 or 10% of Net Revenues

Type of Service Franchise	Minimum Continuing Royalty Fee
Service Franchise – Start Up Level 1	Greater of \$16,480 or 10% of Net Revenues
Service Franchise – Experienced Level 2	Greater of \$20,600 or 10% of Net Revenues
Service Franchise – Mature Level 3	Greater of \$26,780 or 10% of Net Revenues

Type of Add On Franchise	Minimum Continuing Royalty Fee (Annual)
Add On Franchise – Start Up Level 1	Greater of \$8,240 or 10% of Net Revenues
Add On Franchise – Experienced Level 2	Greater of \$12,875 or 10% of Net Revenues
Add On Franchise – Mature Level 3	Greater of \$15,450 or 10% of Net Revenues

Initial Call Center Administration Fee: \$_____

Type of Combo Franchise	Call Center Administration Fee (Annual)
Combo Franchise Start Up Level 1	\$25,750
Combo Franchise Experienced Level 2	\$35,050
Combo Franchise Mature Level 3	\$47,895

Type of Service Franchise	Call Center Administration Fee (Annual)
Service Franchise Start Up Level 1	\$21,630
Service Franchise Experienced Level 2	\$27,810
Service Franchise Mature Level 3	\$36,050

Type of Add-On Franchise	Call Center Administration Fee (Annual)
Add On Franchise Start Up Level 1	\$12,360
Add On Franchise Experienced Level 2	\$15,450
Add On Franchise Mature Level 3	\$20,549

Initial Brand Fund Contribution: \$_____

Type of Combo Franchise	Brand Fund Contribution (Annual)
Combo Franchise Start Up Level 1	\$13,390
Combo Franchise Experienced Level 2	\$18,540
Combo Franchise Mature Level 3	\$24,463

Type of Service Franchise	Brand Fund Contribution (Annual)
Service Franchise Start Up Level 1	\$10,300
Service Franchise Experienced Level 2	\$12,360
Service Franchise Mature Level 3	\$15,450

Type of Add-On Franchise	Brand Fund Contribution (Annual)
Add On Franchise Start Up Level 1	\$5,150
Add On Franchise Experienced Level 2	\$6,180
Add On Franchise Mature Level 3	\$8,240

Initial Bookkeeping Services Fee (Optional): \$_____

Type of Combo Franchise	Bookkeeping Services Fee (Annual)
Combo Franchise Start Up Level 1	\$8,240
Combo Franchise Experienced Level 2	\$11,330
Combo Franchise Mature Level 3	\$18,025

Type of Service Franchise	Bookkeeping Services Fee (Annual)
Service Franchise Start Up Level 1	\$6,180
Service Franchise Experienced Level 2	\$8,240
Service Franchise Mature Level 3	\$11,845

Type of Add-On Franchise	Bookkeeping Services Fee (Annual)
Add On Franchise Start Up Level 1	\$3,090
Add On Franchise Experienced Level 2	\$4,120
Add On Franchise Mature Level 3	\$5,150

EXHIBIT "A"

LOCATION OF FRANCHISE

Service Area: Franchisee's Service Area will be located within 25-miles of its approved location, and will be based on zip codes which Franchisor may change in its sole discretion. Service Areas are determined through many factors including but not limited to, demand for services, franchisee skill set, municipal restrictions, licensing, travel requirement and availability. As the demand for Services in a Service Area increases, the Franchisee will have to be able to timely meet such demand or it will have its Service Area altered.

EXHIBIT "B"

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

STATEMENT OF PROSPECTIVE FRANCHISEE

(Note: Dates and Answers Must be Completed In the Prospective Franchisee's Own Handwriting)

Since the Prospective Franchisee (also called "me", "our", "us", "we" and/or "I" in this document) and Pacific Lawn Sprinklers Franchise LLC (also called the "Franchisor," "you" or "your") both have an interest in making sure that no misunderstandings exist between them, and to verify that no violations of law might have occurred, and understanding that the Franchisor is relying on the statements I/we make in this document, I/we assure the Franchisor as follows:

A. The following dates and information are true and correct:

- | | | |
|----------|-------------|---|
| 1. | _____, 20__ | The date of my/our first face to face meeting with any person to discuss the possible purchase of a "Pacific Lawn Sprinklers" Franchise |
| Initials | _____ | |
| 2. | _____, 20__ | The date on which I/we received a Franchise Disclosure Document about a "Pacific Lawn Sprinklers" Franchise |
| Initials | _____ | |
| 3. | _____, 20__ | The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed |
| Initials | _____ | |
| 4. | _____, 20__ | The earliest date on which I/we signed the Franchise Agreement or <u>any</u> other binding document (not including any letter or other acknowledgment of receipt) |
| Initials | _____ | |
| 5. | _____, 20__ | The earliest date on which I/we delivered cash, check or other consideration to the Franchise, or any other person or company. |
| Initials | _____ | |

B. Representations and Other Matters:

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side deals," options, rights of first refusal or otherwise of any type, including, but not limited to, any which expanded upon or were inconsistent with the Disclosure Document or the Franchise Agreement, have been made to or with me/us with respect to any matter (including, but not limited to, advertising, marketing, site location and/or development, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise) nor have I/we relied in any way on any such, except as expressly set forth in the Franchise Agreement, a written Addendum thereto signed by the Prospective Franchisee and the President of the Franchisor, except as follows:

(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting and initial)

2. No oral, written, visual or other claim, guarantee or representation (including, but not limited to, charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, was made to me/us by any person or entity, nor have I/we relied in any way on any such, except for information (if any) expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein), except as follows:

(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting and initial)

3. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including, but not limited to, the Prospective Franchisee obtaining any financing, the Prospective Franchisee's or, any operational matters or otherwise) or the Prospective Franchisee fully performing any of the Prospective Franchisee's obligations, nor is the Prospective Franchisee relying on the Franchisor or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by the Prospective Franchisee and the President of the Franchisor, except as follows:

(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting and initial)

4. The individuals signing for the "Prospective Franchisee" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of such individuals has received the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each written Addendum and any Personal Guarantees.

Prospective Franchisee's Initials: _____

5. I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and the Franchisor has strongly recommended that I/we obtain such independent professional advice. I/we have also been strongly advised by the Franchisor to discuss my/our proposed purchase of, or investment in, a Pacific Lawn Sprinklers Franchise with existing Pacific Lawn Sprinklers franchisees prior to signing any binding documents or paying any sums and I/we have been supplied with a list of existing Pacific Lawn Sprinklers franchisees.

Prospective Franchisee's Initials: _____

6. I/we understand that entry into any business venture necessarily involves some unavoidable risk of loss or failure, that while the purchase of a franchise may improve my/our chances for success, the purchase of a Pacific Lawn Sprinklers (or any other) franchise is a speculative investment, that investment beyond that outlined in the Disclosure Document may be required to succeed, that there exists no guarantee against possible loss or failure in this or any other business and that the most important factors in the success of any Pacific Lawn Sprinklers Franchise, including the one to be operated by me/us, are my/our personal business, marketing, sales, management, judgment and other skills.

Prospective Franchisee's Initials: _____

If there are any matters inconsistent with the statements in this document. or if anyone has suggested that I sign this document without all of its statements being true, correct and complete, I/we will immediately inform the Franchisor's attorney (phone: 215-825-3100) and President (phone: 718-312-3800).

I/we understand and agree that the Franchisor does not furnish or endorse, or authorize its salespersons or others to furnish or endorse, any oral, written or other information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, that such information (if any) not expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein) is not reliable and that I/we have not relied on it, that no such results can be assured or estimated and that actual results will vary from unit to unit and may vary significantly.

Prospective Franchisee's Initials: _____

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

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

Date: _____

Prospective Franchisee

Prospective Franchisee

All of the above is true, correct and complete to the best of my knowledge:

Franchise Marketing Representative

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

FRANCHISE AGREEMENT

EXHIBIT "C"

SAMPLE FORM OF GENERAL RELEASE

This General Release ("Release") is made and entered into on this _____ day of _____, 20__ by and between PACIFIC LAWN SPRINKLERS FRANCHISE LLC ("Franchisor") and _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor and Franchisee are parties to a Pacific Lawn Sprinklers Franchise Agreement (the "Franchise Agreement") dated _____, 20__, granting Franchisee the right to operate a franchised business utilizing Franchisor's then-current (a) proprietary marks and (b) system of operations, at the following location: _____.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasors"), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasees"), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasors. The Releasors, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release. Releasors hereby acknowledge that this release is intended to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist.

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the date first above written.

FRANCHISOR

By: _____

Name: _____

Title: _____

FRANCHISEE

By: _____

Name: _____

Title: _____

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

FRANCHISE AGREEMENT

EXHIBIT "D"

**TELEPHONE NUMBER ASSIGNMENT AGREEMENT
AND POWER OF ATTORNEY**

FOR VALUE RECEIVED, the undersigned ("Franchisee") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to Pacific Lawn Sprinklers Franchise LLC, upon the following terms:

1. This assignment is made under the terms of Pacific Lawn Sprinklers Franchise LLC. Franchise Agreement dated _____ authorizing Franchisee to do business as "Pacific Lawn Sprinklers" (the "Franchise Agreement") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers the Franchisee uses in the operation of the Franchised Business covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, the Franchisee's limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, and take all other action necessary to transfer the listings and numbers to Franchisor.

3. The cellular telephone numbers and affiliated listings subject to this assignment are: _____ and all numbers on the rotary series and all numbers the Franchisee uses in the Franchised Business in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listings he/she incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listings and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor as his/her attorney-in-fact to act in Franchisee's place for the purpose of assigning any cellular telephone number covered by Paragraph 3 above to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for five (5) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person

to perform the acts referred to in this instrument. This power of attorney is not affected by the Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

THE PARTIES have caused this Agreement to be duly signed as evidenced by their signatures appearing below.

FRANCHISEE: EACH OF THE BELOW PERSONS AGREES TO BE BOUND BY THE PROVISIONS OF THIS AGREEMENT, IN BOTH INDIVIDUAL AND REPRESENTATIVE CAPACITIES.

Signed the day of _____, 20__

(NAME OF FRANCHISEE)

By: _____

FRANCHISOR:

Signed and accepted as of the ____ day of _____, 20__

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

By: _____

Name: _____

Title: _____

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

FRANCHISE AGREEMENT

EXHIBIT “E”

GUARANTY

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement, and any revisions, modifications and amendments thereto (hereinafter collectively the “Agreement”) dated____, 20____, by and between Pacific Lawn Sprinklers Franchise LLC, a Florida limited liability company (hereinafter the “Franchisor”), and _____ (hereinafter the “Franchisee”), each of the undersigned Guarantors agrees as follows:

1. The Guarantors do hereby jointly and severally unconditionally guaranty the full, prompt and complete performance of the Franchisee under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to the Franchisor under the Agreement. The word “indebtedness” is used herein in its most comprehensive sense and includes, without limitation, any and all advances, debts, obligations and liabilities of the Franchisee, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of the Franchisee and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against the Franchisee or whether the Franchisee is joined in any such action.

3. If the Franchisee is a corporation, partnership or limited liability company, the Franchisor shall not be obligated to inquire into the power or authority of the Franchisee or its partners or the officers, directors, agents, members or managers acting or purporting to act on the Franchisee’s behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations or partnerships, it shall be conclusively presumed that the Guarantors and the partners, agents, officers and directors acting on their behalf have the express authority to bind such corporations or partnerships and that such corporations or partnerships have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such corporations or partnerships.

4. The Franchisor, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between the Franchisee and the Franchisor resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability Guarantor or limit the liability of the other Guarantors hereunder.

7. If more than one person has executed this Guaranty, the term the “undersigned” as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

8. In each case where the spouse of a Franchisee has executed any documents in connection with the granting of the Agreement, and the Franchisee subsequently divorces from such spouse, then, in the event that the Franchisee subsequently remarries, the new spouse of such Franchisee must execute, and agree to be bound by the provisions of, each of the documents previously executed by the Franchisee’s original spouse.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty effective as of the day of _____, 20____.

Signature

Signature of Spouse (if married)

Printed Name

Printed Name

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

FRANCHISE AGREEMENT

EXHIBIT “F”

CALL CENTER USE AGREEMENT

CALL CENTER AGREEMENT

THIS CALL CENTER AGREEMENT dated _____, 20__, is by and between PACIFIC LAWN SPRINKLERS HUB INC., a New York corporation with its principal offices located at 2242 129th Street College Point, NY 11356 (the "Company") and the party signing this Agreement as the "Franchisee" on the signature page hereto (the "Franchisee").

WITNESSETH:

WHEREAS, the Company owns and operates a call center that provides scheduling, dispatching, trouble shooting, customer service, promotional and bookkeeping services to "Pacific Lawn Sprinklers" franchisees (the "Call Center"); and

WHEREAS, the Franchisee has entered into a Franchise Agreement with Pacific Lawn Sprinklers Franchise LLC, a Florida limited liability company (the "Franchisor") to enable the Franchisee to own and operate a "Pacific Lawn Sprinklers" franchise (the "Franchise Agreement"); and

WHEREAS, in order to effectively operate the franchise, the Franchisor requires each of its franchisees, including the Franchisee, to utilize the Call Center and enter into a Call Center Agreement with the Company as provided herein.

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

1. Engagement. During the Term (as hereinafter defined), the Company shall provide to the Franchisee the Call Center Services (as hereinafter defined), for the fees described in Sections 4, 8 and Schedule B hereof. If so designated on Schedule A hereto, the Company shall also provide Bookkeeping Services and/or Automated Collection Services to the Franchisee during the Term for the fees described in Sections 4, 8 and Schedule B hereof. The Franchisee shall be designated as set forth on Schedule A hereto.

2. Call Center Services. During the Term, the Company shall provide to the Franchisee such of the following services (collectively, the "Call Center Services"):

a. Scheduling/Dispatching. The Call Center shall host a dedicated telephone number, local telephone numbers and an e-mail address through which all customers of the Franchisor shall schedule, reschedule, cancel and inquire about estimates, service calls and installations. Service requests shall be distributed to the Franchisee based on (i) geographic location of the customer, (ii) skill level required for the service requested, (iii) Franchisee/customer scheduling availability and (iv) customer preference. Estimates on new installations and installations will be distributed to Combo Franchisees based on (i) geographic location of the customer, (ii) skill level required for the installation, (iii) Franchisee/customer scheduling availability, (iv) customer preference and (v) original estimator as compensation for services rendered, paid for by installing Franchisee. All current date cancellations and emergency services will be dispatched from the Call Center to the Franchisee via e-mail, phone, and/or update to Franchisee's electronic schedule board. All non-emergent services will be posted to the Franchisee's schedule board list in "real-time." The Franchisee may log into our company database to view its work orders at any time. The Company shall use its commercially

reasonable best efforts and technological resources to schedule the most efficient travel routes and time availability to decrease wasted travel time.

b. Customer Service. The Call Center shall receive, record, research and assist in resolving any basic customer complaints and concerns. All in depth issues will be forwarded to the Franchisee for immediate resolution. The Call Center shall provide any product manuals and literature to customers at no additional charge to the Franchisee. The Call Center shall also provide copies of any invoices or service tickets to the customer via mail, fax or e-mail at no additional charge to the Franchisee.

c. Promotional. The Call Center shall manage and orchestrate any promotional programs designated by the Franchisor, including, but not limited to, Bonus Bucks Customer Satisfaction, Bonus Bucks Referral Program and New Customer Welcome Packages.

d. Form Processing. For each service request, at the written request of the Franchisee, the Call Center shall process (i) all permits for installations with the designated Municipality or Town, and (ii) all mark out request for underground utilities.

Call Center Services shall not include legal and accounting services.

3. Optional Bookkeeping Services; Optional Automated Collection Services. If so designated on Schedule A hereto, the Company shall provide Bookkeeping Services and/or Automated Collection Services to the Franchisee and the Franchisee shall pay to the Company the additional fees set forth in Section 4(c) below associated with the applicable service(s).

a. If the Franchisee subscribes for Bookkeeping Services, the Call Center shall (a) invoice and post all work orders, (b) receive and record all payments received by check, cash, credit card, debit card or electronic funds transfer, (c) record and process payments for all vendors; and (d) process all annual and initial Backflow Testing forms to the designated Water Authority or Municipality at the Franchisee's request. Payments to vendors shall be submitted after 48 hours upon submission to Franchisee if no discrepancies are reported. The Call Center shall also maintain an accurate general ledger on behalf of the Franchisee and perform a monthly reconciliation of check register, make bank deposits electronically. If the Franchisee subscribes for Bookkeeping Services, all bookkeeping work performed must be reviewed and approved by the Franchisee or its designated manager.

b. If the Franchisee subscribes for the Automated Collection Services, the Call Center shall use certain software to make automated phone calls or text messages to customers with outstanding invoices. The system will place calls based on the vintage of past due amounts notifying clients of their past due balances and obligation to pay. Each call or text made to a customer telephone number currently costs \$0.20, however this fee may increase based on changes to carrier rates. Franchisor does not collect any additional fee in connection with the Automated Collection Services.

4. Call Center Fees.

a. Combo Franchisees. In consideration for the provision of Call Center Services hereunder, if the Franchisee is designated as a Combo Franchisee on Schedule A hereto, the Franchisee shall pay to the Company a Call Center fee as set forth on Schedule B hereto.

b. Service Franchisees. In consideration for the provision of Call Center Services hereunder, if the Franchisee is designated as a Service Franchisee on Schedule A hereto, the Franchisee shall pay to the Company a Call Center fee as set forth on Schedule B hereto.

c. Bookkeeping Services. If a Franchisee utilizes the Bookkeeping Services described in Section 3 hereof and designated on Schedule A hereto, the Franchisee shall pay to the Company an additional fee as set forth on Schedule B hereto, in addition to the fee described in subsection (a) or (b) above.

d. Automated Collection. If a Franchisee utilizes the Automated Collection Services described in Section 3 hereof and designated on Schedule A hereto, the Franchisee shall pay to the Company the current per call/text cost charged by the Call Center based on carrier rates (currently, \$0.20), in addition to the fee described in subsection (a) or (b) above.

e. Payment Terms. Except for any fees calculated on a per message basis, all fees to be paid hereunder shall be paid on a prorated basis each Calendar Year (as defined in the Franchise Agreement). Each fee shall be determined based on the applicable Service Level of the Franchised Business (as described in more detail in Section 8.7 and Schedule A of the Franchise Agreement). Franchisor may, in its sole discretion upon notice to Franchisee, increase the fee applicable to each Service Level annually in an amount not to exceed 3% of the immediately preceding year's fee.

If Franchisee commences operation of a Seasonal Franchised Business between January and April, and for each Calendar Year thereafter, twenty percent (20%) of the applicable fee will be due on the last day of the month in April, May and June; ten percent (10%) of the applicable fee will be due on the last day of the month in July; five percent (5%) of the applicable fee will be due on the last day of the month in August and September; and the remaining twenty percent (20%) of the applicable fee will be due on the last day of the month in October and November (10% each). If Franchisee commences operation of the Franchised Business after April 30, for Franchisee's first partial Calendar Year, Franchisee is only required to pay the applicable fee due for the month Franchisee commences operation of the Franchised Business, and for the remaining months in the Calendar Year (as described above).

If Franchisee commences operation of a "Full Season" Franchised Business, the annual Call Center Administration Fee shall be payable in increments according to a schedule. 5% of the Annual Fee shall be paid in each of the months of June, July, August, September, and November; 10% of the Annual Fee shall be paid in each of the months of February and October; 15% of the Annual Fee shall be paid in March; and 20% of the Annual Fee shall be paid in the months of April and May. No amounts will be due in the months of January and December.

For Franchisee's first partial Calendar Year, Franchisee is only required to pay each fee due for the month Franchisee commences operation of the Franchised Business, and for the remaining months in the Calendar Year (as set forth above).

f. Net Monthly Revenues. "Net Monthly Revenues" shall mean actual revenue billed to customers, whether for cash or credit, plus all other revenues derived from the Franchisee's business, excluding taxes collected from customers and refunds.

5. Term. Except as otherwise provided herein, this Agreement (and any subsequent Add-On Franchise) shall be for a term commencing on the date hereof and extending through the one year anniversary of the date hereof (the "Initial Term"), which shall be automatically renewed for successive one year periods

unless either the Company or the Franchisee gives written notice of its desire not to renew not less than 90 days prior to the expiration of the Initial Term or any renewal thereof (the Initial Term and any such renewal thereof are hereinafter collectively referred to as the "Term").

6. Role of Franchisor. The Franchisor shall monitor all customer service issues and requests on a daily basis to maintain quality control and protect the franchise "system" and name.

7. Limitations.

a. Liability. NEITHER THE COMPANY, NOR THE FRANCHISOR MAKES ANY REPRESENTATIONS, WARRANTIES OR GUARANTEES, EITHER EXPRESS OR IMPLIED, CONCERNING THE CALL CENTER SERVICES PROVIDED UNDER THIS AGREEMENT, AND EXPRESSLY DISCLAIMS ANY WARRANTIES OF FITNESS FOR A PARTICULAR USE OR PURPOSE, THE WARRANTY OF MERCHANTABILITY AND ANY OTHER WARRANTY IMPLIED BY LAW. THE COMPANY'S AND THE FRANCHISOR'S LIABILITY TO THE FRANCHISEE ON ACCOUNT OF ANY ACTS OR OMISSIONS RELATING TO THIS AGREEMENT SHALL BE LIMITED TO PROVEN DIRECT DAMAGES IN AN AGGREGATE AMOUNT NOT TO EXCEED THE AMOUNTS PAID BY THE FRANCHISEE FOR CALL CENTER SERVICES DURING THE TWELVE (12) MONTH PERIOD PRECEDING THE INCIDENT GIVEN RISE TO THE CLAIM FOR DAMAGES. NEITHER OF THE COMPANY NOR THE FRANCHISOR SHALL BE LIABLE FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, RELIANCE OR SPECIAL DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR HARM TO BUSINESS, LOST PROFITS, LOST SAVINGS OR LOST REVENUES, WHETHER OR NOT THE COMPANY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NEITHER THE COMPANY NOR THE FRANCHISOR SHALL BE RESPONSIBLE FOR LOST SERVICES OR REVENUES DUE TO MISCOMMUNICATIONS, WEATHER, SERVICE OUTAGES, INFORMATIONAL TECHNOLOGY UPGRADES OR DOWNGES, CYBER ATTACKS, MALICIOUS DATA SECURITY BREACHES, ACTS OF GOD OR FIRE. THE COMPANY DOES NOT GUARANTEE TO PROVIDE MARKETING OR DISTRIBUTE ANY LEADS TO THE FRANCHISEE. NEITHER THE COMPANY NOR THE FRANCHISOR SHALL BE LIABLE FOR ANY DAMAGE THAT THE FRANCHISEE MAY SUFFER ARISING OUT OF USE, OR INABILITY TO USE, THE CALL CENTER SERVICES PROVIDED HEREUNDER UNLESS SUCH DAMAGE IS CAUSED BY THE WILLFUL MISCONDUCT OF THE COMPANY.

b. Remedies. NEITHER THE COMPANY NOR THE FRANCHISOR SHALL BE LIABLE FOR UNAUTHORIZED ACCESS BY THIRD PARTIES TO THE FRANCHISEE'S TRANSMISSIONS. EXCEPT AS EXPRESSLY SET FORTH IN OR CONTEMPLATED BY THIS AGREEMENT, IN ANY INSTANCE INVOLVING PERFORMANCE OR NONPERFORMANCE BY THE COMPANY WITH RESPECT TO CALL CENTER SERVICES PROVIDED HEREUNDER, **THE FRANCHISEE'S SOLE REMEDY SHALL BE REFUND OF A PRO RATA PORTION OF THE PRICE PAID FOR CALL CENTER SERVICES WHICH WERE NOT PROVIDED. AT THE OPTION OF THE COMPANY, EXCEPT AS EXPRESSLY SET FORTH IN OR CONTEMPLATED BY THIS AGREEMENT, IN THE CASE OF REFUND FOR LOST SERVICES, CREDIT WILL BE ISSUED ONLY FOR PERIODS OF LOST SERVICE GREATER THAN TWENTY-FOUR (24) HOURS.** THESE LIMITATIONS OR LIABILITY SHALL APPLY REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, WARRANTY, STRICT LIABILITY OR TORT, INCLUDING WITHOUT LIMITATION NEGLIGENCE OF ANY KIND, WHETHER ACTIVE OR PASSIVE, AND SHALL SURVIVE.

c. Failure of an Exclusive Remedy. NEITHER THE COMPANY NOR THE FRANCHISOR SHALL BE RESPONSIBLE FOR (1) SERVICE IMPAIRMENTS CAUSED BY ACTS WITHIN THE CONTROL OF THE FRANCHISEE, ITS EMPLOYEES, AGENTS, SUBCONTRACTORS, SUPPLIERS OR LICENSEES, (2) INABILITY OF THE FRANCHISEE TO ACCESS OR INTERACT WITH ANY OTHER SERVICE PROVIDERS OR USERS, OR (3) SERVICES PROVIDED BY OTHER SERVICE PROVIDERS.

8. Termination. For purposes of this Agreement, an Event of Default shall mean the occurrence of any of the following events (each an "Event of Default"):

- a. failure to pay any outstanding charge within ten (10) days of its due date;
- b. a breach by the Franchisee in its performance or compliance under this Agreement or any other agreement required to be complied with under the terms hereof;
- c. a default by the Franchisee under the Franchise Agreement;
- d. the commencement of a bankruptcy proceeding, whether voluntary or involuntary, against the Franchisee; or
- e. the death or dissolution of the Franchisee.

This Agreement may be terminated by the Company immediately following an Event of Default.

9. Information. All information provided to the Company or gathered from or about the Franchisee is the exclusive property of the Franchisor. Except as expressly provided in this Agreement, the Company shall be under no obligation to treat any Franchisee information or materials received by the Company from the Franchisee as confidential. To the extent that the Franchisee shall wish that any information or materials be treated as confidential by the Company, the Franchisee must label such information or materials in writing as confidential or, if such materials are disclosed orally by the Franchisee to the Company, provide written summaries of any such disclosed information or materials together with notice of the confidential nature of such information or materials within five (5) days of oral disclosure thereof. Notwithstanding the foregoing, the Company shall have no obligation of confidentiality with respect to any information or materials disclosed to it which (a) was already known to it at the time of its receipt hereunder; (b) is or becomes generally available to the public other than by means of the Company's breach of its obligations under this Agreement; (c) is independently obtained from a third party whose disclosure violates no duty of confidentiality; or (d) is independently developed by or on behalf of the Company without use of or reliance on any confidential information furnished to it under this Agreement.

10. Incorporation of Other Terms. Sections 5.10, 13.1, 13.2, 13.3, 18.11, 20.1 through 20.15, and 21.2 of the Franchise Agreement, entitled "Force Majeure," "Independent Parties," "Independent Contractor," "Indemnification by Franchisee," "Costs and Attorneys' Fees," "Severability and Substitution of Valid Provisions," "Waiver of Obligations," "Injunctive Relief," "Rights of Parties are Cumulative," "Arbitration," "Governing Law," "Jurisdiction/Venue," "Waiver of Punitive Damages," "Waiver of Jury Trial," "Franchisee May Not Withhold Payments," "Binding Effect," "Limitations of Claims," "Construction," "Withholding Consent," "Mediation," and "Notices," respectively, are incorporated by reference in this Agreement and will govern all aspects of this Agreement and Franchisor's and Franchisee's relationship as if fully restated within the text of this Agreement.

11. Entire Agreement; Amendment. This Agreement contains the entire understanding

between the parties hereto as to the matters herein described and may not be modified or amended except by a writing duly signed by both parties hereto. Notwithstanding the foregoing, however, nothing in this Section is intended to disclaim the representation contained in the Franchise Disclosure Document that the Franchisor delivered to Franchisee.

12. Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective successors and assigns. Notwithstanding the foregoing, the Franchisee may not assign its rights or obligations hereunder without the prior written consent of the Company. Notwithstanding the foregoing, the Company may, without the consent of the Franchisee, assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other entity; provided that the transferee agrees in writing to assume all obligations undertaken by the Company herein and such writing is provided to the Franchisee. Upon such assignment and assumption, the Company shall be under no further obligation hereunder, except for accrued liabilities, if any.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original.

14. Headings. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

PACIFIC LAWN SPRINKLERS HUB INC.

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

Address of Franchisee:

SCHEDULE A

Optional Services (check if applicable)

Bookkeeping ☐

Automated Collection ☐

Initial Franchisee Designation: (check one)

☐ Combo Franchise

☐ Service Franchise

☐ Add-On Franchise

SCHEDULE B

PAYMENT OF FEES

The amounts of the Call Center Administration Fee, the optional Bookkeeping Services Fee, and the optional Automated Collection Fee are as follows:

Initial Call Center Administration Fee: \$_____

Type of Combo Franchise	Call Center Administration Fee (Annual)
Combo Franchise Start Up Level 1	\$25,750
Combo Franchise Experienced Level 2	\$35,050
Combo Franchise Mature Level 3	\$47,895

Type of Service Franchise	Call Center Administration Fee (Annual)
Service Franchise Start Up Level 1	\$21,630
Service Franchise Experienced Level 2	\$27,810
Service Franchise Mature Level 3	\$36,050

Type of Add-On Franchise	Call Center Administration Fee (Annual)
Add On Franchise Start Up Level 1	\$12,360
Add On Franchise Experienced Level 2	\$15,450
Add On Franchise Mature Level 3	\$20,549

Initial Bookkeeping Services Fee (Optional): \$_____

Type of Combo Franchise	Bookkeeping Services Fee (Annual)
Combo Franchise Start Up Level 1	\$8,240
Combo Franchise Experienced Level 2	\$11,330
Combo Franchise Mature Level 3	\$18,025

Type of Service Franchise	Bookkeeping Services Fee (Annual)
Service Franchise Start Up Level 1	\$6,180
Service Franchise Experienced Level 2	\$8,240
Service Franchise Mature Level 3	\$11,845

Type of Add-On Franchise	Bookkeeping Services Fee (Annual)
Add On Franchise Start Up Level 1	\$3,090
Add On Franchise Experienced Level 2	\$4,120
Add On Franchise Mature Level 3	\$5,150

Current Automated Collection Fee (Optional): \$_____

EXHIBIT “G”
STATE SPECIFIC ADDENDA

**ILLINOIS ADDENDUM TO THE PACIFIC LAWN SPRINKLERS FRANCHISE LLC
FRANCHISE AGREEMENT**

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designated jurisdiction and venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum dated this day of , 20 .

ATTEST

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

Witness

By:
Name:
Title:

FRANCHISEE:

Witness

MARYLAND ADDENDUM TO THE PACIFIC LAWN SPRINKLERS FRANCHISE LLC FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold under the laws of the State of Maryland:

1. Sections 4.3.5 (entitled “Requirements for a Successor Franchise Term”) and 16.2.1 (h) (entitled “Assignment by Franchisee”) of the Franchise Agreement are hereby amended to include the following language immediately following the requirement that Franchisee execute a General Release:

However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Section 17.1 (entitled “Termination without Notice”) of the Franchise Agreement is hereby amended to include the following language:

Termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but Franchisor and Franchisee agree to enforce this provision to the maximum extent the law allows.

3. Section 20.6 (entitled “Governing Law”) of the Franchise Agreement is hereby amended to include the following language:

However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section 20.7 (entitled “Jurisdiction/Venue”) of the Franchise Agreement is hereby amended to include the following language:

However, Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Section 20.12 (entitled “Limitation of Claims”) of the Franchise Agreement is hereby amended to include the following language:

However, nothing in this Agreement shall act to reduce the three (3)-year statute of limitations afforded to Franchisee for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

6. The following is added as a new Section 21.1.8 of the Franchise Agreement:

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

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

NEW YORK ADDENDUM TO THE PACIFIC LAWN SPRINKLERS FRANCHISE LLC FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold under the laws of the State of New York:

1. Section 6.6 of the Franchise Agreement is hereby amended to include the following sentence at the end of the paragraph:

The Manual and any additions, deletions, revisions or supplements to the Manual will not materially alter Franchisee's rights and obligations under this Agreement or place an excessive economic burden on Franchisee's operations.

2. Sections 4.3.5 and 16.2.1 (h) of the Franchise Agreement are hereby amended to include the following language immediately following the requirement that Franchisee execute a General Release:

Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its 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 GBL, Section 687.4 and 687.5 be satisfied.

3. The first sentence of Section 15.6 of the Franchise Agreement is hereby amended to read as follows:

Franchisee acknowledges that any threatened or actual failure to comply with the requirements of this Article XV would cause the Franchisor to suffer immediate and irreparable injury for which no adequate remedy at law may be available, and Franchisee hereby accordingly consents to the seeking of an *ex parte* injunction prohibiting any conduct by Franchisee in violation of the terms of this Article XV.

4. The last sentence of Section 20.3 of the Franchise Agreement is hereby amended to read as follows:

Accordingly, Franchisee hereby consents to the seeking of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Agreement.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

FRANCHISE AGREEMENT

EXHIBIT "H"

ELECTRONIC FUNDS TRANSFER AGREEMENT

This Electronic Funds Transfer Agreement (the "Agreement") is made on this ____ day of _____, 20__ by and between Pacific Lawn Sprinklers Franchise LLC. ("Franchisor"), and _____ or their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee").

Whereas, Franchisor and Franchisee are parties to a Pacific Lawn Sprinklers Franchise Agreement executed on even date herewith (the "Franchise Agreement") and desire to enter into an Addendum to the Franchise Agreement;

Now, therefore in consideration of the mutual promises contained herein and as an inducement to Franchisor to execute the Franchise Agreement, the parties agree as follows:

A. Franchisee shall pay any and all fees and other charges in connection with this Addendum and the Franchise Agreement (including, without limitation, the Royalty Fees, contributions to the Fund and any other payments due to Franchisor by Franchisee, and any applicable late fees and interest charges) by electronic, computer, wire, automated transfer, ACH debiting, and bank clearing services (collectively "electronic funds transfers" or "EFT"), and Franchisee shall undertake all action necessary to accomplish such transfers.

B. Upon execution and delivery of this Agreement, Franchisee shall execute and deliver two (2) originals of the "Electronic Debit Authorization" attached hereto, which authorizes Franchisee's bank or other financial institution to accept debit originations, electronic debit entries, or other EFT, and electronically deposit fees and contributions owing Franchisor directly to Franchisor's bank account(s). Upon Franchisor's request, Franchisee shall deliver to Franchisor all additional information that Franchisor deems necessary (including, without limitation, financial institution of origin and relevant accounts and ABA/transit numbers for any new bank accounts that Franchisee opens after the date of this Addendum) in connection with such EFT.

C. By executing this Addendum, Franchisee authorizes Franchisor to withdraw funds at such days and times as Franchisor shall determine via EFT from Franchisee's bank account for all fees and other charges in connection with the Franchise Agreement and this Addendum, as described in the first sentence of this paragraph. Franchisee authorizes weekly ACH debits via EFT based on an amount equal to the total weekly amount due Franchisor, as set forth in Section 5 of the Franchise Agreement.

D. Franchisee is responsible for paying all service charges and other fees imposed or otherwise resulting from action by Franchisee's bank in connection with EFT by Franchisor, including, without limitation, any and all service charges and other fees arising in connection with any EFT by Franchisor not being honored or processed by Franchisee's bank for any reason and a Fifty Dollar (\$50) charge by Franchisor for processing the EFT. Upon written notice by Franchisor to Franchisee, Franchisee may be required to pay any amount(s) due under the Franchise Agreement and/or this Addendum directly to Franchisor by check or other non-electronic means in lieu of EFT at Franchisor's discretion. It shall be a non-curable event of default under Article 15 of the Franchise Agreement if Franchisee closes any bank account without completing all of the following forthwith after such closing: (1) immediately notifying Franchisor thereof in writing, (2) immediately establishing another bank account, and (3) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by EFT as this Addendum permits.

E. Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force

and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

F. Wherefore, the parties have set forth their hand on the day and date first above written.

FRANCHISOR:

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

By: _____

Title: _____

ELECTRONIC DEBIT AUTHORIZATION
[SAMPLE – MAY OBTAIN INFORMATION IN DIFFERENT MANNER]

FRANCHISOR: Pacific Lawn Sprinklers Franchise LLC

FRANCHISOR ID NUMBER: _____

The undersigned hereby authorizes Pacific Lawn Sprinklers Franchise LLC (the “Franchisor”), to initiate debit entries to the undersigned’s checking account indicated below and the depository named below (the “Depository”), to debit the same to such account.

Depository Name: _____
Branch: _____
City State and Zip Code: _____
Transit/ABA No.: _____
Account Number: _____

This authority is to remain in full force and effect until the underlying obligations under the Franchise Agreement have been satisfied in full or released in writing by Franchisor.

This authorization further confirms my understanding of Exhibit F to the Franchise Agreement signed by me/us in which I/we expressly agree that this authorization shall apply to any and all Depositories and bank accounts with which I/we open accounts during the term of the Franchise Agreement and any renewals. Without limiting the generality of the forgoing, I/we understand that if I/we close any bank account, I/we are obligated immediately to: (i) notify Franchisor thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account/depository by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed from me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future.

DATE: _____

ID NUMBER: _____

PRINT NAME(S):

SIGNATURE(S):

ATTACH A VOIDED CHECK FOR THE APPLICABLE ACCOUNT HERE AND RETURN TO FRANCHISOR

PACIFIC LAWN SPRINKLERS FRANCHISE LLC

FRANCHISE AGREEMENT

EXHIBIT "I"

ASSIGNMENT AND ASSUMPTION OF FRANCHISE AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF FRANCHISE AGREEMENT ("Assignment") is made and entered into this ____ day of _____, 20____, by and between: (i) PACIFIC LAWN SPRINKLERS FRANCHISE LLC, a Florida limited liability company with its principal offices located at 1007 N. Federal Highway, #1015, Fort Lauderdale FL 33304 ("Franchisor"); (ii) _____, an individual with an address at _____ ("Assignor"); and (iii) _____ a _____ with an address at _____ ("Assignee").

BACKGROUND

A. On or around _____, Assignor entered into a franchise agreement with FRANCHISOR (the "Franchise Agreement"), under which Assignor obtained the right and undertook the obligation to operate a franchised business at _____ (the "Franchised Business").

B. Assignor desires to assign all of its rights, title, interest and obligations under the Franchise Agreement and Franchised Business to Assignee, pursuant to and in accordance with the provisions of the Franchise Agreement.

C. Franchisor is willing to consent to the assignment of the Franchise Agreement (and any amendments thereto) from Assignor to Assignee, subject to the terms and conditions of this Assignment.

AGREEMENT

In consideration of the mutual covenants contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. **Background and Definitions.** The parties hereby incorporate by reference all provisions, including definitions, set forth in the Background of this Assignment as if fully set forth herein. The parties further agree and acknowledge that all capitalized terms in this Assignment that are not specifically defined herein will be afforded the meaning they are afforded in the Franchise Agreement. All words in this Assignment refer to whatever number or gender the context requires.

2. **Assignment and Assumption; Franchisor Consent.** Subject to the provisions of this Assignment, Assignor hereby assigns and transfers over to Assignee all of Assignor's rights, obligations, title and interest in and to the Franchise Agreement, effective as of the date of this Assignment. Assignee hereby assumes all of Assignor's rights, obligations, assignments, commitments, duties and liabilities under the Franchise Agreement, and Assignee agrees to be bound by and observe and faithfully perform all of the obligations, assignments, commitments and duties of the "Franchisee" under the Franchise Agreement with the same force and effect as if the Franchise Agreement were originally written with Assignee as said "Franchisee." Franchisor hereby consents to the foregoing assignment, subject to the provisions set forth in

this Assignment.

3. **Personal Guaranty.** Assignor agrees to be bound, along with Assignee, by and to all of the terms and conditions of the Franchise Agreement as if Assignor had originally executed the Personal Guaranty contemporaneous with the execution of the Franchise Agreements. Assignor acknowledges that he has read and understands the terms of the Personal Guaranty and has had an opportunity to review the Personal Guaranty with counsel or other business advisors.

4. **Release.** Upon the execution of this Assignment, Assignor for himself and all persons and entities claiming by, through or under him, hereby release, acquit, and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, franchisees, licensees, successors and assigns (the "Franchisor Releasees") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorneys' fees, actions or causes of action whatsoever, whether known or unknown, which Assignor, by itself or on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had, or might claim to have against the Franchisor Releasees through the date of this Assignment, including, but not limited to, those arising out of or related to: (i) the offer, sale, operation and transfer of the Franchise Agreement (and Franchised Business); (ii) the parties' respective rights or obligations under the Franchise Agreement; and (iii) any and all rights, obligations or claims under any state franchise regulations or franchise relationship laws. Assignor warrants and represents that he has not assigned or otherwise transferred any claim or cause of action released by this Assignment. Assignor covenants and warrants that he will not sue, nor assist or cooperate with any third party in any third-party action against, any Franchisor Releasee arising out of or related to the claims released under this Section.

5. **Representation.** Assignor and Assignee represent and warrant: (i) that Assignor and Assignee have obtained the necessary permission and authority to complete the assignment contemplated herein, whether through Assignor or otherwise; and (ii) Assignor and Assignee are otherwise in compliance with the requirements set forth in Section 12.6 of the Franchise Agreement regarding transfer to a controlled entity.

6. **Successors and Assigns.** This Assignment shall be for the benefit of and binding upon the parties and their respective representatives, successors and assigns (if and as permitted by Franchisor).

7. **Acknowledgement.** Each party acknowledges that the terms of this Assignment have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Assignment is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not embodied in this Assignment.

8. **Binding Effect.** This Assignment shall be binding and inure to the benefit of the parties and their respective heirs, successors and assigns.

9. **Entire Agreement.** The Franchise Agreement (and any amendments thereto) and this Assignment shall constitute the entire integrated agreement between the parties with respect to the subject matter contained herein and shall not be subject to change, modification, amendment or addition without the express written consent of all the parties. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Assignment, the terms of this Assignment will control.

10. **Attorneys' Fees and Costs.** In the event that it becomes necessary for Franchisor to retain the services of legal counsel to enforce the terms of this Assignment against any other party hereto,

Franchisor shall be entitled to recover all costs and expenses, including reasonable attorneys' fees and expert/investigative fees, incurred in enforcing the terms of this Assignment from the breaching party(ies) hereunder.

11. **Choice of Law, Jurisdiction and Venue.** The parties agree and acknowledge that the choice of law, dispute resolution and venue provisions of the Franchise Agreement will also apply to all disputes, claims or causes of action arising out of, or related to, this Assignment.

12. **Authority.** The persons executing this Assignment on behalf of Assignor and Assignee acknowledge their authority to do so.

13. **Counterparts.** This Assignment may be signed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto were upon the same instrument. This Assignment shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

IN WITNESS WHEREOF, the undersigned have affixed their signatures hereto as of the day and date first above written.

**PACIFIC LAWN SPRINKLERS
FRANCHISE LLC**

ASSIGNOR

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

ASSIGNEE

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT D**LIST OF FRANCHISEES AS OF DECEMBER 31, 2021**

Franchisee Name, Address, Phone	Franchisee Name, Address, Phone
Mario Unlimited Inc 416 Commack Road, Commack, New York 11725 646-710-0624 1 Combo Franchise 1 Add on Service Franchise	On Time Irrigation Inc. 160 15 13th Avenue Whitestone, NY 11357 917-299-5766 1 Service Franchises 1 Add on Service Franchise 1 Add on Service Franchise
Gold Star Unlimited Inc. 18-29 129th Street College Point, NY 11356 646-533-8380 1 Service Franchise 1 Add on Service Franchise 1 Add on Service Franchise	Gem Irrigation Inc. 69 Evans Avenue Elmont, NY 11003 516-537-6225 1 Service Franchises 1 Add on Service Franchise
SSA Quality Inc. 158 E. Zoranne Dr. Farmingdale, NY 11735 347-231-0747 1 Specialty Franchise	JimKat Inc. 200 Atlantic Avenue, Apt. 140 Lynbrook, NY 11563 347-245-1879 1 Service Franchise
LouDell Enterprises Inc. 635 Pulaski Rd Greenlawn, NY 11740 718-304-6391 1 Service Franchise 1 Add on Service Franchise	Total Impact Inc. 128-06 11th Avenue College Point, NY 11356 646-533-8669 1 Combo Franchise 2 Add on Service Franchises
Greensky Unlimited Inc. 92-11 Elmhurst Ave, Apt. 2A Jackson Heights, NY 11372 347-996-4850 1 Combo Franchise 1 Add on Service Franchise	JMK Enterprises, Inc. 43-17 Bowne St, Apt. 1CL Flushing, NY 11355 718-445-6649 1 Service Franchise
Majestic Unlimited Inc. 52 Monroe Ave. Brentwood, NY 11717 646-772-1934 1 Combo Franchise	Pellicane Enterprises Corp. 213-43 35th Ave. Bayside, NY 11361 718-279-4432 1 Service Franchise 1 Add on Service Franchise
Estrada Enterprises Inc. 129-12 20th Ave College Point, NY 11356 917-416-9192 1 Service Franchises 1 Add on Service Franchise	Liberty Unlimited Inc. 129-12 20th Ave, 2nd Floor College Point, NY 11356 917-731-9157 1 Service Franchises
JAJ Irrigation Inc. 8008 135th Street Briarwood, NY 11435 917-476-6042 1 Service Franchises	Della Industries 230 Ridgedale Ave Cedar Knolls, NJ 07927 347-539-1211 1 Combo Franchise

Franchisee Name, Address, Phone	Franchisee Name, Address, Phone
1 Add on Service Franchise	
Two Brothers Irrigation Inc. 1326 128th St., Apt. 2A College Point, NY 11356 917-254-9494 1 Combo Franchise 1 Add on Service Franchise	HKG Unlimited Inc. 84 Old Bridge Tpke South River, NJ 08882 347-303-4243 1 Combo Franchise 1 Add on Service Franchise
Ahorizon Irrigation Inc. 1423 130th Street, Apt 2 College Point NY 11356 718-517-0352 1 Service Franchise 1 Add on Service Franchise	Silver Irrigation Inc. 1423 130th Street College Point NY 11356 646-261-9217 1 Service Franchise 1 Add on Service Franchise
Markk Enterprises Inc. 325 125th Street College Point, NY 11356 917-364-9290 1 Service Franchise	Scaldino Lawn Sprinklers LLC 41 Murray Street Rahway, NJ 07065 908-419-1436 1 Combo Franchise
Cardenas Irrigation Inc. 22 Pier St 2nd Floor Yonkers, NY 10705 914-434-2705 1 Combo Franchise 1 Add on Service Franchise	Aqua Duck Irrigation Inc 2775 Hooper Ave Apt 502 Brick, NJ 08723 862-266-3448 1 Service Franchise
H2JOE INC 18 Cottonwood Road Port Washington, NY 11050 516-280-0781 1 Service Franchise	Aqua Life Sprinklers Inc. 3336 Kimberly Ave Columbus, OH 43224 614-980-4185 1 Service Franchise
KWK Irrigation Inc. 298 Clearwater Lake Rd Camden, SC 9020 803-669-6733 1 Service Franchise	Irritech Sprinklers Inc. 1092 NE 38th St Unit S Fort Lauderdale, FL 33334 954-629-2057 1 Service Franchise
H20 Irrigation Inc. 1517 Cameron Samuel La West Palm Beach, FL 33401 774-563-9064 1 Service Franchise	Grabowski Irrigation Inc. 10327 cedar trail ln apt 307 Charlotte, NC 28210-8337 704-579-0004 1 Service Franchise
Ax Lawn Sprinklers Inc 48 Milford Hunt Ln Milford, CT 06461-9146 1 Service Franchise 914-490-3481	Island Irrigation Inc. 2350 Kenneys Rd Southold, NY 11971-2439 1 Service Franchise 631-381-5741
D & M Irrigation Inc. 301 E Loudoun Valley Dr Purcellville, VA 20132-3113 571-315-2989 1 Service Franchise	REYES IRRIGATION PROS INC. 905 S 3RD ST SANFORD, NC 27330-5311 984-218-7406 1 Service Franchise

Franchisee Name, Address, Phone	Franchisee Name, Address, Phone
SPIEGLE SPRINKLER SERVICES INC 84 LIBERTY COMMONS RD UNIT H COLUMBUS, OH 43235-1566 614-359-7237 1 Service Franchise	MB SPRINKLERS CORP. 175 SOUTH ST APT 4 EATONTOWN, NJ 07724-1873 646-404-8817 1 Service Franchise
VERDI UNLIMITED INC. 2014 146TH ST APT B WHITESTONE, NY 11357-3412 917-355-1545 1 Service Franchise	VISIONARY IRRIGATION INC 4135 NAPA OAK DR APT 305 CHARLOTTE, NC 28216-9101 704-280-7037 1 Service Franchise

EXHIBIT E

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

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM DURING PREVIOUS YEAR

None

LIST OF FRANCHISEES WHO HAVE NOT COMMUNICATED WITH US WITHIN 10 DAYS OF THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT

None

EXHIBIT E

TABLE OF CONTENTS OF OPERATIONS MANUAL

PRELIMINARY OUTLINE

Preface for Manual (8 pages)

The Manual Organization

The Purpose of this Manual

The Importance of Confidentiality

Keeping the Operations Manual Current

Submitting Suggestions to Pacific Lawn Sprinklers
Franchising Incorporated

Manual Disclaimer

A. INTRODUCTION (17 pages)

Mission Statement (A-1)

Welcome Letter from the President (A-2)

History of Pacific Lawn Sprinklers (A-3)

Services Provided to the Pacific Lawn Sprinklers Franchisee (A-4)

Responsibilities of the Pacific Lawn Sprinklers Franchisee and Staff (A-7)

Visits from the Corporate Office (A-11)

Paying Other Fees (A-14)

B. PRE-OPENING PROCEDURES (42 pages)

Introduction (B-1) Pre-

Opening Checklist (B-2)

Establishment of Business Form and Operation (B-5)

Setting Up Your Home Office/Garage or Shop Facility (B-9)

Office Space Requirements

Setting up the Garage or Shop Facility

Required List of Equipment (B-15)

List for Service Business
List for Installation Business

Vehicle Specifications (B-20)
 Specifications for Service Business
 Specifications for Installation Business

Initial Inventory and Required Minimum Purchases (B-22)
 Minimum Required Representative Inventory for Service Business
 Minimum Required Representative Inventory For Installation Business

Signage and Logo Specifications (B-25)
 Vehicle Signage
 Job Site Signage

Contracting with Required Utilities and Services (B-30)

Obtaining Required Licenses and Permits (B-32)

Setting Up Bank Accounts (B-33)

Procuring Required Insurance Policies (B-34)

Meeting Your Tax Obligations (B-36)

C. PERSONNEL (71 pages)

Introduction (C-1)

EEOC Guidelines in Hiring Employees (C-2)

Wage and Labor Laws (C-6)

Immigration Reform Act (C-9)
 I-9 Form Requirement

Profile of the Ideal Pacific Lawn Sprinklers Employee (C-11)
 Salesperson
 Foreman
 Crew Member
 Office Assistant

Recruiting Employees (C-14)
 Getting the Word Out
 Testing Procedures
 Reference Check Procedures

The Interview Process (C-21)
 Sample Interview Questions
 Completing the Interview Report

Hiring on a Trial Period (C-29)

Job Descriptions (C-30)

- Salesperson – Installation
- Salesperson -- Service
- Foreman – Installation
- Foreman -- Service Crew
- Member – Installation Crew
- Member -- Service Office
- Assistant

Training Employees (C-37)

- Orientating New Employees (for each position) Initial
- Training of New Employees (for each position)
- Ongoing Training Process (for each position)

Personnel Policies (C-51)

Tracking Effectiveness of Sales Staff (C-56)

Recommended Commission System for Sales Staff (C-58)

Time-Tracking Procedures (C-59)

Uniform and Dress Code (C-61)

Conducting Performance Evaluations (C-63)

Progressive Discipline Procedures (C-66)

Separation/Termination Procedures (C-68)

D. SALES PROCEDURES (41 pages)

Introduction (D-1)

Proper Handling of Incoming Calls from the Call Center (D-2)

Preparing for Sales Activities (D-5)

- Understanding Your Competition
- Understanding Pacific Lawn Sprinklers' Competitive Advantages
- Approaching a Prospect's Home

The Pacific Lawn Sprinklers Sales Presentation for Installations (Step-By-Step) (D-11)

- Project Assessment
- Detailing Solutions
- Features, Advantages, and Benefits of Pacific Lawn Sprinklers Products

Pricing the Job (D-24)

- Measuring the Job
- Calculating Prices and Developing the Bid
- Completing the Proposal Form
- Handling Pricing Objections

- Closing the Sale (D-29)
 - Asking for the Order
 - Handling Objections
 - Discussing Alternatives
 - Completing Contracts Properly

- Prospect Management (D-34)
 - Follow-Up Procedures
 - Generating Prospect Management Reports

- Looking for Referral Business Opportunities (D-38)

E. OFFICE PROCEDURES (29 pages)

- Introduction (E-1)

- Suggested Hours of Operation (E-2)

- Customer Service Procedures (E-3)
 - Customer Service Philosophy
 - Handling Customer Complaints
 - Handling Refund Requests

- Scheduling Installations through the Corporate Office (E-8)

- Inventory Management (E-12)
 - Product Ordering Procedures
 - Ordering from Approved Suppliers
 - Changing Approved Suppliers
 - Product Receiving Procedures

- Billing Procedures (E-19)
 - Giving Information to the Corporate Office for Billing
(Through Hand-Held Computer)

- Franchise Reporting Requirements (E-20)
 - Receiving the Royalty Payment from the Corporate Office
 - Advertising Contributions
 - Required Weekly Reports
 - Financial Statements

- Required Equipment and Vehicle Maintenance (E-23)
 - Daily Cleaning and Maintenance
 - Weekly Cleaning and Maintenance

Monthly Cleaning and Maintenance

F. INSTALLATION PROCEDURES (46 pages)

Introduction to the Pacific Lawn Sprinklers Installation Process (F-1)

Pre-Installation Steps (F-2)

- Reviewing the Estimate
- Designing the Sprinkler System Job
- Required Equipment for Installation Jobs
- Required Tools for Installation Jobs
- Prepping the Vehicle for Installation Jobs
- Greeting the Customer

Installing the Product (F-12)

- Use of Equipment
- Electrical Set-Up Procedures
- Trenching Procedures
- Plumbing Procedures
- Installing Sprinkler Heads
- Testing Sprinkler System

Non-Typical Installations (F-31)

Cleaning Up the Job Site (F-34)

Performing the Post-Job Inspection with the Customer (F-38)

Installation Paperwork (F-41)

G. SERVICE AND REPAIR PROCEDURES (30 pages)

Introduction to the Pacific Lawn Sprinklers Service and Repair Process (G-1)

Receiving Dispatch Call (G-2)

- Handling Routine Calls
- Handling Emergency Calls

Determining Nature of Service or Repair (G-9)

- Winterization Calls
- Spring Start-Up Calls
- Repair Calls

Performing Winterization Calls (G-11)

Performing Spring Start-Ups (G-16)

Performing Necessary Repairs (G-20)

- Diagnosing Repair Needs
- Troubleshooting Guide

Performing Repair Activities
Use of Equipment
Testing System Communicating

Repairs to Customer (G-29)

H. ADVERTISING (14 pages)

Promoting Pacific Lawn Sprinklers in Your Area (H-1)

Use of Media

Guidelines for Using Pacific Lawn Sprinklers' Marks

Using Referrals to Build Business

Networking through Local Professional Organizations

Required Advertising Expenditures (H-9)

System-wide Advertising Contribution

Public Relations/Community Involvement (H-11)

Obtaining Advertising Approval (H-13)

EXHIBIT G
FINANCIAL STATEMENTS



PACIFIC LAWN SPRINKLERS FRANCHISE LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF INCOME	4
STATEMENTS OF CHANGES IN MEMBERS' EQUITY	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Members
Pacific Lawn Sprinklers Franchise LLC
Fort Lauderdale, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pacific Lawn Sprinklers Franchise LLC, which comprise the balance sheet as of December 31, 2021 and the related statements of income, changes in members' equity, and cash flows for the year 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 Pacific Lawn Sprinklers Franchise LLC, as of December 31, 2021, 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 (GAAS). 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 Pacific Lawn Sprinklers Franchise LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2021 the Company adopted the practical expedient for accounting for initial franchise fee revenue. Our opinion is not modified with respect to this matter.

Other Matter

The 2020 and 2019 financial statements of Pacific Lawn Sprinklers Franchise LLC were audited by other auditors whose report dated April 10, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Lawn Sprinklers Franchise LLC's ability to continue as a going concern for one year after the date 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Pacific Lawn Sprinklers Franchise LLC'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 Pacific Lawn Sprinklers Franchise LLC'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.



CliftonLarsonAllen LLP

Tampa, Florida
April 29, 2022

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
BALANCE SHEETS
DECEMBER 31, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 942,214	\$ 810,196	\$ 1,067,449
Restricted Cash - Brand Fund	30,349	45,123	28,559
Accounts Receivable, Net	150,810	127,216	103,869
Notes Receivable	42,836	32,931	59,713
Prepaid Expenses	13,304	21,459	3,700
Total Current Assets	<u>1,179,513</u>	<u>1,036,925</u>	<u>1,263,290</u>
DEFERRED INCOME TAX ASSET , Net of Deferred			
Tax Liabilities	14,200	14,200	11,800
NOTES RECEIVABLE , Net of Current Portion			
	<u>122,400</u>	<u>66,897</u>	<u>136,809</u>
Total Assets	<u><u>\$ 1,316,113</u></u>	<u><u>\$ 1,118,022</u></u>	<u><u>\$ 1,411,899</u></u>
LIABILITIES AND MEMBERS' EQUITY			
CURRENT LIABILITIES			
Accounts Payable and Other Current Liabilities	\$ 69,710	\$ 197,083	\$ 101,363
Due to Affiliates	153,910	-	-
Restricted Funds Payable - Brand Fund	30,349	45,123	28,559
Income Taxes Payable	25,546	3,700	1,500
Deferred Revenue	8,000	7,775	19,201
Total Current Liabilities	<u>287,515</u>	<u>253,681</u>	<u>150,623</u>
LOANS PAYABLE			
	-	154,000	-
DEFERRED REVENUE , Net of Current Portion			
	<u>35,444</u>	<u>33,444</u>	<u>41,189</u>
Total Liabilities	322,959	441,125	191,812
MEMBERS' EQUITY			
	<u>993,154</u>	<u>676,897</u>	<u>1,220,087</u>
Total Liabilities and Members' Equity	<u><u>\$ 1,316,113</u></u>	<u><u>\$ 1,118,022</u></u>	<u><u>\$ 1,411,899</u></u>

See accompanying Notes to Financial Statements.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

	2021	2020	2019
REVENUES			
Royalty Fees	\$ 2,186,997	\$ 1,799,095	\$ 1,535,337
Brand Fund Fees	734,420	746,000	710,000
Franchise Fees	142,775	56,701	86,000
Total Revenues	<u>3,064,192</u>	<u>2,601,796</u>	<u>2,331,337</u>
EXPENSES			
Guaranteed Payments to Members	300,000	300,000	156,700
Salaries and Related Costs	703,796	550,799	175,930
Brand Fund Expenses	734,420	746,000	710,000
Management Fees - Affiliate	140,350	76,632	212,500
Rent - Affiliate	24,000	84,000	30,000
Training	146,826	85,070	94,999
Professional Fees	123,649	84,305	203,840
Advertising and Promotion	55,981	51,209	56,395
Automobile and Trucking	79,297	50,923	51,181
Office Expenses	48,947	56,721	35,429
Travel	45,106	25,421	84,715
Bad Debt Expense/(Recovery)	(6,846)	2,714	117,583
Miscellaneous	8,998	8,551	10,168
Total Expenses	<u>2,404,524</u>	<u>2,122,345</u>	<u>1,939,440</u>
INCOME FROM OPERATIONS	659,668	479,451	391,897
OTHER INCOME			
Interest Income	6,809	7,131	12,488
Other Income	-	4,000	-
Extinguishment of Debt	4,000	50,980	-
Total Other Income	<u>10,809</u>	<u>62,111</u>	<u>12,488</u>
INCOME BEFORE PROVISION FOR STATE AND LOCAL TAXES	670,477	541,562	404,385
PROVISION (BENEFIT) FOR LOCAL INCOME TAXES			
Current	54,220	10,181	4,992
Deferred	-	(2,400)	(12,100)
Total Provision (Benefit) for Local Income Taxes	<u>54,220</u>	<u>7,781</u>	<u>(7,108)</u>
NET INCOME	<u>\$ 616,257</u>	<u>\$ 533,781</u>	<u>\$ 411,493</u>

See accompanying Notes to Financial Statements.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

	John L. Dellaflora	Peter Dellaflora	Stephen Dellaflora	Total
BALANCE - DECEMBER 31, 2018	\$ 259,478	\$ 363,299	\$ 368,208	\$ 990,985
Cumulative Effect Adjustment Topic 606	(103,340)	(103,341)	(103,340)	(310,021)
Cumulative Effect Adjustment ASU 2021-12	106,210	106,210	106,210	318,631
Net Income	137,164	137,164	137,164	411,493
Distributions	<u>(137,667)</u>	<u>(26,667)</u>	<u>(26,667)</u>	<u>(191,001)</u>
BALANCE - DECEMBER 31, 2019	261,846	476,666	481,576	1,220,087
Cumulative Effect Adjustment ASU 2021-12	(19,814)	(19,814)	(19,814)	(59,442)
Net Income	177,927	177,927	177,927	533,781
Distributions	<u>(195,567)</u>	<u>(408,526)</u>	<u>(413,436)</u>	<u>(1,017,529)</u>
BALANCE - DECEMBER 31, 2020	224,392	226,253	226,253	676,897
Net Income	205,419	205,419	205,419	616,257
Distributions	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(300,000)</u>
BALANCE - DECEMBER 31, 2021	<u><u>\$ 329,811</u></u>	<u><u>\$ 331,672</u></u>	<u><u>\$ 331,672</u></u>	<u><u>\$ 993,154</u></u>

See accompanying Notes to Financial Statements.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 616,257	\$ 533,781	\$ 411,493
Adjustments to Reconcile Net Income to Net Cash			
Provided by Operating Activities:			
Bad Debt Expense/(Recovery)	(6,846)	2,714	117,583
Extinguishment of Debt	(4,000)	(50,980)	-
Deferred Income Taxes	-	(2,400)	(12,100)
(Increase) Decrease in Assets:			
Accounts Receivable, Net	(16,748)	(26,061)	21,168
Notes Receivable	(65,408)	96,694	(30,605)
Prepaid Expenses	8,155	(17,759)	(3,700)
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	(127,373)	95,720	46,313
Restricted Funds Payable - Brand Fund	(14,774)	16,564	(31,073)
Due to Affiliates	153,910	-	-
Income Taxes Payable	21,846	2,200	(4,100)
Deferred Revenue	2,225	(78,613)	69,000
Net Cash Provided by Operating Activities	567,244	571,860	583,979
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Loans Payable	-	204,980	-
Principal Payments on Loans Payable	(150,000)	-	-
Distributions to Members	(300,000)	(1,017,529)	(191,001)
Net Cash Used by Financing Activities	(450,000)	(812,549)	(191,001)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	117,244	(240,689)	392,978
Cash, Cash Equivalents, and Restricted			
Cash - Beginning of Year	855,319	1,096,008	703,030
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 972,563</u>	<u>\$ 855,319</u>	<u>\$ 1,096,008</u>

See accompanying Notes to Financial Statements.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH			
Beginning of Year:			
Cash and Cash Equivalents	\$ 810,196	\$ 1,067,449	\$ 643,398
Restricted Cash - Brand Fund	45,123	28,559	59,632
Total Beginning of Year	<u>\$ 855,319</u>	<u>\$ 1,096,008</u>	<u>\$ 703,030</u>
End of Year:			
Cash and Cash Equivalents	\$ 942,214	\$ 810,196	\$ 1,067,449
Restricted Cash - Brand Fund	30,349	45,123	28,559
Total End of Year	<u>\$ 972,563</u>	<u>\$ 855,319</u>	<u>\$ 1,096,008</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash Paid for Income Taxes	<u>\$ 24,974</u>	<u>\$ 4,265</u>	<u>\$ 16,148</u>

See accompanying Notes to Financial Statements.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Organization

Pacific Lawn Sprinklers Franchise LLC (the Company) was formed on November 20, 2003, as a New York limited liability company. On March 31, 2021, the Company merged with Pacific Lawn Sprinklers Franchise LLC, a Florida limited liability company formed on January 22, 2021. The Company offers franchises which provide lawn sprinkler system installation and maintenance services to consumers for both residential and small commercial facilities. The Company offers franchisees the right to establish and operate either a "Combo" or "Service" franchise, dependent upon how many service vehicles would be necessary to adequately serve a mutually agreed-upon service area. Franchisees looking to provide services to additional customers may also, with the Company's approval, purchase an "Add-On" franchise. At December 31, 2021, the Company had 7 corporate owned locations and 57 franchised locations, made up of 28 Service franchises, 11 Combo franchises, and 18 Add-On franchises. Two of the current franchises are owned by relatives of the owners of the Company.

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Reclassification

Certain amounts in the 2020 and 2019 financial statements have been reclassified for comparative purposes to conform to the presentation of the 2021 financial statements with no impact on previously reported net income or members' equity.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held at highly regarded financial institutions. The Company considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. At times, deposits held with financial institutions may exceed the limits of the Federal Deposit Insurance Corporation (FDIC) of \$250,000, per depositor, per financial institution. The Company has not experienced any losses in such accounts. At December 31, 2021, the Company maintained balances of approximately \$750,000 in excess of the FDIC insured limits. Management believes that the Company is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

Restricted cash includes funds held for the benefit of the Brand Fund (see Note 2).

Accounts and Notes Receivable

Accounts receivable arising from monthly billings do not bear interest. The Company offers financing of certain franchise sales through the issuance of notes receivable that generally bear interest at a rate of prime plus 2%-5% which is fixed at the inception of the note. The term of financing is generally limited to five years. Interest income associated with notes receivable is included in Interest Income in the accompanying statements of income. Royalty and brand fund fees are billed monthly and become past due on the 10th of the following month. The opening balance of accounts receivable at January 1, 2019 was \$137,786.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Notes Receivable (Continued)

Accounts receivable and notes receivable are stated at the amount management expects to collect. An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2021, 2020, and 2019, the allowance for uncollectible accounts amounted to \$4,700, \$18,200, and \$18,200, respectively.

Property and Equipment

Property and equipment consist of leasehold improvements, furniture and fixtures and computer equipment and are stated at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Leasehold improvements are depreciated using the straight-line method over an estimated useful life of 10 years. Furniture and fixtures and computer equipment are depreciated using the straight-line method over an estimated useful life of five years. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations. At December 31, 2020, all property and equipment had been fully depreciated.

Advertising and Promotion

Advertising and promotion costs, which are reflected on the statements of income, are expensed as incurred and amounted to \$55,981, \$51,209, and \$56,395 for the years ended December 31, 2021, 2020, and 2019, respectively.

Income Taxes

The Company is organized as a Limited Liability Corporation and accordingly no provision is required for Federal and State income taxes. The Company is subject to local New York City taxes.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Management has determined that a valuation allowance is not necessary for the years ended December 31, 2021, 2020, and 2019, respectively. Management has determined that deferred tax assets and liabilities are insignificant to the financial statements for the year ended December 31, 2021.

The members' allocable portion of Company taxable income or loss is reported on their individual income tax returns. In accordance with ASC 740, *Income Taxes*, the Company is required to disclose unrecognized tax benefits or liabilities resulting from uncertain tax positions. At December 31, 2021, 2020, and 2019, the Company did not have any unrecognized tax benefits or liabilities.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The company adopted FASB Accounting Standards Codification (ASC) Topic 606, Revenue From Contracts with Customers (ASC 606) on January 1, 2019 and elected the modified retrospective transition method to apply the guidance only to contracts not completed as of the adoption date. The adoption of ASC 606 resulted in a decrease to beginning members' equity of approximately \$310,000 as of January 1, 2019.

The modified retrospective method of transition requires the Company to disclose the effect of applying the new guidance on each item included in the 2019 financial statements. The following are the line items from the balance sheet, statement of operations and changes in members' equity and cash flows as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amount That Would Have Been Reported	Effects of Applying the New Guidance	As Reported Before Adoption of ASU 2021-02
Liabilities			
Deferred Revenue	\$ -	\$ 367,125	\$ 367,125
Equity			
Members' Equity	\$ 1,223,373	\$ (310,021)	\$ 913,352
Statement of Operations			
Franchise Fees	\$ 155,000	\$ (57,104)	\$ 97,896
Net Income	\$ 480,493	\$ (57,104)	\$ 423,389
Statement of Cash Flows			
Net Income	\$ 480,493	\$ (57,104)	\$ 423,389
Deferred Revenue	\$ -	\$ 57,104	\$ 57,104

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2021-02, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606)—Practical Expedient*. FASB Subtopic 952-606 creates a practical expedient allowing franchisors that are not public business entities to account for certain pre-opening services enumerated in FASB ASC 952-606-25-2 as a single performance obligation.

The Company adopted the requirements of the new guidance as of January 1, 2019, utilizing the full retrospective method of transition. The Company also made an accounting policy election to recognize certain pre-opening services as a single performance obligation. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition related to initial franchise fees.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The primary impact of ASU 2021-02 on the Company's revenue recognition policies is a change in the accounting for initial franchising fees. Upon the initial sale of a franchise, the Company is obligated to provide franchisees services related to pre-opening activities and access to certain proprietary programs, such as written materials, trademarks, tools and support associated with their franchise business. Under Topic 606, the Company previously considered these obligations, along with the right to use intellectual property, to be a single performance obligation satisfied over time and recognized the initial franchise fees as the Company satisfied the performance obligation over the franchise term on a straight-line basis, which was generally ten years. The unrecognized portion of initial franchise fees were recorded as deferred franchise fees. With the adoption of ASU 2021-02, the services related to the pre-opening services are considered to be a separate single performance obligation and the Company recognizes the portion of the franchise fee related to pre-opening services when the Company has fulfilled its obligation relating to pre-opening services. The full retrospective method of transition requires the Company to disclose the effect of applying the new guidance on each item included in the 2019 financial statements.

The following are the line items from the balance sheet, statement of operations and changes in members' equity and cash flows as of and for the year ended December 31, 2019, that were affected, the amounts that were previously reported under Topic 606 but prior to the adoption of ASU 2021-02, the effects of applying ASU 2021-02, and the balances as reported upon adoption of ASU 2021-02:

	Amount Previously Reported	Effects of Applying the New Guidance	As Reported
Liabilities			
Deferred Revenue	\$ 367,125	\$ (306,735)	\$ 60,390
Equity			
Members' Equity	\$ 913,352	\$ 306,735	\$ 1,220,087
Statement of Operations			
Franchise Fees	\$ 97,896	\$ (11,896)	\$ 86,000
Net Income	\$ 423,389	\$ (11,896)	\$ 411,493
Statement of Cash Flows			
Net Income	\$ 423,389	\$ (11,896)	\$ 411,493
Deferred Revenue	\$ 57,104	\$ 11,896	\$ 69,000

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

Additionally, the full retrospective method of transition requires the Company to disclose the effect of applying the new guidance on each item included in the 2020 financial statements. The following are the line items from the balance sheet, statement of operations and changes in members' equity and cash flows as of and for the year ended December 31, 2020, that were affected, the amounts that were previously reported under Topic 606 but prior to the adoption of ASU 2021-02, the effects of applying ASU 2021-02, and the balances as reported upon adoption of ASU 2021-02:

	Amount Previously Reported	Effects of Applying the New Guidance	As Reported
Liabilities			
Deferred Revenue	\$ 300,649	\$ (259,430)	\$ 41,219
Equity			
Members' Equity	\$ 417,467	\$ 259,430	\$ 676,897
Statement of Operations			
Franchise Sales	\$ 44,565	\$ 12,136	\$ 56,701
Net Income	\$ 521,644	\$ 12,136	\$ 533,781
Statement of Cash Flows			
Net Income	\$ 521,644	\$ 12,136	\$ 533,781
Deferred Revenue	\$ (66,477)	\$ (12,136)	\$ (78,613)

There is no impact from ASU 2021-02 on revenue recognition policies related to royalties. The Company recognizes royalties as earned when the franchises report the associated revenue to the Company.

Revenue Recognition

The Company generates revenue through franchise fees, royalties and brand fund fees:

Franchise Fees

The Company currently franchises its concept across the country. The franchise agreements include a multitude of services to be provided by the Company such as the granting of certain licensing rights, provision of training, operational assistance, technical and administrative support, in addition to marketing and promotional services. Certain services under the franchise agreement are considered pre-opening services and are treated as one performance obligation which is fulfilled at the date of opening. The portion of initial franchise fees allocated to pre-opening services are recognized upon opening in accordance with ASU 2021-02. Any remaining portion of franchise fees are allocated to the franchise license and are recognized ratably on a straight-line basis over the term of the franchise agreement.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Franchise Fees (Continued)

Franchise agreements generally have an initial term of ten years. Franchisees have the right, but not the obligation, to enter into “successor” franchise agreements for two additional consecutive terms of five years each, subject to compliance with certain conditions. Initial and successor franchise fees are due from franchisees upon the execution of the underlying franchise agreement. The Company offers financing for initial franchise fees in the form of promissory notes, which generally have a 5-year term and range from \$7,500 up to \$35,000. As franchise fees are due at the franchise agreement date, they are initially recorded as a contract liability until performance obligations under the agreement are fulfilled. Contract liabilities are presented as deferred revenue on the financial statements.

Royalties

Royalties are calculated as a percentage of net revenues billed to customers by franchisees. Royalty fees represent sales-based royalties that are related entirely to the Company’s performance obligation under the franchise agreement. Royalty fees are billed to franchisees based on monthly income reports submitted by franchisees and are recognized as franchisees earn net revenue from customers.

Brand Fund Fees

Brand Fund contributions are calculated based on the franchise service level as defined in the franchise agreement – see Note 2. Brand Fund contributions are recognized as related advertising expenses are incurred, with amounts collected in excess of expenditures deferred as Restricted Funds Payable on the accompanying statements of income.

Contract Liabilities

Deferred revenue consists of contract liabilities resulting from initial and successor franchise fees paid by franchisees and recognized on a straight-line basis over the term of the underlying franchise agreement. The opening balance of contract liabilities at January 1, 2019, under ASU 2021-12 was \$44,821.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 amounts may differ from such estimates, and may affect amounts reported in future periods.

Fair Value of Financial Instruments

For purposes of financial reporting, management has determined that the fair value of financial instruments, including cash and cash equivalents, receivables, accounts payable and other liabilities approximates their respective book value at December 31, 2021, 2020, and 2019.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

Management considers franchisees that account for greater than 10% of revenues, accounts receivable outstanding, and notes receivable outstanding to be significant franchisees for the purposes of determining the existence of concentrations. The Company did not identify any concentrations in revenue during the years ended December 31, 2021, 2020, and 2019.

One franchisee accounted for approximately 23% of accounts receivable at December 31, 2021. Two franchisees accounted for approximately 33% of accounts receivable at December 31, 2020. One franchisee accounted for approximately 21% of accounts receivable at December 31, 2019. Four franchisees accounted for approximately 58% of notes receivable at December 31, 2021. Three franchisees accounted for approximately 55% of notes receivable at December 31, 2020. Five franchisees accounted for approximately 60% of notes receivable at December 31, 2019.

NOTE 2 RESTRICTED CASH – BRAND FUND

The Company is responsible for the direction and administration of the Brand Fund program on behalf of the Franchisees, as provided for in its franchise agreements. Accordingly, each franchisee is required to contribute to this program. The Company assesses Brand Fund contributions due from franchisees at a flat rate based on franchise type, as defined in its franchise disclosure document. The amounts received in the Brand Fund are restricted for designated use. Amounts not used for current year expenditures are retained for future programs. The Brand Fund account had a balance of \$30,349, \$45,123, and \$-0- at December 31, 2021, 2020, and 2019, respectively

In 2019, \$74,000 was allocated from the Brand Fund to reimburse Pacific Lawn Sprinkler, Inc. (PLS), a related company, for the purchase of customer accounts of an existing franchise located in Hilliard, Ohio. The original Asset Purchase Agreement (APA) between PLS (buyer), and Command Irrigation, Inc. ("Command" or "seller") was executed on October 24, 2017. The asset purchase included various equipment, customer lists, and rights to Command's business name and phone number. The total purchase price of \$133,000 was allocated as follows:

Equipment, Fixtures, and Other Physical Assets	\$ 39,000
Company Name and Phone Number(s)	20,000
Referral of Customer Accounts	74,000
Total	<u>\$ 133,000</u>

In addition, the Company reimbursed PLS \$20,000 for acquisition of Command's company name and phone numbers. The Company recorded intangible assets of \$20,000 in 2019. At December 31, 2019, management determined that the intangible assets had no future value and recorded an impairment loss for the entire \$20,000.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 3 NOTES RECEIVABLE

The Company offers financing for initial franchise fees in the form of promissory notes, which generally have a five-year term and range from \$7,500 up to \$35,000. The notes require monthly payments of principal and interest. The interest rates on outstanding notes receivable range from 3.25% to 7.50% per annum. The balance of notes receivable was \$165,236, \$99,828, and \$196,522 at December 31, 2021, 2020, and 2019, respectively.

The following table represents the principal portion of notes receivable from franchisees over next five years and thereafter:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 42,836
2023	37,161
2024	34,372
2025	33,180
2026	15,437
Thereafter	2,250
Total	165,236
Less: Current Portion	42,836
Notes Receivable, Noncurrent Portion	<u>\$ 122,400</u>

NOTE 4 LINE OF CREDIT

The Company had an unsecured line of credit for \$100,000 with its bank which was closed during 2021. There were no funds drawn on this facility as of December 31, 2020 and 2019.

NOTE 5 LOANS PAYABLE

Paycheck Protection Program Loan

On May 1, 2020, the Company received loan proceeds of \$54,980 through Chase Bank under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and is administered by the U.S. Small Business Administration (SBA). The application for these funds requires the Company, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account the current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness based on its future adherence to the forgiveness criteria. The loan was granted with a fixed interest rate of 1%, a maturity of two years, and with a deferral of payments of principal and interest for a period of six months from the date on which the PPP loan is distributed.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 5 LOANS PAYABLE (CONTINUED)

Economic Injury Disaster Loan

On June 9, 2020, the Company secured a loan of \$150,000 offered by the U.S. Small Business Administration under its Economic Injury Disaster Loan (EIDL) assistance program in light of the impact of the COVID-19 pandemic on the Company's business. The EIDL Loan accrues interest at the rate of 3.75% per annum and accrues from the date of inception. Installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL in the amount of \$731. The balance of principal and interest is payable 30 years from the date of the EIDL. The EIDL is secured by a security interest on all of the Company's assets. On April 24, 2020, the Company also received a \$4,000 "advance" from the U.S. Small Business Administration as part of the EIDL program.

Extinguishment of PPP Loan

On December 2, 2020, the Company was notified through Chase Bank that \$50,890 of principal included in the PPP loan and any accrued interest were forgiven. At that point in time, Section 1110(e)(6) of the CARES Act required the SBA deduct the amount of any EIDL Advances received by a PPP borrower from any PPP amounts forgiven. The Company recorded the forgiveness as an extinguishment of debt in the accompanying statements of income for the year ended December 31, 2020.

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) was signed into law, which repealed Section 1110(e)(6) of the CARES Act. On February 24, 2021, the Company was notified through Chase Bank that the \$4,000 EIDL advance received would be added back to the PPP forgiveness amount, resulting in full forgiveness of the PPP Loan. The Company recorded the forgiveness as an extinguishment of debt in the accompanying statements of income for the year ended December 31, 2021.

Due to the uncertainty of economic conditions impacted by COVID-19 during 2020, the Company delayed infusion of EIDL funds received into working capital, and transferred the funds out of the Company's bank accounts in order to segregate them while determining their best use, which rendered the Company noncompliant with certain loan provisions. Upon detection of the noncompliance with those provisions, the Company repaid the EIDL funds back to the SBA on March 27, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

PACIFIC LAWN SPRINKLERS FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

NOTE 6 RELATED PARTY TRANSACTIONS

The Company is part of a controlled group which shares office space and personnel. As a result, certain expenses are shared, as determined by the common owners.

The office space occupied by the Company is owned by an affiliate. For the years ended December 31, 2021, 2020, and 2019, the Company paid rent of \$24,000, \$84,000, and \$30,000, respectively, to this affiliate. There is no formal lease agreement and rent is paid on a month-to-month basis. The Company also paid the same affiliate management fees of approximately \$60,000, \$77,000, and \$213,000 in 2021, 2020, and 2019, respectively. This affiliate was also paid approximately \$95,000 by the Company for training and software licenses for the year ending December 31, 2021. This affiliate also earned management fees of approximately \$146,000, \$128,000, and \$123,000 that were paid directly from the Brand Fund for 2021, 2020, and 2019, respectively. Accounts payable due to this affiliate from the Company was approximately \$80,000, \$77,000, and \$25,000 at December 31, 2021, 2020, and 2019, respectively.

Another affiliate of the Company operates a lawn sprinkler company. This affiliate is not considered a franchise and, accordingly, was not required to pay an initial franchise fee or to make current royalty payments. The affiliate contributed approximately \$94,000, \$93,000, and \$90,000, in 2021, 2020, and 2019, respectively, to the Brand Fund. In addition, the affiliate was paid approximately \$8,000, \$7,000, and \$8,000 in 2021, 2020, and 2019 respectively, from the Brand Fund for expenses related to advertising, promotions and other expenses. This affiliate was also paid approximately \$112,000, \$76,000, and \$73,000 by the Company for training and quality control services provided for the years ended December 31, 2021, 2020, and 2019, respectively. Accounts payable due to this affiliate from the Company was approximately \$74,000, \$98,000, and \$9,000 at December 31, 2021, 2020, and 2019, respectively.

Two franchises owned by relatives of the members contributed approximately \$33,000, \$29,000, and \$28,000 to the Brand Fund in 2021, 2020, and 2019, respectively. These franchisees were paid approximately \$3,000, \$1,000, and \$3,000 from the Brand Fund in 2021, 2020, and 2019, respectively. Royalty fees include approximately \$105,000, \$73,000, and \$69,000 in 2021, 2020, and 2019, respectively, from these two affiliated franchises.

NOTE 7 DEFINED CONTRIBUTION PLAN

The Company sponsors a Simple IRA plan covering substantially all employees. The employer made matching contributions of \$21,174, \$19,975, and \$7,040 during the years ended December 31, 2021, 2020, and 2019, respectively.

NOTE 8 SUBSEQUENT EVENTS

The Company has evaluated through April 29, 2022, the date on which the financial statements were available to be issued, noting no subsequent events for disclosure.

EXHIBIT H

FORM OF PROMISSORY NOTE

NEGOTIABLE PROMISSORY NOTE

(\$_____)

Ft. Lauderdale, Florida
_____, 20____

FOR VALUE RECEIVED, _ (hereinafter referred to as the “Debtor”) promises to pay Pacific Lawn Sprinklers Franchise LLC (“Payee”) the principal sum of _____ Dollars (\$____), in legal tender of the United States of America, with interest thereon from the date hereof at the rate of ____ percent (%) per annum on the unpaid balance paid. Principal and interest shall be payable to the Payee at 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304, or at such other place as the Payee may designate in writing, in sixty (60) equal monthly installments of _____ Dollars (\$____), commencing on _____, 20 ____.

THIS NOTE IS NEGOTIABLE. The interest rate is a fixed interest rate of 2 to 5 points above the Prime Lending Rate based upon Debtor’s credit score.

1. **Prepayment**. The Debtor may at any time and from time to time prepay all or any part of the principal of this Note remaining unpaid, without penalty or premium, by payment of the principal amount of the Note or portion thereof to be prepaid along with interest accrued thereon to the date of such payment.

2. **Default**. If any of the following events (hereinafter “Events of Default”) shall occur:

(a) If the Debtor defaults in the payment of the principal of or interest on this Note when and as the same shall become due and payable and such default is not cured by Debtor within ten (10) days following written notice from Payee; or

(b) If any action or proceeding is commenced by or against the Debtor under the Federal Bankruptcy Act or under any other present or future state or federal law for the relief of debtors or for the appointment of a receiver or trustee for the Debtor or any substantial part of the Debtor’s assets, or an attachment is issued or a judgment is entered against the Debtor, the effect of which is not stayed within ninety (90) days;

then, and in every such event, Payee may, at its option, declare this Note to be immediately due and payable without demand or notice to the Debtor, and the entire unpaid balance of this Note together with all accrued and unpaid interest then outstanding shall be and become immediately due and payable without any presentment, demand, protest or other notice of any kind (all of which are herein expressly waived).

3. **Default Interest and Costs of Collection**. If an Event of Default specified in Section 2 hereof occurs, this Note shall bear interest from and after the date of such Event of Default at the maximum interest rate permitted by law. If there is no applicable legal maximum rate, interest will be calculated at the rate of three percent (3%) above the prime rate of interest on the first day of each month for the past due amount, as published in The Wall Street Journal. If the Payee collects all or any portion of the indebtedness evidenced by this Note by or through an attorney-at-law, Payee shall be entitled to

collect reasonable attorneys' fees and all costs of collection.

4. Set-off. Payee shall have the right to set-off sums to it for services performed by Debtor.

5. Execution of Security Agreement. Payee shall, simultaneously herewith, execute a Security Agreement and appropriate UCC-1 Financing Statements for the purpose of securing this Promissory Note.

6. Miscellaneous. Any failure on the part of Payee at any time to require the performance by the Debtor of any of the terms or provisions hereof, even if known, shall in no way affect the right thereafter to enforce the same, nor shall any failure of Payee to insist on strict compliance with the terms and conditions hereof be taken or held to be a waiver of any succeeding breach or of the right of Payee to insist on strict compliance with the terms and conditions hereof.

This Note is executed in and is to be construed in accordance with the laws of the State of Florida.

Time is of the essence.

IN WITNESS WHEREOF, the Debtor has caused this Note to be executed on its behalf by its duly authorized officers.

DEBTOR

(Signature)

(Signature)

Exhibit A to Promissory Note

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this “Agreement”) is made and entered into as of _____, 20____, by and between _____, with his/her principal residence at _____ (“Debtor”), and PACIFIC LAWN SPRINKLERS FRANCHISE LLC, a Florida limited liability company whose address is 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304 (“Payee”).

1. SECURITY INTEREST

Debtor hereby grants to Payee a security interest (the “Security Interest”) in the following property, or interests in property, of Debtor (collectively, the “Collateral”):

- (a) That certain Franchise Agreement executed on _____, 20____.

2. SECURED OBLIGATIONS

The Collateral shall secure, in such order of priority as Payee may elect, the following (collectively, the “Secured Obligations”):

- (a) payment and performance of all obligations of Debtor under the terms of the Negotiable Promissory Note, of even date herewith (the “Note”), in the original principal amount of _____ and ____/100 Dollars (\$____), executed by Debtor in favor of Payee, together with all extensions, modifications, substitutions or renewals thereof, or other advances made thereunder.

- (b) payment and performance of every obligation, covenant and agreement of Debtor contained in this Agreement, together with all extensions, modifications, substitutions or renewals hereof.

3. REPRESENTATIONS AND WARRANTIES OF DEBTOR

Debtor hereby represents and warrants to Payee that:

- 3.1 Use. The Collateral is or will be used or produced primarily for business purpose of Debtor.

- 3.2 Priority. The Security Interest in the Collateral granted to Payee constitutes, and hereafter will constitute, a security interest of first priority.

- 3.3 Authority. Debtor has the full power, authority and legal right to grant to Payee the Security Interest, and no further consent, authorization, approval or other action is required for the grant of the Security Interest or for Payee’s exercise of its rights and remedies under this Agreement, except as may be required in connection with the sale of the Collateral by Payee by the laws affecting the offering and sale of securities.

- 3.4 Principal Office. The address of Debtor set forth in the preamble of this Agreement is the principal office of Debtor.

4. COVENANTS OF DEBTOR

4.1 Payments of Charges. Debtor shall pay when due all taxes, assessments and other charges which may be levied or assessed against the Collateral.

4.2 Defense of Collateral. Debtor, at its cost and expense, shall protect and defend this Agreement, all of the rights of Payee hereunder, and the Collateral against all claims and demands of other parties, including, without limitation, defenses, setoffs, claims and counterclaims asserted by any obligor against Debtor and/or Payee. Debtor shall pay all claims and charges that in the reasonable opinion of Payee might prejudice, imperil or otherwise affect the Collateral or the Security Interest. Debtor shall promptly notify Payee of any levy, distraint or other seizure by legal process or otherwise of any part of the Collateral and of any threatened or filed claims or proceedings that might in any way affect or impair the terms of this Agreement.

4.3 Perfection of Security Interest. The Security Interest, at all times, shall be perfected and shall be prior to any other interests in the Collateral. Debtor shall act and perform as necessary and shall execute and file all security agreements, financing statements, continuation statements and other documents requested by Payee to establish, maintain and continue the perfected Security Interest. Debtor, on written demand, shall promptly pay all reasonable costs and expenses of filing and recording, including, without limitation, the reasonable costs of any searches, deemed necessary by Payee from time to time to establish and determine the validity and the continuing priority of the Security Interest.

4.4 Payment of Charges. If Debtor fails to pay any taxes, assessments, expenses or charges, or fails to keep all of the Collateral free from other security interests, encumbrances or claims or fails to keep the Collateral in good condition and repair, or fails to procure and maintain insurance thereon, or to perform otherwise as required herein, Payee may advance the monies necessary to pay the same, to accomplish such repairs, to procure and maintain such insurance or to so perform. Payee is hereby authorized to enter upon any property in the possession or control of Debtor for such purposes.

5. NOTIFICATION AND PAYMENTS; COLLECTION OF COLLATERAL

5.1 Notice to Obligors. Payee, after the occurrence of any Event of Default, and without notice to Debtor, may notify any or all obligors in connection with the Collateral (the "Obligors") of the existence of the Security Interest and may direct the Obligors to make all payments on the Collateral to Payee. Until Payee has notified the Obligors to remit payments directly to it, Debtor, at Debtor's own cost and expense, shall collect or cause to be collected the accounts and monies due under the accounts, documents, instruments and general intangibles or pursuant to the terms of the chattel paper. Payee shall not be liable or responsible for any embezzlement, conversion, negligence or default by Debtor or Debtor's agents with respect to such collections. All agents used in such collections shall be agents of Debtor and not agents of Payee. Unless Payee notifies Debtor in writing that it waives one or more of the requirements set forth in this sentence, any payments or other proceeds of Collateral received by Debtor, after notification to Obligors, shall be held by Debtor in trust for Payee in the same form in which received, shall not be commingled with any assets of Debtor and shall be turned over to Payee not later than the next business day following the day of receipt. All payments and other proceeds of Collateral received by Payee directly or from Debtor shall be applied to the Secured Obligations in such order and manner and at such time as Payee, in its sole judgment, shall determine.

5.2 Collection. Payee, after the occurrence of an Event of Default and without notice to Debtor, may demand, collect and sue on the Collateral (either in Debtor's or Payee's name), enforce,

compromise, settle or discharge the Collateral and endorse Debtor's name on any instruments, documents, or chattel paper included in or pertaining to the Collateral.

6. COLLATERAL IN THE POSSESSION OF PAYEE

6.1 Care. Payee shall use such reasonable care in handling, preserving and protecting the Collateral in its possession as it uses in handling similar property for its own account. Payee, however, shall have no liability for the loss, destruction or disappearance of any Collateral unless there is affirmative proof of a lack of due care. A lack of due care shall not be implied solely by virtue of any loss, destruction or disappearance.

6.2 Preservation of Collateral. Debtor shall be solely responsible for taking any and all actions to preserve rights against all obligors. Payee shall not be obligated to take any such actions whether or not the Collateral is in Payee's possession. Debtor waives presentment and protest with respect to any instrument included in the Collateral on which Debtor is in any way liable and waives notice of any action taken by Payee with respect to any instrument, document or chattel paper included in any Collateral that is in the possession of Payee.

7. EVENTS OF DEFAULT; REMEDIES

7.1 Events of Default. The occurrence of any of the following events or conditions shall constitute an "Event of Default":

- (i) Any failure to pay any principal or interest or any other part of the Secured Obligations when the same shall become due and payable.
- (ii) Debtor shall breach any warranty, representation, covenant or agreement made herein.
- (iii) Any warranty, representation or statement made or furnished to Payee by or on behalf of Debtor shall prove to have been false or misleading in any material respect when made or furnished.
- (iv) The occurrence of a Default or an Event of Default under and as defined in the Note.

7.2 Remedies. Upon the occurrence of any Event of Default, and at any time while such Event of Default is continuing, Payee shall have the following rights and remedies and may do one or more of the following:

- (i) Declare all or any part of the Secured Obligations to be immediately due and payable, and the same, with all costs and charges, shall be collectible thereupon by action at law.
- (ii) Without further notice or demand and without legal process, take possession of the Collateral wherever found and, for this purpose, enter upon any property occupied by or in the control of Debtor. Debtor, upon demand by Payee, shall assemble the Collateral and deliver it to Payee or to a place designated by Payee that is reasonably convenient to both parties.

(iii) Pursue any legal or equitable remedy available to collect the Secured Obligations, to enforce its title in and right to possession of the Collateral and to enforce any and all other rights or remedies available to it.

(iv) Upon obtaining possession of the Collateral or any part thereof, after written notice to Debtor as provided in Section 7.4 hereof, sell such Collateral at public or private sale either with or without having such Collateral at the place of sale. The proceeds of such sale, after deducting therefrom all expenses of Payee in taking, storing, repairing and selling the Collateral (including, without limitation, reasonable attorneys' fees) shall be applied to the payment of the Secured Obligations, and any surplus thereafter remaining shall be paid to Debtor or any other person that may be legally entitled thereto. In the event of a deficiency between such net proceeds from the sale of the Collateral and the total amount of the Secured Obligations, Debtor, upon demand, shall promptly pay the amount of such deficiency to Payee.

7.3 Purchase of Collateral. Payee, so far as may be lawful, may purchase all or any part of the Collateral offered at any public or private sale made in the enforcement of Payee's rights and remedies hereunder.

7.4 Notice. Any demand or notice of sale, disposition or other intended action hereunder or in connection herewith, whether required by the UCC or otherwise, shall be deemed to be commercially reasonable and effective if such demand or notice is given to Debtor at least ten (10) days prior to such sale, disposition or other intended action, in the manner provided herein for the giving of notices.

7.5 Costs and Expenses. Debtor shall pay all reasonable costs and expenses of Payee, including, without limitation, costs of uniform commercial code searches, court costs and reasonable attorneys' fees, incurred by Payee in enforcing payment and performance of the Secured Obligations or in exercising the rights and remedies of Payee hereunder. All such reasonable costs and expenses shall be secured by this Agreement and by other lien and security documents securing the Secured Obligations. In the event of any court proceedings, court costs and attorneys' fees shall be set by the court and not by jury and shall be included in any judgment obtained by Payee.

7.6 Additional Remedies. In addition to any remedies provided herein for an Event of Default, Payee shall have all rights and remedies afforded a secured party under the UCC and all other legal and equitable remedies allowed under applicable law. No failure on the part of Payee to exercise any of its rights hereunder arising upon any Event of Default shall be construed to prejudice its rights upon the occurrence of any other or subsequent Event of Default. No delay on the part of Payee in exercising any such rights shall be construed to preclude it from the exercise thereof at any time while that Event of Default is continuing. Payee may enforce any one or more rights or remedies hereunder successively or concurrently. By accepting payment or performance of any of the Secured Obligations after its due date, Payee shall not thereby waive the agreement contained herein that time is of the essence, nor shall Payee waive either its right to require prompt payment or performance when due of the remainder of the Secured Obligations or its right to consider the failure to so pay or perform an Event of Default.

8. MISCELLANEOUS PROVISIONS

8.1 Power of Attorney. Debtor hereby appoints Payee as its true and lawful attorney-in-fact, with full power of substitution to do the following: (i) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (ii) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (iii) to settle or compromise any and all claims

arising under the Collateral, and, in the place and stead of Debtor to execute and deliver its release and settlement for the claim; (iv) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Debtor, or otherwise, which in the sole judgment of Payee may seem to be necessary or advisable; and (v) to execute any documents necessary to perfect or continue the Security Interest. This power is a power coupled with an interest and is given as security for the Secured Obligations, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Payee.

8.2 Indemnification. Debtor agrees to indemnify, defend, protect and hold harmless Payee, and its affiliates and their respective successors, assigns and shareholders and the directors, officers, employees, agents and attorneys of the foregoing (collectively, the "Indemnified Parties") for, from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, the fees and disbursements of counsel for such Indemnified Parties in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnified Parties are designated parties thereto) that may be imposed on, incurred by, or asserted against the Indemnified Parties, in any manner relating to or arising out of this Agreement (the "Indemnified Liabilities"); provided, however, that Debtor shall have no obligation to an Indemnified Party hereunder with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of that Indemnified Party.

8.3 Actions by Payee. Without notice or demand, without affecting the obligations of Debtor hereunder, and without affecting the Security Interest or the priority thereof, Payee, from time to time, may: (i) extend the time for payment of all or any part of the Secured Obligations, accept a renewal note therefor, reduce the payments thereon, release any person liable for all or any part thereof, or otherwise change the terms of all or any part of the Secured Obligations; (ii) take and hold other security for the payment or performance of the Secured Obligations and enforce, exchange, substitute, subordinate, waive or release any such security; (iii) join in any extension or subordination agreement; or (iv) release any part of the Collateral from the Security Interest.

8.4 Waivers. Debtor waives and agrees not to assert: (i) any right to require Payee to proceed against any guarantor, to proceed against or exhaust any other security for the Secured Obligations, to pursue any other remedy available to Payee, or to pursue any remedy in any particular order or manner; (ii) the benefits of any legal or equitable doctrine or principle of marshaling; (iii) the benefits of any statute of limitations affecting the enforcement hereof; (iv) demand, diligence, presentment for payment, protest and demand, and notice of extension, dishonor, protest, demand and nonpayment, relating to the Secured Obligations; and (v) any benefit of, and any right to participate in, any other security now or hereafter held by Payee.

8.5 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Florida, without regard to the choice of law rules of the State of Florida

Jurisdiction and Venue. The parties hereby expressly agree that in the event any actions or other legal proceedings are initiated by or against Debtor or Payee involving any alleged breach or failure by any party to pay, perform or observe any sums, obligations or covenants to be paid, performed or observed by it under this Agreement, or involving any other claims or allegations arising out of the transactions evidenced or contemplated by this Agreement, regardless of whether such actions or proceedings shall be for damages, specific performance or declaratory relief or otherwise, such actions may be required to be brought in Ft. Lauderdale, Florida; and the parties hereby submit to the jurisdiction of the State of Florida for such purposes and agree that the venue of such actions or proceedings shall properly lie in Ft. Lauderdale, Florida; and the parties hereby waive any and all defenses to such jurisdiction and venue.

8.6 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same agreement.

8.7 Entire Agreement. This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof, supersede all other prior understandings, oral or written, with respect to the subject matter hereof, and are intended by Payee and Debtor as the final, complete and exclusive statement of the terms agreed to by them. Notwithstanding the foregoing, however, nothing in this Section is intended to disclaim the representations made in this Disclosure Document that we delivered to you.

8.8 Amendments. No amendment, modification, change, waiver, release or discharge hereof and hereunder shall be effective unless evidenced by an instrument in writing and signed by the party against whom enforcement is sought.

8.9 Section Headings. The section headings set forth in this Agreement are for convenience only and shall not have the substantive meaning hereunder or be deemed part of this Agreement.

8.10 Time of Essence. Time is of the essence of this Agreement and each and every provision hereof.

8.11 Severability. If any provision hereof is invalid or unenforceable, the other provisions hereof shall remain in full force and effect and shall be liberally construed in favor of Payee in order to effectuate the other provisions hereof.

8.12 Binding Nature. The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their successors and assigns. The provisions hereof shall apply to the parties according to the context thereof and without regard to the number or gender of words or expressions used.

8.13 Construction. This Agreement shall be construed as a whole, in accordance with its fair meaning, and without regard to or taking into account any presumption or other rule of law requiring construction against the party preparing this Agreement.

8.14 Copy. A carbon, photographic or other reproduced copy of this Agreement and/or any financing statement relating hereto shall be sufficient for filing and/or recording as a financing statement.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, this Agreement was executed by Debtor and Payee as of the date first set forth above.

DEBTOR

Signature

Signature

PAYEE

PACIFIC LAWN SPRINKLERS FRANCHISE LLC, a
Florida limited liability company

By: _____
Name: _____
Title: _____

State Effective Dates

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

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

STATE	EFFECTIVE DATE
California	Not Registered
Hawaii	Not Registered
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Effective
Minnesota	Not Registered
New York	Pending
North Dakota	Not Registered
Rhode Island	Pending
South Dakota	Not Registered
Virginia	Pending
Washington	Not Registered
Wisconsin	Not Registered

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 I 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 Pacific Lawn Sprinklers Franchise LLC offers you a franchise, it must provide this Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Michigan law, at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Pacific Lawn Sprinklers Franchise LLC 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit A.

The franchisor is Pacific Lawn Sprinklers Franchise LLC, located at 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304. Its telephone number is 800-895-2729.

Issuance date: April 29, 2022

The franchise sellers for this offering are (i) John Dellafiora, (ii) Stephen Dellafiora; and (iii) Steven Licul, 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304, is 800-895-2729.

Pacific Lawn Sprinklers Franchise LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated April 29, 2022, that included the following Exhibits:

Exhibit A – State Administrators/Agents for Service of Process

Exhibit B – State Specific Addendum

Exhibit C – Franchise Agreement with Exhibits

Exhibit D – List of Franchisees

Exhibit E – List of Franchisees Who Have Left the System

Exhibit F – Table of Contents of Operations Manual

Exhibit G – Financial Statements

Exhibit H – Promissory Note

Exhibit I – Receipts

Dated: _____

If a corporation or other business entity

(Name of Entity)

By: _____

Its _____
(Title)

(Print Name)

PROSPECTIVE FRANCHISEE:

If an individual:

(Signature)

(Print Name)

(Signature)

(Print Name)

You may return the signed receipt either by signing, dating, and mailing it to Pacific Lawn Sprinklers Franchise LLC at 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304, by faxing a copy of the signed and dated receipt to Pacific Lawn Sprinklers Franchise LLC at 800-895-2729, or emailing us at franchising@pacificlawnsprinklers.com.

EXHIBIT I 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 Pacific Lawn Sprinklers Franchise LLC offers you a franchise, it must provide this Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Michigan law, at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Pacific Lawn Sprinklers Franchise LLC 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit A.

The franchisor is Pacific Lawn Sprinklers Franchise LLC, located at 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304. Its telephone number is 800-895-2729

Issuance date: April 29, 2022

The franchise sellers for this offering are (i) John Dellafiora, (ii) Stephen Dellafiora; and (iii) Steven Licul, 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304, is 800-895-2729.

Pacific Lawn Sprinklers Franchise LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated April 29, 2022, that included the following Exhibits:

Exhibit A – State Administrators/Agents for Service of Process

Exhibit B – State Specific Addendum

Exhibit C – Franchise Agreement with Exhibits

Exhibit D – List of Franchisees

Exhibit E – List of Franchisees Who Have Left the System

Exhibit F – Table of Contents of Operations Manual

Exhibit G – Financial Statements

Exhibit H – Promissory Note

Exhibit I – Receipts

Dated: _____

If a corporation or other business entity

(Name of Entity)

By: _____

Its _____
(Title)

(Print Name)

PROSPECTIVE FRANCHISEE:

If an individual:

(Signature)

(Print Name)

(Signature)

(Print Name)

You may return the signed receipt either by signing, dating, and mailing it to Pacific Lawn Sprinklers Franchise LLC at 1007 N. Federal Highway, #1015, Fort Lauderdale FL, 33304, by faxing a copy of the signed and dated receipt to Pacific Lawn Sprinklers Franchise LLC at 800-895-2729, or emailing us at franchising@pacificlawnsprinklers.com.