



We're Not Gonna Take It ANYMORE

2010 08 11 Part One

- Civil Action
- Desired Lawn Care Results
- Liability
- Sale of Equipment
- Underground Operations
- Value of Lawn Care Companies
- Weed Control
- White Grub Control
-

FON
force of nature

The Industry Strikes Back !

2010 08 11 Part One

*Damage to the Lawn Care Industry is EXTENSIVE
CLASS ACTION SUIT will be started in late August*

M-REP Update

Jeffrey P. Lowes August 11th, 2010 Media Release
M-REP Communications Selected and adapted excerpts

CIVIL ACTION TO RECOVER LOSSES

Please be advised that M-REP Communications will be putting together groups of companies BY REGIONS and COMMENCING CIVIL ACTION TO RECOVER LOSSES.

The Professional Lawn Care Industry is too fractured to launch a single CLASS ACTION for Ontario.

A single CLASS ACTION would also allow companies not involved in defending the industry to profit from our actions.

ACTION WILL BE STARTED BEFORE THE END OF AUGUST [2010].

DAMAGES TO THE INDUSTRY ARE EXTENSIVE AS THE VALUE OF THE INDIVIDUAL COMPANIES HAS BEEN DECIMATED.

The Industry Strikes Back !

2010 08 11 Part One

Most companies now have LITTLE VALUE

*Many have fired their entire staff, and
have reduced their operations to a single truck*

VALUE OF PROFESSIONAL LAWN CARE COMPANIES IN ONTARIO

Currently, if you were selling a lawn care business, the offers are in the \$0.25 to \$0.35 per dollar gross earnings.

Having licensed staff and a client base are the ONLY advantages over starting a new business.

The only thing of value in any lawn care business at this point is « *good will* » which on a good day might add 10 per cent to the value of a business (hence the range from 25 to 35 per cent).

The merger and acquisition of competitors is a HUGE RISK for a lawn care company. Current companies purchased on a discounted cash flow, in hopes that the industry could recover.

MOST COMPANIES HAVE LITTLE VALUE AS THE BUSINESS MODEL IS NO LONGER IN EFFECT.

SOME OF THE SMALLER COMPANIES HAVE RELEASED (I.E. FIRED) THEIR STAFF, AND REDUCED THEIR OPERATIONS TO LOYAL CUSTOMERS AND A SINGLE TRUCK.

The Industry Strikes Back !

2010 08 11 Part One

*There is a glut of used equipment for sale because
of the EXODUS of small lawn care companies*

UNDERGROUND OPERATIONS, LIABILITY, AND SALE OF EQUIPMENT

It is our understanding that there are some companies OPERATING UNDERGROUND (i.e. without a license) with products from outside the Province of Ontario.

This is a huge issue for any size company, who can no longer produce the same results, or compete without breaking the rules.

A company could face fines in the thousands of dollars, and lose their ability (i.e. license) to operate if they try to use Health-Canada-Approved pest control products.

In addition, most companies are not aware of PENDING INVESTIGATIONS for operations in 2008 and 2009 by the Ontario Ministry of the Environment.

The owner of the company may not be aware of the ACTIONS OF HIS EMPLOYEES, but is still legally responsible, and financially responsible, for their actions.

Currently the disposal of equipment at AUCTION depends on the region.

OVERALL, THERE IS A GLUT OF EQUIPMENT AS MANY OF THE SMALL OPERATORS EXIT THE INDUSTRY. Current market prices on equipment are subjective at best.

The Industry Strikes Back !

2010 08 11 Part One

*Professional Lawn Care Companies are
NO LONGER able to reproduce the
results obtained prior to prohibition*

DESIRED LAWN CARE RESULTS

Pesticide inventories have ZERO-VALUE as the Ontario Government made it illegal to sell any excess stock of product.

Service contracts that are renewable year over year are still non-contractual by the serviced client, and are non-transferable.

Prior to the ban, the companies built up a client list BASED ON RESULTS by having access to Health-Canada-Approved pest control products.

Currently, the Professional Lawn Care Industry in Ontario is restricted by the province's Ministry of the Environment, and is UNABLE TO REPRODUCE THE RESULTS IN PAST YEARS.

So, the client list is an INTANGIBLE ASSET because you would not be able to reproduce the same results.

Earnings Before Interest and Taxes are in a STATE OF FLUX as the cost and availability of products is in question.

The Industry Strikes Back !

2010 08 11 Part One

Fiesta Herbicide requires MUCH HIGHER COSTS

MORE service calls because of re-growth

WEED CONTROL

For example prior to the ban the cost of product per 1000 square feet for weed control could run \$0.10 to \$0.20 for a 2,4-D-based product.

THE CURRENT REPLACEMENT FOR WEED CONTROL IS FIESTA, WITH A COST OF \$12.00 TO \$25.00, PLUS THE ADDITIONAL SERVICE CALLS, SINCE THERE IS RE-GROWTH OF THE WEEDS.

Fiesta was not made available until after the start of this season, and the costs have eroded any margins for profit.

The current demand for Fiesta has out-stripped the supply.

The manufacturer is not expected to increase production levels until late 2011 to meet current demand.

The costs are expected to increase and the availability of the product will also be reduced next year as additional regions come under new pesticide restrictions — most notably the State of New York.

In addition, it is our understanding the home-owner may have access to the product at a HIGHER CONCENTRATION than Professional Lawn Care Companies.

The Industry Strikes Back !

2010 08 11 Part One

Since there have NOT been ANY studies on the environmental impact of nematodes, who will be liable in the event of damage ?

WHITE GRUB CONTROL

Another example is grub control.

For 1000 square feet with Merit would cost around \$3.60.

In Ontario, there is NO registered product for grub control allowed by the Ministry of the Environment. Merit is still allowed in Quebec.

The current offering of « *nematodes* » is the ONLY solution, which is NOT a registered pest control product.

There are currently over 28,000 species of nematodes, and the lack of oversight by a governing agency raises legal issues of liability.

The current species offered for sale in Ontario are from Europe.

There have NOT been ANY studies as to the impact on the environment from introducing a « *foreign species* » on a massive scale.

In the event there are issues or environmental damage as a result of their use; who is going to be liable ?

Background Information from an Independent Perspective

The Voice of the Lawn and Tree Care Industries in Government Circles

My children will benefit from the work I do today.



Jeffrey P. Lowes is Director of Government and Industrial Relations for M-REP Communications.

M-REP Communications is part of an international coalition of companies that provide consulting services through a network of technical and research based companies and agencies in North America and the European Union. M-REP Communications focuses on sound environmental policy and communications.

M-REP Communications represents lawn and tree-care companies in Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia. This has made M-REP Communications one of the LARGEST organizations in Canada as THE VOICE OF THE LAWN AND TREE CARE INDUSTRIES IN GOVERNMENT CIRCLES. M-REP Communications has embarked on engaging the Federal levels of government that regulate or use the services of the lawn and tree-care industries and working with their provincial counterparts.

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*There are, in nature,
neither rewards nor punishments,
there only are consequences*