

u. Dispute resolution by arbitration or mediation	18.G.	Except for certain claims for injunctive relief, all disputes must first be submitted to non-binding mediation in Morris County, New Jersey and, if mediation is unsuccessful, then to binding arbitration in Morris County, New Jersey. This provision is subject to applicable state law.
v. Choice of forum	18.G.	All mediation, arbitration and, if applicable, litigation proceedings must be conducted in, or closest to, State court of general jurisdiction that is within or closest to Morris County, New Jersey or, if appropriate, the United States District Court nearest to our corporate headquarters at the time such action is filed. This provision is subject to applicable state law.
w. Choice of law	18.F.	New Jersey law will govern. However, this provision is subject to state law and as otherwise disclosed in <u>Exhibit I</u> to this Disclosure Document.

## **ITEM 18**

### **PUBLIC FIGURES**

We do not currently use any public figure to promote our franchise. No public figure is currently involved in our management.

## **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) 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.

### **DEFINITIONS**

(a) Calendar Year – means, as to each respective year, the 12 month period commencing on January 1 and ending on December 31.

(b) Company Owned Outlet – means an Outlet owned either directly or indirectly by us, our affiliate or any person identified in Item 2 of this Disclosure Document. A Company Owned Outlet also includes any Outlet that is operated as a joint venture owned in part by us, our affiliate or any person identified in Item 2 of this Disclosure Document, or that is managed by us our affiliate or any person identified in Item 2.

(c) Direct Cost of Goods Sold – means the direct non-managerial and non-administrative cost of goods sold by an Outlet in directly providing the Approved Services and Products, comprised of the cost of materials and supplies, including delivery of materials and supplies. Direct Cost of Goods Sold does not include Direct Labor Cost, managerial labor and expenses, administrative labor and expenses, Service Vehicle Cost, marketing expenses, insurance expenses, operating expenses, general expenses including, but not limited to interest, taxes, depreciation, amortization, and Franchise Related Expenses.

(d) Direct Gross Profit – means Gross Sales less Direct Cost of Goods Sold and Direct Labor Cost. Direct Gross

Profit is not net profit or income and, except as to Direct Cost of Goods Sold and Direct Labor Cost, does not include the deduction of all other expenses incurred by a Terrace Up Business including, but not limited to, managerial labor and expenses, administrative labor and expenses, Service Vehicle Cost, marketing expenses, insurance expenses, operating expenses, or general expenses including, but not limited to interest, taxes, depreciation, amortization, and Franchise Related Expenses.

(e) Direct Labor Cost – means the direct non-owner labor expenses incurred in the operations of the Outlet and for employees that directly perform or provide services resulting in Gross Sales and includes wages, payroll taxes, workers' compensation, and paid employee benefits, if any. Direct Labor Cost does not include compensation related to administrative labor or management labor and does not include compensation related to project management and sales development.

(f) Disclosed Expenses – means the following select expenses: advertising and marketing, Service Vehicle Cost, project management and sales development labor, non-owner administrative labor cost, estimating services, bank charges and fees, insurance, office expenses, professional services, rent and lease, utilities, and miscellaneous.

(g) Franchise Outlet – refers to a Terrace Up Business operated under a Franchise Agreement that is not a Company Owned Outlet.

(h) Franchise Related Expenses – means the following select fees currently required under the Franchise Agreements: Royalty Fees, Brand Development Fund Fees, Technology Fees, Contact Center Fees, and local marketing expenditures. Franchise Related Expenses do not include all fee and payment obligations required under a Franchise Agreement.

(i) Gross Sales – means the total revenue derived by each Terrace Up Business less sales tax, discounts, allowances, and returns. Gross Sales do not include accounts receivable for work completed during the Reporting Period.

(j) Outlet – refers to a Terrace Up Business that is either a Company Owned Outlet or a Franchise Outlet, as the context requires.

(k) Service Vehicle Cost – means the cost incurred by an Outlet for finance or lease installment payments, if any, for the service vehicles used by the Outlet in providing the Approved Services and Products. Service Vehicle Cost also includes fuel expenses and service vehicle maintenance. Service Vehicle Cost does not include the purchase price of a service vehicle or the prior acquisition cost or depreciation cost of a service vehicle if it is owned by an Outlet and is not subject to lease finance charges or installment payments during the Calendar Year period for which financial information is provided in this Item 19.

## **BASES AND ASSUMPTIONS**

The financial information was not prepared on a basis consistent with generally accepted accounting principles. We do not have any Franchise Outlets. Data for our Company Owned Outlet is based on information reported to us by our affiliate. The information in this analysis has not been audited, is based on historical financial data.

## **ANALYSIS OF RESULTS OF COMPANY OWNED OUTLET**

We have one Company Owned Outlet with an office located in Cedar Knolls, New Jersey and operating in northeast New Jersey. Our Company Owned Outlet previously operated as a full-service landscaping business that provided rooftop landscaping services under the name Pando Landscapes. On January 1, 2023, Pando Landscapes rebranded as a Terrace Up Business and began providing only rooftop landscaping services and Approved Services and Products. Our Company Owned Outlet operates in an Operating Territory comprised of approximately 40,000 Qualified Buildings, which is the equivalent of two Territories.

Table 1

Company Owned Outlet Gross Sales and Disclosed Expenses Information for 2024 Calendar Year		
	Total	% <sup>1</sup>
<b>Gross Sales</b>	<b>\$1,524,842</b>	100.0%
Less:		
Direct Cost of Goods Sold	(\$410,684)	26.9%
Direct Labor Cost	(\$441,231)	28.9%
<b>Direct Gross Profit</b>	<b>\$672,926</b>	44.1%
Less: Disclosed Expenses		
Advertising and Marketing	(\$918)	0.1%
Service Vehicle Cost	(\$21,246)	1.4%
Project Management and Sales Development Labor	(\$90,372)	5.9%
Non-Owner Administrative Labor Cost	(\$64,573)	4.2%
Estimating Services	(\$58,916)	3.9%
Bank Charges and Fees	(\$6,818)	0.4%
Insurance	(\$17,447)	1.1%
Office Expenses	(\$19,259)	1.3%
Professional Services	(\$9,610)	0.6%
Rent and Lease	(\$15,140)	1.0%
Utilities	(\$113)	0.0%
Miscellaneous	(\$962)	0.1%
<b>Direct Gross Profit Less Disclosed Expenses</b>	<b>\$367,552</b>	24.1%
Less: Adjustments for Franchise Related Expenses		
Royalty Fee <sup>2</sup>	(\$91,491)	6.0%
Brand Development Fund Fee <sup>3</sup>	(\$7,624)	0.5%
Technology Fee <sup>4</sup>	N/A	0.0%
Contact Center Fee <sup>5</sup>	N/A	0.0%
Local Marketing <sup>6</sup>	(\$9,082)	0.6%
<b>Direct Gross Profit Less Disclosed Expenses and Adjustments for Franchise Related Expenses</b>	<b>\$259,355</b>	17.0%
<p><u>Notes to Table:</u></p> <p><sup>1</sup> “%” represents the percentage of Gross Sales.</p> <p><sup>2</sup> The Royalty Fee is equal to 6% of Gross Sales. The Royalty Rate is 7% of Gross Sales for Out of Territory Customers. The Royalty Fee is subject to a Minimum Semi-Annual Royalty Fee Requirement equal to \$15,000 per Territory as set forth in <u>Item 6</u> of this Disclosure Document.</p> <p><sup>3</sup> The Brand Development Fund Fee is currently 0.5% of Gross Sales but may be increased to 2% of Gross Sales.</p> <p><sup>4</sup> Currently we do not charge a Technology Fee, but we reserve the right to implement one at any time in the future provided that the Technology Fee shall not exceed \$500 per month.</p> <p><sup>5</sup> Currently we do not charge a Contact Center Fee, but we reserve the right to implement one at any time in the future provided that the Contact Center Fee shall not exceed \$500 per month.</p> <p><sup>6</sup> On an on-going annual basis, you must spend not less than \$10,000 per year on the local marketing of your Terrace Up Business. This adjustment reflects the difference between the local marketing requirement disclosed in <u>Item 6</u> of this Disclosure Document and the advertising and marketing expenses of the Company Owned Outlet disclosed in Disclosed Expenses.</p>		

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

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

Other than the preceding financial performance representations, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Kris Goodrich, Terrace Up Franchising Inc., at 1 Gatehall Drive, Suite 300, Parsippany, New Jersey 07054, and 888-200-7161, the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**TABLE NO. 1**  
**SYSTEMWIDE OUTLET SUMMARY**  
**FOR YEARS 2022 to 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company Owned	2022	0	1	+1
	2023	1	1	0
	2024	1	1	0
Total Outlets	2022	0	1	+1
	2023	1	1	0
	2024	1	1	0

**TABLE NO. 2**  
**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR)**  
**FOR YEARS 2022 to 2024**

State	Year	Number of Transfers
None	2022	0
	2023	0
	2024	0

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