

## **Item 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We use historical financial information submitted by our franchisees to compile the information contained in these Tables. The financial information submitted by our franchisees is also used for calculating the Royalty described in Item 6. We did not independently verify the accuracy of the information. Franchised Businesses did not typically submit copies of all of the invoices for each customer or list each customer in their period reports to us. The information contained in these Tables is based upon the financial information and other data entered by each Franchised Business into the software system described in Item 11.

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**MARKETING INVESTMENT, NEW SERVICES SALES REVENUE, AND CUSTOMER RETENTION – INDEPENDENT FRANCHISE OWNERS**

**Table A**

**Statement of Average Marketing Investment, New Services Revenue Generated from Marketing Investment, and Customer Retention <sup>(1)</sup>**

	<b>Average</b>	<b>Number and Percentage of Franchised Businesses That Attained or Surpassed the Average</b>
Marketing Investment – Percentage of Revenue <sup>(2)</sup>	8.2%	29 of the 64 (45%) had lower than average marketing investment percentage.
Revenue from New Services Sold and Billed to Customers <sup>(3)</sup>	\$157,424	23 of the 64 (36%) had higher than average of new services sold and billed to customers.
Return on each \$1 Invested in Marketing <sup>(4)</sup>	\$3.15	33 of the 64 (52%) had higher than average return on each \$1 invested in marketing.
Retention of Customers <sup>(5)</sup>	77.3%	30 of 64 (47%) had higher than average retention of customers.

**Notes to Table A:**

(1) We compiled information contained in Table A from 64 of the 70 Franchised Businesses that operated for at least one full year as of December 31, 2017, and participated in a marketing campaign approved by us. Data concerning the remaining 6 Franchised Businesses that operated for at least one full year as of December 31, 2017, and participated in a marketing campaign approved by us, was not included in Table A due to insufficient information from the franchisees that owned them. We do not know whether the inclusion of such data, if available, would have a material effect on the figures shown in Table A. We are not aware of any unique characteristics of the 64 Franchised Businesses that would materially differ from the franchise being offered in this disclosure document.

(2) Table A includes information regarding the average percentage (8.2%) of total gross sales invested in approved marketing campaigns by these 64 Franchised Businesses. The percentage invested in marketing by these 64 Franchise Businesses ranged from 1.9% to 25.8%. The median of total gross sales invested in approved marketing campaigns by these 64 Franchised Businesses was 9.4%.

(3) Table A includes information regarding the average amount of revenue derived from new services sold and billed to customers (\$157,424) by these 64 Franchised Businesses in calendar year 2017. This includes revenue from customers who have not previously used the Franchised Business’s services and revenue from existing customers who sign up for additional services they had not requested in the previous calendar year (“New Services Revenue”). Accordingly, this category does not include revenue derived from an existing customer who has

renewed the same services he or she requested in the previous calendar year. The total of New Services Revenue ranged from \$22,877 to \$562,565. The median amount of revenue derived from new services sold and billed to customers by these 64 Franchised Businesses in calendar year 2017 was \$123,695.

(4) Table A includes the average return in New Services Revenue from customers sold in calendar year 2017 for each \$1 invested in approved marketing campaigns (\$3.15). We calculated this figure by dividing a Franchised Business's New Services Revenue by its total investment in approved marketing campaigns. The average return on each dollar invested in approved marketing campaigns by these 64 Franchised Businesses ranged from \$1.28 to \$9.71. The median return in New Services Revenue from customers sold in calendar year 2017 for each \$1 invested in approved marketing campaigns was \$3.19.

(5) Table A includes the average rate of retention of all customers (77.3%) by these 64 Franchised Businesses. Rate of retention is calculated by taking a Franchised Business's customer count at the beginning of the year and adding the number of new customer sales during the calendar year and then subtracting the number of customers who cancelled during the calendar year. This sum is then divided by the sum of the customer count at the beginning of the year plus new customer sales. The rate of retention of all customers by these 64 Franchised Businesses in 2017 ranged from 54.3% to 90.2%. The median rate of retention of all customers by these 64 Franchised Businesses was 76.4%.

<b>INDEPENDENT FRANCHISE OWNERS</b>		
<b>Table B</b>		
<b>Statement of the 2017 Annual Gross Sales Results for Independent Franchised Businesses in Operation for 2 Full Calendar Years or More as of December 31, 2017 <sup>(1)</sup></b>		
	<b>Average</b>	<b>Number and Percentage that Attained or Surpassed the Average:</b>
Average Gross Sales Per Franchised Business <sup>(2) (7)</sup>	\$624,916	26 of 67 Franchised Businesses (39%)
Average Gross Sales Per Franchised Business – Single Territory <sup>(3) (7)</sup>	\$444,193	13 of 39 Franchised Businesses (33%)
Average Gross Sales Per Franchised Business – Multiple Territories <sup>(4) (7)</sup>	\$876,636	11 of 28 Franchised Businesses (39%)
Average Revenue Per Customer <sup>(5)</sup>	\$403	34 of 67 Franchised Businesses (51%)
Average Gross Sales Per Full-Time Production Vehicle <sup>(6)</sup>	\$152,808	132 of 274 Full-Time Production Vehicles (48%)

**Notes to Table B:**

(1) We compiled information contained in Table B from information for 67 Franchised Businesses that were in business for 2 full calendar years or more as of December 31,

2017, and operated for the full calendar year in 2017. These 67 Franchised Businesses operate with a total of 274 full-time production vehicles. Each Franchised Business reports annual Gross Sales on an aggregate basis for all Territories. Due to various demographic factors such as population changes, differences in climate, and the need for the services in the Territory, the Gross Sales among Territories will vary. Further, the number of Territories within a Franchised Business does not necessarily correlate with the Gross Sales of that Franchised Business.

Gross Sales of the Franchised Business means the amount billed by the Franchised Business on the sales of the services and products authorized to be sold by the Franchised Business under the Franchise Agreement, whether or not sold at or from or under the auspices of the Franchised Business, including the fair market value of any services or products received by the Franchised Business in barter or exchange for services or products, but deducting: (1) customer discounts and credits; and (2) the amount of any sales, use, service, excise, or gross receipts taxes leveled directly on such sales, collected from the purchaser billed on such sales, and paid to the appropriate taxing authorities.

(2) The Gross Sales per Franchised Business for the 67 Franchised Businesses ranged from \$126,115 (98,355 SFDUs in the applicable Territory) to \$2,362,620 (162,814 SFDUs in the applicable Territories). The median Gross Sales per Franchised Business for the 67 Franchised Businesses was \$520,416. For the 26 of 67 Franchised Businesses that met or exceeded the average Gross Sales per Franchised Business, the average SFDU count in the applicable Territory(ies) was 139,105 and the median SFDU count was 110,401. Of those 26 Franchised Businesses, 13 Franchised Businesses met or exceeded 139,105 SFDUs.

(3) 39 of the 67 Franchised Businesses operated in only 1 Territory consisting of fewer than 130,000 SFDUs. The Gross Sales per Franchised Business for the 39 Franchised Businesses ranged from \$126,115 (98,355 SFDUs in the applicable Territory) to \$2,362,620 (162,814 SFDUs in the applicable Territory). The median Gross Sales per Franchised Business for the 39 Franchised Businesses was \$318,096. For the 13 of 39 Franchised Businesses that met or exceeded the average Gross Sales per Franchised Business, the average SFDU count in the applicable Territory was 70,999 and the median SFDU count was 70,994. Of those 13 Franchised Businesses, 6 Franchised Businesses met or exceeded 70,999 SFDUs. Within this subset of 39 Franchised Businesses, 14 Franchised Businesses operated in 1 Territory of 60,000 or fewer SFDUs. Of these 14 Franchised Businesses, the Gross Sales per Franchised Business ranged from \$182,055 to \$1,158,370, with an average of \$404,484 and a median of \$307,245. 5 of those 14 (36%) Franchised Businesses met or exceeded the average of \$404,484. Of the 5 that met or exceeded the average, the average SFDU count in the Territory was 45,679 and the median SFDU count in the Territory was 48,811. Of those 5 Franchised Businesses, 3 Franchised Businesses met or exceeded 45,679 SFDUs. As described in Item 12, your Territory will include up to 60,000 SFDUs. However, if you wish to obtain a geographic territory of more than 60,000 SFDUs, and we approve, you will pay us an additional fee of \$0.50 for each SFDU over 60,000 SFDUs. In addition, Territories can also increase beyond 60,000 SFDUs during the term of a franchise agreement as population counts in the Territories increase or with changes to census tract maps.

(4) 28 of the 67 Franchised Businesses operate a Franchised Business in more than 1 Territory (consisting of a range of 72,648 to 363,876 SFDUs). The median Gross Sales per Franchised Business in more than 1 Territory was \$803,921. For the 11 of 28 Franchised Businesses that met or exceeded the average Gross Sales per Franchised Business, the average SFDU count in the applicable Territory(ies) was 165,249 and the median SFDU count was 143,343. Of those 11 Franchised Businesses, 4 Franchised Businesses met or exceeded 165,249 SFDUs. The Gross Sales per Franchised Business for the 28 Franchised Businesses ranged from \$324,192 (109,228 SFDUs in the applicable Territories) to \$2,232,620 (162,814 SFDUs in the applicable Territories).

(5) The Revenue per Customer per Franchised Business for the 67 Franchised Businesses ranged from \$240 to \$690. To compute the average Revenue per Customer, we totaled all invoices for all services for each Franchised Business in Table B for the 2017 calendar year and divided by the number of Customers invoiced during that same calendar year for a spring lawn care service application, not by the total number of Customers served in the entire year. The median Revenue per Customer per Franchised Business for the 67 Franchised Businesses was \$406.

(6) The Gross Sales per Full-Time Production Vehicle for the 67 Franchised Businesses with a total of 274 full-time production vehicles ranged from \$104,260 to \$354,720. To compute the Average Gross Sales per full-time production vehicle, we totaled the Gross Sales for all 68 Franchised Businesses and divided it by the 274 full-time production vehicles used by such businesses. The median Gross Sales per Full-Time Production Vehicle for the 67 Franchised Businesses was \$146,506.

(7) To compute Average Gross Sales per Franchised Business, we totaled the Gross Sales for all 67 Franchised Businesses and divided it by the 67 Franchised Businesses. To compute the Average Gross Sales for the 39 Franchised Businesses that operate in only 1 Territory consisting of fewer than 130,000 SFDUs, we totaled the Gross Sales for the 39 Franchised Businesses and divided it by the 39 Franchised Businesses. To compute the Average Gross Sales for the 28 Franchised Businesses that operate in more than 1 Territory, we totaled the Gross Sales for the 28 Franchised Businesses and divided it by the 28 Franchised Businesses.

**INDEPENDENT FRANCHISE OWNERS – COST AND GROSS PROFIT MARGIN****Table C****Statement of 2017 Gross Profit Margin Results as a Percentage of Gross Sales for 61 Franchised Businesses in Operation 1 Full Year or More  
As of December 31, 2017**

<b>Line Item</b>	<b>Average %</b>	<b>Number and Percentage of Franchised Businesses that Attained or Surpassed the Average</b>
Material Costs (See Note 3)	13.98%	29 of 61 (48%) had lower than average Material Costs
Direct Labor Costs (See Note 4)	17.82%	38 of 61 (62%) had lower than average Direct Labor Costs
Cost of Sales (See Note 5)	31.80%	33 of 61 (54%) had lower than average Cost of Sales
Gross Profit Margin (See Note 6)	68.20%	33 of 61 (54%) had higher than average Gross Profit Margin

**Notes to Table C:**

(1) As of December 31, 2017, 117 franchised Territories were in operation, 112 of which had been in operation for at least the full calendar year. These 112 Territories were owned by 70 Franchised Businesses. For reporting purposes, we consolidated the financial information for all Territories operated by such Franchised Businesses. Certain franchisees also own multiple Territories, but aggregate the reporting of their financial information as one Franchised Business.

(2) We included data from 61 Franchised Businesses of the 70 Franchised Businesses that were in operation for at least the full calendar year as of December 31, 2017. These 61 Franchised Businesses operated 99 of the 112 Territories that were operational during the 2017 calendar year. Data concerning the remaining 9 Franchised Businesses that were in operation for at least one full year as of December 31, 2017, was not included in Table C due to insufficient information from the franchisees that owned them. We do not know whether the inclusion of such data, if available, would have a material effect on the gross profit margin percentages.

(3) We attribute variances in material costs to franchisee variances in pricing of lawn and tree care applications. Additionally, we believe that inconsistency in the manner in which franchisees account for their inventory purchases may contribute to the variances. Some franchisees use the “last in first out” method of accounting for inventory, and others use the “first in first out” method. The median Material Costs for the 61 Franchised Businesses was 14.05%.

(4) Direct Labor includes compensation (excluding payroll taxes, medical insurance, and fringe benefits) for employees who perform lawn and tree care services and excludes compensation for franchisee and other administrative and office personnel. We attribute the variance in Direct Labor primarily to the extent to which franchisees employed others to perform application services. Franchisees who performed all application services themselves incurred no

direct labor costs and franchisees that employ others to perform some or all of the application services incurred higher Direct Labor cost. We also believe that some franchisees may have employees who perform administrative functions as well as application functions, but charged those employees' entire payroll to Direct Labor rather than splitting out that portion more appropriately charged to administration. The median Direct Labor Costs for the 61 Franchised Businesses was 16.22%.

(5) Cost of Sales is the Sum of Material Costs and Direct Labor Costs. The median Cost of Sales for the 61 Franchised Businesses was 31.28%.

(6) We obtained the stated Gross Profit Margin percentages by subtracting the Cost of Sales from the 100% Gross Sales. The median Gross Profit Margin for the 61 Franchised Businesses was 68.72%.

(7) Franchised Businesses typically use the accrual method of accounting.

**Some Franchised Businesses have earned these amounts. Your individual results may differ. There is no assurance that you'll earn as much.**

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

Other than the preceding financial performance representations, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Theodore T. Hofer, Chief Executive Officer, 11909 Spaulding School Drive, Plainfield, Illinois 60585, (800) 777-8608, the Federal Trade Commission, and the appropriate state regulatory agencies.