



**FRANCHISE DISCLOSURE DOCUMENT**

## FRANCHISE DISCLOSURE DOCUMENT



**USA Insulation Franchise, LLC**  
an Ohio limited liability company  
17700 Saint Clair Avenue  
Cleveland, Ohio 44110  
Phone: (440) 951-6800; Fax: (440) 951-6800  
[www.usainsulation.net](http://www.usainsulation.net)

As a USA Insulation franchisee, you will operate a Franchised Business that (i) offers and sells an array of insulation products, including proprietary injection foam, polyurethane spray foam insulation, blown fiberglass insulation, rolled/batten fiberglass insulation and other products and services that we may authorize, and (ii) evaluates a client's insulation needs and subsequently installs one or more of the products discussed above at that client's property, utilizing our marks and proprietary operating system.

The total investment necessary to begin operation of a single USA Insulation Franchised Business ranges from \$299,500 to \$470,000. This includes \$114,000 to \$150,000 that must be paid to the franchisor or its affiliates.

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 governmental 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 our corporate office at 17700 Saint Clair Avenue, Cleveland, Ohio 44110, or via telephone at (440) 951-6800.

The terms of your franchise agreement 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 (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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, 2025**

## 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	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 G & H.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only USA Insulation business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be an USA Insulation franchisee?</b>	Item 20 or Exhibits G & H list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 D.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in the state where the franchisor's principal office is located. Out-of- state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in this state than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or brand fund payments, regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

## NOTICE REQUIRED BY

### STATE OF MICHIGAN

**The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, according to the Michigan Department of Attorney General, Consumer Protection Division (the “Division”), the provisions are void and cannot be enforced against you:**

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

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market value or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c) above.
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**The fact that there is a notice of this offering on file with the Attorney General of Michigan does not constitute approval, recommendation, or endorsement by the Attorney General.**

Any questions regarding this notice should be directed to:

Franchise Administrator  
Consumer Protection Division Antitrust and Franchise Unit  
Michigan Department of Attorney General  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, Michigan 48913  
(517) 373-7567

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## **EXHIBITS**

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- B. Operations Manual Table of Contents
- C. Financial Statements/Parent Guarantee
- D. List of State Administrators
- E. List of Agents for Service of Process
- F. State Specific Addenda and Riders
- G. List of Franchisees
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## **ITEM 1**

### **THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Disclosure Document, "USAI", "USA Insulation", "we" or "us" or "our" or "Franchisor" refers to USA Insulation Franchise, LLC, the franchisor. "You" or "your" or "Franchisee" refers to the person, or any corporation, partnership, or legal entity who buys a USA Insulation franchise, including the franchisee's owners.

#### **The Franchisor**

We are an Ohio limited liability company. We were originally an Ohio corporation known as USA Insulation Franchise Corporation formed on March 20, 2006. We converted to an Ohio limited liability company on December 17, 2020. Our principal business address is 17700 Saint Clair Avenue, Cleveland, OH 44110. We conduct business under our corporate name, under the trade name and service mark "USA INSULATION", URLs, domain names, website addresses, email addresses, digital cellular addresses, wireless web addresses and the like ("e-names") and associated logos, designs, symbols and trade dress (collectively, the "Marks").

We have been offering franchises since March 2006 and through our affiliate, USA Enterprises, have been selling the same products and services that our franchisees are selling. As of December 31, 2024 we had 109 USA Insulation franchisees providing insulation services and products to clients at their properties located within a designated service area. We have never offered franchises in any other line of business.

#### **Our Parents, Predecessors, and Affiliates**

Effective December 23, 2020, we were acquired by HS Group Holding Company, LLC ("HSGH"). Effective August 27, 2021, Threshold Brands, LLC ("Threshold Brands"), acquired all of our membership interests from HSGH. Threshold Brands maintains its principal place of business at 77 North Washington Street, Boston, MA, 02114. Threshold Brands is a wholly owned subsidiary of HSGH. HSGH maintains its principal place of business at Rockefeller Center, 630 Fifth Avenue, Suite 400, New York, New York 10111.

HSGH is majority owned through various holding companies by Riverside Micro Cap Fund V-A, L.P., and RMCF V AIV I, L.P., each of which maintain their principal place of business at 45 Rockefeller Center, 630 Fifth Avenue, Suite 400, New York, NY 10111. Each of Riverside Micro-Cap Fund V-A, L.P. and RMCF V AIV I, L.P. are managed by The Riverside Company, a global private equity firm focused on investing in and acquiring growing businesses. It maintains its principal business address at 45 Rockefeller Center, 630 Fifth Avenue, Suite 400, New York, NY 10111. Through various private equity funds managed by The Riverside Company the following portfolio companies of Riverside Company offer franchises in the U.S.

#### **EverSmith Brands**

U.S. Lawns, Inc. ("U.S. Lawns") has offered franchises under the mark "U.S. Lawns" since August 1986. U.S. Lawns' principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A U.S. Lawn franchise offers outdoor commercial property and landscaping services. As of December 31, 2024, U.S. Lawns had 210 franchises operating in the United States.

milliCare Franchising, LLC ("milliCare") and its predecessors have offered franchises since January 2011. milliCare's principal business address is 1515 Mockingbird Lane, Suite 410, Charlotte, NC 28209. A milliCare franchise offers cleaning and maintenance of floor coverings and interior finishes and related

services under the mark “milliCare Floor & Textile Care.” As of December 31, 2024, milliCare had 59 franchises operating in the United States.

Kitchen Guard Franchising, Inc. (“Kitchen Guard”) has offered franchises since August 2023. Kitchen Guard’s principal business address is 1515 Mockingbird Lane, Suite 410, Charlotte, NC 28209. A Kitchen Guard franchise offers commercial kitchen exhaust system cleaning, inspection, maintenance, and restoration services. As of December 31, 2024, there were 5 Kitchen Guard franchises operating in the United States.

Restoration Specialties Franchise Group, LLC (“Prism Specialties”) has offered franchises since April 2012 and since September 2021 these franchises have operated under the mark “Prism Specialties.” Prism Specialties’ principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A Prism Specialties franchise offers electronic, art, textile, and document recovery, repair, and restoration services. As of December 31, 2024, Prism Specialties had 93 franchisees operating in the United States.

The Seals Franchising, LLC (“The Seals”) has offered franchises since August 2019. The Seals’ principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A The Seals franchise offers the sale and installation of gaskets for refrigeration door units, freezer doors, oven doors, hardware and cutting board. As of December 31, 2024, The Seals had 4 franchises operating in the United States.

### **Evive Brands**

Executive Home Care Franchising, LLC (“Executive Care”) has offered franchises under the mark “Executive Home Care” since June 2013. Executive Care’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. An Executive Home Care franchise offers in-home comprehensive care and medical services to home care clients, and supplemental healthcare staffing services to institutional clients. As of December 31, 2024, Executive Care had 22 franchises operating in the United States.

B & P Burke, LLC (“B&P”) has offered franchises under the mark “Grasons” since May 2014. B&P’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. A Grasons franchise offers estate sale and business liquidation services. As of December 31, 2024, B&P had 61 franchises operating in the United States.

ALL Franchising, LLC (“ALL”) and its predecessors have offered franchises under the mark “Assisted Living Locators” since May 2006. ALL’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. An Assisted Living Locators franchise assists seniors and their families in locating assisted living facilities, memory care communities, nursing homes, senior care homes and independent living senior communities. As of December 31, 2024, ALL had 162 franchises operating in the United States.

Brothers Parsons Franchising LLC (“Brothers”) and its predecessor have offered franchises under the mark “The Brothers that just do Gutters” since July 2015. Brothers’ principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. A “The Brothers that just do Gutters” franchise provides gutter installation, maintenance, cleaning, repair, and related services and products. As of December 31, 2024, Brothers had 355 franchises operating in the United States.

### **Head-to-Toe Brands**

BCC Franchising, LLC (“BCC”) and its predecessor have offered franchises since March 2007 under the mark “Bishops”. BCC’s principal business address is Terminal Tower 50 Public Square, 29th Floor

Cleveland, OH 44113. A Bishops franchise offers haircuts, coloring, and barber services. As of December 31, 2024, BCC had 40 franchises operating in the United States.

Frenchies, LLC (“Frenchies”) has offered franchises under the mark “Frenchies Modern Nail Care” since April 2015. Frenchies’ principal business address is 2679 West Main, #363, Littleton, CO 80120. A Frenchies Modern Nail Care franchise offers hand and foot care. As of December 31, 2024, Frenchies had 23 franchisees operating in the United States.

The Lash Franchise Holdings, LLC (“Lash”) and its predecessor have offered franchises under the mark “Lash Lounge” since March 2010. Lash’s principal business address is 4370 Varsity Drive, Suite G, Ann Arbor, MI 48108. A Lash Lounge franchise offers permanent and temporary eyelash and eyebrow extensions and other eye enhancing services. As of December 31, 2024, Lash had 140 Lash Lounge franchises in the United States.

### **Best Life Brands**

Blue Moon Franchise Systems, LLC (“Blue Moon”) has offered franchises under the mark “Blue Moon Estate Sales” since August 2013. Blue Moon’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A Blue Moon Estate Sales franchise sells personal property and provides consignment sales for those who are downsizing, relocating, or are deceased. As of December 31, 2024, Blue Moon had 124 franchises in operation in the United States.

Boost Franchise Systems, LLC (“Boost”) has offered franchises under the mark “Boost Home Healthcare” since July 2021. Boost’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A Boost Home Healthcare franchise offers intermittent care ordered by a doctor and performed by a home health aide and other licensed healthcare providers to patients of all ages with acute and chronic long term complex health conditions within the patient’s residence or within health care facilities. As of December 31, 2024, Boost had 6 franchises in operation in the United States.

CarePatrol Franchise Systems, LLC (“CFSLLC”) whose principal place of business is 900 Wilshire Dr., Suite 102, Troy, MI 48084-1600. Since April 2009, CarePatrol has offered franchises that provide referral and senior placement services under the CarePatrol name. At various times since 2012, CarePatrol has also sold four area representative franchisees in selected areas. As of December 31, 2024, CarePatrol had 201 franchises in operation in the U.S. and 2 in Canada. CarePatrol has never offered any services similar to those offered by Next Day nor has it offered franchises in other lines of business.

ComForCare Franchise Systems, LLC whose principal place of business is 900 Wilshire Drive, Suite 102, Troy, MI 48084. Since April 2001, ComForCare has offered franchises which provide (i) companionship and personal/domestic care services, and other special needs services, primarily on a non-medical basis, for seniors and people of all ages so that they may remain in their residences, (ii) supplemental healthcare staffing services for persons who need this kind of assistance in their home or a facility in which they reside, and (iii) private duty nursing services (extended hourly nursing care for the treatment of medical ailments, Non-Medicare). As of December 31, 2024, ComForCare has 248 franchises in the U.S. and 16 franchises in Canada. ComForCare has never offered any services similar to those offered by Next Day nor has it offered franchises in other lines of business.

Next Day Access, LLC (“Next Day”) whose principal place of business is 900 Wilshire Dr., Suite 102, Troy, MI 48084-1600. Since March 2012, Next Day has offered franchises that engage in the sale and rental of ramps, additional related products, and accessories that enhance the quality of life of physically disabled or challenged persons. As of December 31, 2024, Next Day had 49 franchises operating in the U.S. and 2 franchises in Canada. Next Day has never offered services similar to those offered by Blue Moon nor has

it offered franchises in other lines of business.

### **Affiliates**

Since April 1985 our affiliate, USA Enterprises, LLC (“USA Enterprises”), has owned and operated a USA Insulation business similar to the franchise we are offering. We refer to this business as the “Affiliate Location”. Its principal business address is 31920 Vine St., Willowick, OH 44095. It has never offered or sold franchises in any line of business.

Our affiliate, FDIE, LLC (“FDIE”) offers and sells the Truck Upfit Package discussed in Item 5 along with proprietary components of our foam insulation, which are currently comprised of resin and foaming agent (collectively, the “Proprietary Foam Insulation Products”) to its dealers and our affiliates, and directly to our franchisees. It has never conducted a USA Insulation business nor has it offered franchises in any line of business. Its principal business address is 17700 Saint Clair Avenue, Cleveland, OH 44110.

Our affiliate MaidPro Franchise, LLC (“MaidPro”) is a franchisor of businesses providing residential and commercial cleaning and other related services to individuals and businesses. Its principal business address is 77 North Washington Street, Boston, MA 02114. MaidPro has been offering residential and commercial cleaning service franchises since February 1997. As of December 31, 2024 MaidPro had 237 franchised locations in the United States and 14 in Canada.

Our affiliate Men In Kilts US, LLC (“MIK”), is a franchisor of businesses providing window cleaning, gutter cleaning, pressure washing, siding cleaning, snow removal and other related services. MIK’s principal business address is 77 North Washington Street, Boston, MA 02114. MIK began offering franchises in March 2019 and as of December 31, 2024 had 23 franchises.

Our affiliate Men In Kilts Canada Inc. (“MIK Canada”), is the franchisor of the Men In Kilts brand in Canada. Its principal business address is 77 North Washington Street, Boston, MA 02114. MIK Canada through its predecessor has been offering Men In Kilts franchises since 2011 and as of December 31, 2024 had 20 Men In Kilts franchises in Canada.

Our affiliate Pestmaster Franchise Network, LLC (“Pestmaster”) is a franchisor of businesses providing structural and agricultural pest control and related services. Pestmaster’s principal business address is 9716 South Virginia Street, Suite E, Reno, NV 89511. Pestmaster, through its predecessor, offered franchises June 1991 and as of December 31, 2024 had 57 franchises.

Our affiliate PHP Franchise, LLC (“PHP”), is the franchisor of the Plumbing Paramedics and Heating & Air Paramedics franchises. Its principal place of business is 17700 Saint Clair Avenue, Cleveland, Ohio 44110. In November 2021 PHP began offering Plumbing Paramedics and Heating & Air Paramedics franchises and as of December 31, 2024 it had 15 Plumbing Paramedics franchises and 14 Heating & Air Paramedics franchises.

Our affiliate Sir Grout Franchising, LLC (“Sir Grout”) is a franchisor of businesses providing grout and tile cleaning, sealing, caulking and restoration services as well as other services. Its principal business address is 17700 Saint Clair Avenue, Cleveland, Ohio 44110. Sir Grout has been offering franchises since August 2007 and as of December 31, 2024 had 71 franchises.

Our affiliate Granite Garage Floors Franchising, LLC is a franchisor of businesses that market, sell and install residential garage floor coating systems. Its principal business address is 17700 Saint Clair Avenue, Cleveland, Ohio 44110. It has been offering franchises since June 2013 and as of December 31, 2024 had 55 franchises.

Our affiliate Mold Medics Franchising LLC is a franchisor of businesses providing mold remediation, air duct cleaning, radon testing and mitigation services, and other services and products. Its principal business address is 17700 Saint Clair Avenue, Cleveland, Ohio 44110. It has been offering franchises since December 2020 and as of December 31, 2024 had 6 franchises.

Our affiliate, Miracle Method, LLC is a franchisor of businesses providing restoration services for bathtubs, sinks, showers, tile, countertops, and similar surfaces in homes and businesses. Its principal business address is 215 Sutton Lane, Colorado Springs, Colorado, 80907. It has been offering franchises since 1996 and as of December 31, 2024 there were 201 unit franchises and 2 master franchises operating in the United States

Threshold Brands, our immediate parent company, is also the parent company of our affiliates disclosed above.

We have no predecessors. Except as disclosed above, we have no parent, or affiliate required to be disclosed in this Item. Neither we nor any predecessor or affiliates disclosed above have offered franchises in any line of business, except as disclosed above. Except as disclosed above, we have no predecessor or affiliate that has ever conducted the type of business a USA Insulation franchisee will operate.

### **Agents for Service of Process**

Our agents for service of process are listed in Exhibit E to this Disclosure Document.

### **The Franchised Business**

We franchise the right to operate a business that: (i) offers and sells an array of insulation products, including proprietary injection foam, polyurethane spray foam insulation, blown fiberglass insulation, rolled/batten fiberglass insulation and other products and services that we authorize (collectively, the “Approved Products”); and (ii) evaluates a client’s insulation needs and subsequently installs 1 or more of the Approved Products at that client’s property (the “Approved Services”). Some of the Approved Products may be proprietary or comprised of proprietary components that are developed by us or our designated supplier for that product.

If we grant you a franchise, you may operate the business described above (the “Franchised Business”) utilizing our Marks and System (each as defined below) in the area described more fully in Item 12 of this Disclosure Document (the “Designated Territory”).

Your Franchised Business must be operated from a location within the Designated Territory that we approve (the “Approved Location”). Your Approved Location must: (i) be located in a light industrial area; (ii) be large enough to park (2) Approved Vehicles; and (iii) have sufficient space and appropriate layout for a reception area, offices, warehouse space and room to store all required supplies, products and equipment. Your Approved Location will typically be between 2,500 to 3,500 square feet. We require a lease of at least 2 years but we do not recommend a lease of more than (3) years. You must purchase and utilize at least 1 truck that meets our System standards and specifications for equipment, branding, capability and purpose (the “Approved Vehicle”).

Any individual personnel that you intend or expect to install our Proprietary Foam Insulation Products, must first become an “Authorized Installer” by (i) attending and completing the relevant components of our initial training program that we designate as necessary to provide those services, and (ii) receiving a written notice (the “Authorized Installer Notice”) from us acknowledging that the individual is an Authorized

Installer (the “Authorized Installer Services”). This requirement also applies to anyone who you will have selling the Proprietary Foam Insulation Products.

The Franchised Business operates under our then-current proprietary Marks, including our current primary mark “USA INSULATION”, as well as our other related service marks, trademarks or logos that we modify or supplement as we deem advisable (collectively, the “Marks”). The Franchised Business operates using the uniform standards, methods, procedures and specifications developed by us, which we may modify, amend, or supplement at any time (the “System”).

You are solely responsible for preparing the Proprietary Foam Insulation Products for use in connection with providing the Approved Services once those products are delivered to you.

### **General Description of the Market and Competition**

You will target your services to homeowners. You may have to compete with other businesses including franchised operations, national chains, and independently owned companies offering similar products or services to clients. You may also encounter competition from other USA Insulation franchises.

### **Applicable Regulations**

You must comply with all laws applicable to businesses generally and all laws, insulation codes, and standards, as well as applicable contract laws where your Franchised Business is authorized to operate and provide the Approved Services, including those associated or applicable to the (i) Proprietary Foam Insulation Products and your mixing and creation of the same for use in providing certain Approved Services, and/or (ii) the form, validity, and enforceability of the form of service agreement you must (a) use to contract with clients, and (b) ensure we have a copy of and have not objected to it in writing. You must investigate and comply with all of these applicable laws and regulations.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Chairman of the Board of Managers: Jordan Lajoie**

Mr. Lajoie was appointed as the Chairman of our Board of Managers in February 2025. Since February 2025 Mr. Lajoie has also served as the Chairman of the Board of Managers of Head-to-Toe Brands, another portfolio company owned by The Riverside Company. From July 2020 to the present Mr. Lajoie has served as the President of Pinecrest Holdings, Inc. in Portland, ME. From July 2014 to June 2020 Mr. Lajoie was a Management Consultant for Accenture in Boston, MA.

### **Manager: Patrick J. Pitrone**

Mr. Pitrone has been one of our Managers since our formation in 2006. Mr. Pitrone is also a Manager of our affiliates USA Enterprises, LLC and FDIE, LLC. Mr. Pitrone served as our President from August 2004 until September 2022. From July 2022 until December 2023 Mr. Pitrone was the Group President of our parent company, Threshold Brands, in Boston, MA.

### **Vice-President, Secretary and Manager: Stephen Rice**

Since December 2020, Mr. Rice has served as our Vice President, Secretary and Manager. Since August 2021 Mr. Rice has been the Vice President, Secretary and a Manager of our parent, Threshold Brands, LLC, and since August 2020 Mr. Rice has been the Vice President, Secretary and a Manager of Threshold Brands’

parent, HS Group Holding Company, LLC. Mr. Rice is also a Vice President, the Secretary and a Manager for USA Enterprises, FDIE and all of our affiliates offering franchises disclosed in Item 1. Since October 2010, Mr. Rice has been a Principal of The Riverside Company, located in Cleveland, Ohio.

**Vice President and Manager: Caroline Quoyeser**

Since December 2020, Ms. Quoyeser has served as our Vice President and Manager. Since August 2021, Ms. Quoyeser has been the Vice President and a Manager of our parent, Threshold Brands, LLC, and since August 2020 Ms. Quoyeser has been the Vice President and a Manager of Threshold Brands' parent, HS Group Holding Company, LLC. Ms. Quoyeser is also a Vice President and Manager for all of our affiliates offering franchises disclosed in Item 1. Since January 2023 Ms. Quoyeser has been an Assistant Vice President with The Riverside Company in Santa Monica, CA. From July 2021 to December 2022 Ms. Quoyeser was a Senior Associate with The Riverside Company in Santa Monica, CA. From July 2019 to June 2021 Ms. Quoyeser was an Associate with The Riverside Company in Santa Monica, CA.

**Manager: Ryan Farris**

Mr. Farris has been a member of our Board of Managers since November 2021. Since November 2021 Mr. Farris has also been a Manager of our parent, Threshold Brands, LLC, and since November 2021 Mr. Farris has served as a Manager of Threshold Brands' parent, HS Group Holding Company, LLC. Mr. Farris is also a Manager for USA Enterprises, FDIE and all of our affiliates offering franchises disclosed in Item 1. Mr. Farris has been the President and COO of AlphaGraphics since October 2017 and, since August 2020, he has also served as the President and COO of PostNet International Franchise Corp., both located in Lakewood, Colorado.

**Manager: Steven Siegel**

Mr. Siegel has been a member of our Board of Managers since December 2020. Since August 2021 Mr. Siegel has been a Manager of our parent, Threshold Brands, LLC, and since August 2020 Mr. Siegel has served as a Manager of Threshold Brands' parent, HS Group Holding Company, LLC. Mr. Siegel is also a Manager for USA Enterprises, FDIE and all of our affiliates offering franchises disclosed in Item 1. Since January 2005, Mr. Siegel has served as a Managing Partner at Brookside Consulting located in Thornton, New Hampshire.

**Manager: Mark Kushinsky**

Mr. Kushinsky has been a member of our Board of Managers since December 2020 and was our CEO from December 2020 to April 2021. Since August 2021 Mr. Kushinsky has served as a Manager of our parent, Threshold Brands, LLC and since August 2020 Mr. Kushinsky has served as a Manager of Threshold Brands' parent, HS Group Holding Company, LLC. Mr. Kushinsky is also a Manager for USA Enterprises, FDIE and all of our affiliates offering franchises disclosed in Item 1. From April 2008 to July 2020, Mr. Kushinsky was Chief Executive Officer of MaidPro Franchise Corporation, located in Boston, MA.

**Chief Executive Officer and Manager: Theodore Demarino**

Since June 2023, Mr. Demarino has been our Chief Executive Officer ("CEO") and a member of our Board of Managers. Mr. Demarino is also the CEO and a Manager of our parent, Threshold Brands, LLC and of its parent, HS Group Holding Company, LLC. He also serves as the CEO and a Manager of USA Enterprises, FDIE and all of our affiliates offering franchises disclosed in Item 1. From October 2019 to May 2023, Mr. Demarino was the President of Liberty Tax in Hurst, TX.

**Chief Financial Officer: William A. Newby III**

Since November 2024, Mr. Newby has been our Chief Financial Officer (“CFO”). Mr. Newby is also the CFO of our parent company, Threshold Brands, LLC and its parent company, HS Group Holding Company, LLC. He also serves as the CFO of all of our affiliates disclosed in Item 1. From April 2023 to November 2024, Mr. Newby was the CFO of Building Plastics, Inc. in Memphis, TN. From August 2018 to March 2023, Mr. Newby was the Corporate Controller for Ring Container Technologies in Oakland, TN.

**Chief Legal Officer: Robert G. Huelin**

Since May 2021, Mr. Huelin has been our Chief Legal Officer (“CLO”). Since August 2021, Mr. Huelin has served as CLO of our parent, Threshold Brands, LLC. He also serves as the CLO of USA Enterprises, FDIE and all of our affiliates offering franchises disclosed in Item 1. From December 2014 to May 2021, Mr. Huelin was the Vice President, Legal and Compliance for Wireless Zone, LLC in Rocky Hill, CT.

**Chief Revenue Officer: Juliet Diiorio**

Ms. Diiorio has served as our Chief Revenue Officer (“CRO”) since August 2023. Since August 2023 Ms. Diiorio has been the CRO of our parent company, Threshold Brands, and all of our affiliates offering franchises disclosed in Item 1. From January 2023 to August 2023 Ms. Diiorio was the Chief Marketing Officer of Silvercrest Advertising in Palm Springs, CA. From December 2022 to January 2023, Ms. Diiorio was an independent contractor. From April 2022 to December 2022 Ms. Diiorio was the Chief Marketing Officer of James Ryder Interactive in Delray Beach, FL. From September 2021 to April 2022, Ms. Diiorio was an independent contractor. From July 2019 to September 2021 Ms. Diiorio was the Chief Marketing Officer of Liberty Tax in Hurst, TX.

**Chief Operating Officer: Cory Hughes**

Mr. Hughes has served as our Chief Operating Officer (“COO”) since August 2023. Since August 2023 Mr. Hughes has also been the COO of our parent company, Threshold Brands, LLC, and is the COO of all of our affiliates offering franchises disclosed in Item 1. From March 2018 to August 2023 Mr. Hughes was the Executive Vice President - Operations of Liberty Tax Service in Leawood, KS.

**Vice President, Franchise Development: Kelli Schroeder**

Ms. Schroeder joined us as Vice President, Franchise Development, in October 2024. From June 2023 to October 2024 Ms. Schroeder was the Vice President of Franchise Development at WellBiz Brands in Island Park, NY. From August 2021 to June 2023 Ms. Schroeder was the Vice President of Franchise Development for SUCCESS Space in Island Park, NY. From July 2019 to August 2021 Ms. Schroeder was the principal of Schroeder Consulting, LLC in Long Beach, NY.

**Brand Leader: Jack Jones**

Mr. Jones became our Brand Leader in March 2025. From September 2017 to March 2025, Mr. Jones was the General Manager of our corporate affiliate USA Enterprises, LLC in Cleveland, OH.

**Franchise Operations Manager: Doyland (Rich) White**

Since March 2015, Mr. White has served as our Franchise Operations Manager.

### **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4 BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

### **ITEM 5 INITIAL FEES**

#### **Initial Franchise Fee**

The amount of the initial franchise fee you pay will depend upon the size of the territory we grant you. We offer two franchise territories for sale. The first, a “Large Market” territory, consists of up to 150,000 homes built before 1990. The second, a “Small Market” territory, consists of up to 100,000 homes built before 1990. You must pay us an initial franchise fee of \$55,000 for the Large Market territory, and an initial franchisee fee of \$45,000 for the Small Market territory (each an “Initial Franchise Fee”). The Initial Franchise Fee must be paid to us in one lump-sum when you sign your Franchise Agreement, unless we offer to finance all or a portion of it. We may offer to prospects who meet our qualifications, including creditworthiness financing of up to the full amount of the Initial Franchise Fee. See Item 10 for additional information. The Initial Franchise Fee is fully earned by us when you sign the Franchise Agreement, and it is not refundable.

In 2024 we charged an Initial Franchise Fee ranging from \$0 to \$55,000.

We may reduce or waive the Initial Franchise Fee as discussed in the programs below:

#### **Franchise Option Program**

For new franchisees, we may offer to refund the Initial Franchise Fee in exchange for an increase to the Continuing Royalty rate by an additional 4% of Gross Consumer Sales (for example the 5% royalty will increase to 9%) for 10 years (the initial term). We refer to this program as our “Franchise Option Program”. We will refund your Initial Franchise Fee within 10 days of the opening of your Franchised Business so long as it opens within the time required under the Franchise Agreement and you are not otherwise in default under the Franchise Agreement or any other agreement between you and us or any of our affiliates. If you take advantage of this program, you must sign the Franchise Option Amendment attached to the Franchise Agreement as Exhibit F.

#### **Military/First Responder Program**

If you are a current member of the United States Armed Forces or you received an honorable discharge from the United States Armed Forces, you may be eligible for a 20% reduction of the Initial Franchise Fee on your first Franchised Business. We also offer a “First Responders” discount. If you are a police officer, firefighter, or paramedic/emergency medical technician (EMT) you may be eligible for a 20% reduction of the Initial Franchise Fee on your first Franchised Business.

### **Multi-Unit Program**

We currently offer a multi-unit discount. If you purchase 3 or more USA Insulation franchises, you may be eligible to receive a 25% reduction of the Initial Franchise Fee off the second and any additional franchises you purchase at the time you purchase the initial USA Insulation franchise. You must sign a Franchise Agreement for each territory, and you must sign all of the Franchise Agreements as part of a single transaction to qualify for this discount. You must also sign the Multi-Territory Development Addendum attached to the Franchise Agreement as Exhibit I.

### **Conversion Franchise Program**

If a qualified individual or entity has offered insulation products and other energy efficient products and related installation services similar or identical to the services provided by a USA Insulation franchisee for at least 12 months and that have generated more than \$500,000 in sales during the immediately preceding 12 month period (a “Conversion Franchisee”), then we offer the opportunity to enter into a Conversion Franchise Addendum to our Franchise Agreement, under the terms of which we will (i) waive the Initial Franchise Fee, and (ii) reduce the monthly Royalty Fee to the greater of 2% of monthly Gross Sales or \$1,000 per month, but only for the first 24 months of the Franchise Agreement. The Conversion Franchise Addendum to our Franchise Agreement is attached as Exhibit J to this Disclosure Document.

### **Hard to Serve/Underserved Markets Program**

We may offer a discount of up to 10% off the Initial Franchise Fee to prospects who will be operating their franchise in a hard-to-serve or underserved market, whether geographic or demographic.

Any waiver of, or reduction in, the Initial Franchise Fee is discussed above or as we otherwise determine, will be granted in our sole discretion. We evaluate each situation on an individual basis. We reserve the right to change, modify or discontinue any of these discount/waiver programs at any time.

### **Initial Equipment and Inventory Package**

Before opening your Franchised Business, you must purchase certain proprietary materials and equipment from our affiliate that will be used in the operation of your Franchised Business. Specifically, you must purchase: (i) certain equipment necessary to outfit the truck (model Isuzu NPR XD with Morgan 18-foot box or equivalent approved by us) (the “Truck Upfit Package”) which we estimate will cost between \$55,000 to \$65,000; and (ii) the initial stock of the Proprietary Foam Insulation Products inventory and additional truck inventory supplies, which we estimate will cost between \$14,000 to \$30,000. These amounts are nonrefundable and due at the time of purchase but in any event before your Franchised Business opens.

### **Training Fee**

We will provide the Initial Training Program to you and up to 5 other attendees, provided all individuals attend this Initial Training Program at the same time as you before the opening of your Franchised Business. Our current training fee for any additional trainees is \$500 per day, per trainer.

We pay a referral fee (“Referral Fee”) to any current franchisee for each candidate referred to us who meets our qualifications and signs a Franchise Agreement. Currently, the Referral Fee is \$25,000 for each successful referral of a candidate who is not a current franchisee of our brand or any of our affiliate brands. We can change, modify or discontinue this referral program at any time.

**ITEM 6  
OTHER FEES**

<b>Type of Fee</b>	<b>Amount <sup>1</sup></b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	The greater of: (a) 5% of Gross Sales <sup>2</sup> of your Franchised Business from the prior month; or (b) \$1,000 per month.	Due monthly on the 15 <sup>th</sup> day of the month	See Note 3.
Renewal Fee	20% of the then-current initial franchise fee.	At time you sign a renewal franchise agreement	Payable only if we agree to the renewal of your franchise.
Transfer Fee	25% of the then-current initial franchise fee, for each transfer.	On or before the date of transfer	Payable when you sell or transfer your franchise with our approval. No charge if you transfer to a legal business entity which you solely control.
Brand Fund Fee <sup>7</sup>	The greater of: (a) 2% of the Gross Sales of your Franchised Business from the prior month; or (b)\$500 per month.	Due monthly on the 15 <sup>th</sup> day of the month	See Note 3.
Technology Fee <sup>8, 10</sup>	\$300-\$500 per month.	Due monthly on the 15 <sup>th</sup> day of the month	Amount depends on whether you are a new franchisee or existing franchisee. See Note 8 and Note 10.
Ongoing Product Purchases	Varies based on sales within your Designated Territory.	Payable prior to, or at, delivery	You must purchase our Proprietary Foam Insulation Products on an ongoing basis, as necessary, to service your clients.
Relocation Fee	Actual cost incurred by us.	As incurred	If you receive our prior written consent to relocate the Franchised Business, you must reimburse us for the reasonable costs and expenses we incur to evaluate and approve or disapprove the proposed relocation.
Training Fees <sup>10</sup>	\$500 per day per trainer.	Before training	You must pay this fee if you replace one of your personnel in a position where Initial Training was originally required, or one of your employees required to one of your required attendees fails to complete the Initial Training Program, you ask for additional training or on-site assistance or we require you to attend additional training to cure a default under the Franchise Agreement. See Note 10.

Type of Fee	Amount <sup>1</sup>	Due Date	Remarks
Ongoing Training	Up to \$2,000 per attendee.	Before training	Amount of fee depends on our costs to host event. See Note 10.
Convention Fee <sup>4</sup>	Up to \$1,500 per attendee.	Due at registration	Amount of fee depends on our costs to host event. See Note 4 and Note 10.
Product/Supplier Approval Costs	Reasonable cost of inspection or testing, plus actual cost of laboratory fees, professional fees and travel and living expenses of our personnel.	When billed	We may require you to pay us, or an independent laboratory, for the cost of inspection or testing, if you desire to purchase or lease items to be used in the Franchised Business from sources we have not previously approved, or if a sample we have taken from your Franchised Business fails to conform to our specifications.
Management Fee	Our costs to operate your business.	Upon demand	Only payable if you die, become disabled or are otherwise incapacitated and we step-in and operate the Franchised Business on your behalf.
Audit Costs <sup>5</sup>	Actual costs incurred by us plus underpayment amount and lesser of 12% interest or maximum allowed by applicable state law.	Upon demand	See Note 5.
Late Submission Fee and Interest / Payment Failure <sup>6</sup>	\$100 per violation and 12% interest per year, or maximum rate permitted by applicable state law if lower.  \$50 per check or electronic transfer that is dishonored, fails to process, or is returned.	Upon demand	Charged for any payment (including a late fee), request for information, forms, data, or item/information not received when due to us or dishonored or failed to process.
Indemnification; Attorneys' Fee; Costs and Expenses of Enforcement	Will vary according to circumstance.	Upon demand	<p>You must indemnify and reimburse us for our attorneys' fees and other costs that we incur if we are sued for something you did, you breach your Franchise Agreement or you fail to stop using the Marks after termination of the Franchise Agreement.</p> <p>You must also reimburse us for all attorneys' fees and other costs we incur to enforce the terms of the Franchise Agreement or if we are successful in</p>

Type of Fee	Amount <sup>1</sup>	Due Date	Remarks
			suing you or in defending a claim you bring against us.
Online Listing Failure	Cost of listing or advertisement.	Upon demand	Only due if you fail to obtain a listing or advertise online as we require and we do it for you.
Insurance Fee	Cost to obtain and maintain insurance plus our administrative fee.	Upon demand	Only due if you fail to maintain the insurance we require and we obtain it on your behalf.
Non-Compete Failure	Amount equal to our then-current initial franchise fee for each Competing Business we identify plus 7% of each Competing Business' Gross Sales until expiration of the non- competition period in the Franchise Agreement.	Upon demand	Only due if you breach the non-competition restrictions in your Franchise Agreement.
Step-In Fee	A Fee equal to 8% of the Gross Sales of the Franchised Business during the time period that we are operating the Franchised Business, plus reimbursement of all our costs to operate the Business.	Upon demand	Only due if we can terminate your Franchise Agreement due to your default and we step in to operate the Franchised Business until you cure the defaults.
Liquidated Damages <sup>9</sup>	Amount equal to net present value of lost future Continuing Royalties and Brand Fund Fees for 1 year following termination of Franchise Agreement.	Upon demand	Only payable if you default and we terminate your Franchise Agreement.
Client Complaints	All amounts we incur to satisfy a complaint of your client.	Upon receipt of invoice	Only payable if we need to intervene to satisfy a complaint of one of your clients. See Note 11.

Type of Fee	Amount <sup>1</sup>	Due Date	Remarks
Marketing Services	\$65 per month, per territory.	Due monthly on the 15th day of the month	See Note 10 and Note 11.
Phone and Messaging Services	\$34.99 per month per user, plus \$0.012 cents per text message.	Due monthly on the 15 <sup>th</sup> day of the month	Only payable if you choose to use this service. See Note 10 and Note 13.

**NOTES:**

1. **Generally.** All fees noted in this Item 6 are uniformly imposed and are payable to us and are non-refundable. All amounts due under the Franchise Agreement are collected by us through our Electronic Funds Transfer (“EFT”) Program under which we directly debit your bank account for amounts you owe us. When you sign the Franchise Agreement you must also complete and sign the Electronic Funds Authorization, an example of which is attached to the Franchise Agreement. This Authorization gives us the right to debit your account for amounts you owe us. You must pay us on demand for all taxes we incur on goods or services we provide to you or on payments you make to us. We may change your payment schedule with respect to any fees or other amounts due to us or our affiliates under your Franchise Agreement (i.e., modifying monthly payment to weekly), or require you to use any other method of payment, upon 30 days’ notice to you. If the date due is not a business day, the due date shall be the next immediate business day.

If the Franchise Agreement is subject to a Multi-Territory Development Addendum, we will provide in the Addendum the deadline by which you must commence operation of each Franchised Business in the territory.

2. **Gross Sales.** “Gross Sales” includes all revenue from the sale of all products and performance of services from or through the Franchised Business, whether in the form of cash, credit, barter or rebates, and regardless of collection in the case of credit, and income of every kind and nature related to the Franchised Business, including any consideration that you receive from third-party vendors/suppliers. “Gross Sales” from clients does not include monies that are collected and submitted by you for transmittal to the appropriate taxing authority. In computing the Gross Sales, you can deduct the amount of cash refunds to, and coupons used by clients at the time the balance is fully paid to you, if these amounts have been included in Gross Sales of the Franchised Business.

3. **Royalty Fee.** You must pay us a Royalty Fee in an amount equal to 5% of Gross Sales or \$1,000 per month, whichever is greater. Your Royalty Fee will be different if you are in either of the programs discussed below:

- **Franchise Option Program** - If you are in the Franchise Option Program, your Royalty Fee will be 9% of Gross Sales for the initial term of the Franchise Agreement.
- **Conversion Franchise Program** - If you are in our Conversion Franchise Program, your Royalty Fee will be reduced to 2% of monthly Gross Sales or \$1,000 per month, whichever is greater, for the first 24 months of your Franchise Agreement.

If the Franchise Agreement is subject to a Multi-Territory Development Addendum, and we elect to extend the time for you to begin operating in a Territory, you must pay us the minimum monthly flat fee amount called for by the Royalty Fee calculation in the Franchise Agreement, beginning as of the original commencement date in the Rider. If you subsequently begin to operate in the Territory, your Royalty Fee

will be determined based on the complete Royalty Fee calculation in the Franchise Agreement (minimum guarantee with percentage fee).

4. **Convention.** We may from time-to-time conduct conventions or host meetings of some or all of our franchisees ("Conventions"). You must attend these Conventions and pay all of your expenses incurred in connection with attending the Conventions, including registration, transportation, meals, lodging and living expenses. We determine the duration, curriculum and location of the Conventions. You must pay the applicable registration fee for each Convention at the time of registration. This fee is not refundable and will be collected even if you do not attend the Convention. If you own and operate more than one USA franchise, you must only pay a single Convention registration fee for you.

5. **Audit Costs.** Following an audit, if we find you have underreported sales by 2% or more in any monthly reporting period you must pay the underpayment amounts due under the Franchise Agreement due to your underreporting, and interest and all our costs associated with conducting the audit. Previous audit costs alone range between \$1,000 and \$3,000 and could be more. There are no audit costs to you if your records, reports and payment are in order and current.

6. **Late Submission Fee and Interest.** If any amount due under the Franchise Agreement is not paid on the date it is due, you must pay to us, interest on the unpaid amount at the rate of the lesser of 12% per year or the maximum legal rate permitted by law, from the date these amounts were originally due. If any payment, request for information, forms, data or any item related to the Franchised Business is not received by the established due date, you must pay us a Late Submission Fee of \$100 per violation.

7. **Brand Fund.** We may use the Brand Fund to defray our costs for the research, development, preparation, administration and implementation of our System's advertising and promotional programs on a national, regional, and/or local level, which includes, among other things, managing and updating our website, A/B testing, reviewing marketing results and hiring personnel to perform the above tasks. The Brand Fund Fee is non-refundable. See Item 11 of this disclosure document for additional information on the Brand Fund.

8. **Technology Fee.** You will receive at least one USA Insulation branded email address, access to our field service or point-of-sale software and access to our intranet and on-line training portal. You may be required to pay our approved supplier a separate fee for tenant or user licenses for emails, software or other services as required by us or our preferred vendor. The Technology Fee will be charged beginning the first full month your Franchised Business is open and operating. The Technology Fee for a new franchisee is \$500 per month. The Technology Fee for franchises that are purchased by an existing franchisee and that operate in a territory adjacent and contiguous to the franchisee's existing franchise, and out of the same location as such adjacent franchise, is \$300 per month.

9. **Liquidated Damages.** Royalties and Brand Fund Fees are calculated on the Franchised Business' average monthly Gross Sales for the 12 months preceding the termination date. If you have not operated your Franchised Business for at least 12 months preceding the termination date, the Royalty Fee and Brand Fund Fees will be calculated based on the average monthly Gross Sales of all USA Insulation franchised businesses during the last fiscal year.

10. **Increases.** We reserve the right to increase this fee or other amount periodically during the term of your Franchise Agreement. We will not increase this fee or other amount more than once per calendar year and we will not increase this fee or other amount by more than 10% of the then-current fee or other amount, except as discussed below. We may increase this fee or other amount for any reason, including increases in the costs we incur to provide these services, or cost increases imposed on us by suppliers or other third-parties. Adjustments are compounded annually and cumulative including increases

in any given year of greater than 10% to adjust for prior years when no increase, or an increase of less than 10%, was implemented. We will provide 30 days notice of any change.

11. **Client Complaint.** If we feel that you did not fairly handle a client complaint, we may intervene and satisfy the client. You must reimburse us for all our costs associated with satisfying the client.

12. **Services.** We are the sole supplier of website development and maintenance services you must use. We provide business profile and review management services for any Internet Presence, including any website, business profile or review platform, we approve for you to use. The fee for these services is currently \$65 per month, per territory. You may also purchase search engine optimization services from us for \$305 per month, per territory. These fees are non-refundable.

13. **Phone and Messaging Services.** We are an approved supplier of phone and text message services. You may purchase from us a phone number and text message services at our then-current charges, which are currently \$34.99 per month per user and \$0.012 cents per text message. You will receive one assigned phone number per user. If you want to purchase additional phone numbers for a single user, there is an additional fee which is currently \$5 per additional phone number assigned.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment <sup>1</sup>	When due	To whom payment is to be made
Initial Franchise Fee <sup>2</sup>	\$45,000 to \$55,000	Lump sum	Upon execution of Franchise Agreement	Us
Real Property <sup>3</sup>	\$12,000 to \$24,000	Lease	As Arranged	Lessor
Leasehold Improvements <sup>4</sup>	\$12,000 to \$15,000	As Incurred	As Incurred	Contractor and Architect
Insulation Truck and Upfit <sup>5</sup>	\$120,000 to \$150,000	As Incurred	As Incurred	Our affiliate, suppliers
Equipment <sup>6</sup>	\$5,000 to \$15,000	As Incurred	As Incurred	Supplier
Office Supplies, Fixtures & Signs <sup>7</sup>	\$8,000 to \$15,000	As Incurred	As Arranged	Suppliers
Professional Fees <sup>8</sup>	\$500 to \$5,000	As Incurred	As Arranged	Suppliers
Deposits <sup>9</sup>	\$2,000 to \$10,000	As Incurred	As Incurred	Suppliers
Opening Inventory <sup>10</sup>	\$14,000 to \$30,000	As Incurred	As Arranged	Our affiliate

Type of expenditure	Amount	Method of payment <sup>1</sup>	When due	To whom payment is to be made
Initial Marketing Spend <sup>11</sup>	\$29,000 to \$67,000	As Incurred	As Needed	Suppliers
Initial Training Expenses <sup>12</sup>	\$8,000 to \$18,000	As Arranged	As Arranged	Suppliers
Insurance <sup>13</sup>	\$4,000 to \$6,000	As Arranged	Annual Premium	Insurance company
Additional Funds – [3 months] <sup>14</sup>	\$40,000 to \$60,000	As Incurred	As needed	Suppliers/Employees
<b>TOTAL</b>	<b>\$299,500 to \$470,000</b>			

#### **NOTES:**

1. **Generally.** Except as otherwise noted, all fees in this Item 7 are payable to us or our affiliate and are non-refundable, except for the Initial Franchise Fee in certain circumstances. See Item 5 for additional information. Refundability of amounts paid to third parties will depend upon the party but are not usually refundable. The total investment range disclosed in the Chart above is our estimate of the costs you will incur to open and begin operating a Franchised Business, with one combination truck and the equipment and inventory necessary to provide our products and services.

2. **Initial Franchise Fee.** The amount of the Initial Franchise Fee will depend upon the size of the territory we grant to you and whether you are participating in any of our programs which would reduce the Fee. Except as discussed in Item 5, the Initial Franchise Fee is nonrefundable. We may finance up to the entire amount of the Initial Franchise Fee. See Item 10 for additional information. Otherwise, we do not finance any fees due under the Franchise Agreement, or any other part of your investment in the business.

3. **Real Property.** The cost per square foot of commercial space varies considerably depending upon the location and market conditions. Lease costs vary based upon square footage, the cost per square foot, required maintenance costs and other lease variables. It is difficult to estimate real estate costs. You will need approximately 2,500 to 3,500 square feet of light industrial space with easy access to major highways. Our estimate accounts for the first 3 months of rent. The security deposit is included under Security Deposits.

4. **Leasehold Improvements.** You will need to comply with all specifications required by us. The estimated range includes the build-out of office space including a cooler for the resin to be stored in a temperature- controlled state. Your actual costs may vary considerably depending on the size of the space, the cost of financing, and other local conditions, including labor, material costs, architectural fees and local government requirements. You may also be required to retain licensed construction management services. Local governments and agencies typically charge you fees for such things as construction permits and operating licenses. Costs may vary based on the requirements of local government agencies.

5. **Vehicle.** You must purchase and/or lease the tools, parts, equipment, Approved Vehicle, and Approved Vehicle wrap necessary to operate your Franchised Business as we designate in the manuals. The cost of these items will vary according to local market conditions, suppliers and other related factors.

We do not know if the amounts you pay for tools, parts, equipment or the Approved Vehicle is refundable. A conversion franchisee may have previously purchased some or all of these items.

You must purchase at least one 18-foot box “combination” truck. This estimate includes the cost to lease a truck for your first 3 months of operation. Your actual costs for this vehicle will vary based on the location of the Franchised Business, competition among local dealers, the time of year, and other factors.

Other equipment costs include hand tools and equipment required to outfit each truck for product application and the warehouse area for product preparation and general maintenance. This estimation is in part based on the estimate provided by an Approved Supplier for the Approved Vehicle wrap. Your location will need the following proprietary equipment:

Truck Upfit Package: Our proprietary system, when built and installed to our specifications, stores the resin and the foaming agent in your truck and, using our specially designed pump, delivers the components to a mixing chamber where they are mixed together into our proprietary foam, which can be delivered from the mixing chamber to the client’s wall cavity through attached equipment. The system includes:

- Heat System
- Holding Tanks
- 15 KW Gen-Set
- Electrical
- Transfer Pump
- Air Compressor
- All Cabinetry and racking
- Foam Delivery System
- Designated Insulation Blower

In addition to the above, you must obtain a diesel-powered generator from the supplier we designate or approve in writing.

6. **Equipment.** You must purchase equipment for material handling and storage, including a forklift. You must also purchase office equipment and furniture. The low end of this estimate includes the cost of leasing a forklift for your first 3 months of operation. The furniture and equipment you must purchase includes a workbench, brooms, wrenches, pallet loader, desk, cabinets, and computers.

7. **Supplies, Fixtures & Signs.** You must purchase general office supplies, including stationery and business cards. These ranges also include the cost of apparel, sales materials, 1 computer, and 1 iOS tablet or another approved mobile device with iOS or Android operating system. The low estimate assumes you have 1 crew (1 tablet), and the high estimate assumes you have 3 crews (3 tablets). Mobile devices must be capable of achieving internet connectivity at all potential worksites. Because data plans for salesperson devices are recommended but not required, we have only included a data plan in the high estimate. You must also purchase signs and fixtures used in the Franchised Business, including building and yard signs. Your cost will vary based upon the size and location of the Franchised Business, number of Approved Vehicles, local government requirements.

8. **Professional Fees.** You may need the assistance of an attorney, accountant or other consultants to assist in establishing your Franchised Business. These fees may vary from location to location depending upon the prevailing local rate of attorneys’, accountants’ and consultants’ fees.

9. **Security Deposits.** We estimate that you will have to pay security deposits on items like utilities, insurance, phones and rent as well as the deposit for your combination truck.

10. **Opening Inventory.** You must purchase an initial supply of 8 drum sets (1 Resin barrel and 1 Foaming Agent container per drum set) of USA Insulation Premium Foam and a start-up package of USA Insulation products. We recommend that you purchase 24 drum sets, which is the amount we estimate to be sufficient inventory for the first 3 months of operation, but you will need to replenish inventory on a regular basis. Product costs vary over time based upon raw materials and manufacturing costs, the size and location of the Franchised Business, the size of your Designated Territory, freight and other related factors. You must purchase an initial supply of loose blown and batten insulation for Attic installation. We have estimated the costs of these products in sufficient quantity for the first 3 months of operation.

11. **Initial Marketing Spend.** This is the estimated costs you will incur during the first 3 months of operation. This estimate also includes the costs of sales and marketing materials required to begin your Franchised Business. You must spend a minimum of \$25,000 on your Initial Marketing Spend during the first 3 months of operation, exclusive of the cost of sales and marketing materials. You may choose to spend more. Depending on the size of your Designated Territory, you may be required to spend up to \$45,000 on your Initial Marketing Spend within the first 3 months of operations, exclusive of the cost of sales and marketing materials. Factors that may affect your decision on what additional amounts to spend on advertising includes local media cost, location of the Franchised Business, time of year and client demographics in the surrounding area. We may require you to demonstrate that you have expended or are in a position to expend the Initial Marketing Spend as a condition to receiving approval to attend the portion of our Initial Training Program that takes place at our corporate headquarters or designated training facility. The amounts you spend for initial marketing and advertising are typically not refundable. You must also spend 15% of the prior month's Gross Sales of your Franchised Business each calendar month as your "Local Advertising Requirement" on the local advertising and promotion of your Franchised Business within your Designated Territory.

12. **Training and Expenses Associated with our Initial Training Program.** All components of our Initial Training Program will be provided to you (including each owner or manager of your corporate entity if the franchise is owned or operated by a corporate entity), and up to 5 additional persons, including salesmen, and your lead or other authorized product installers, provided all of these individuals attend training at the same time before the opening of the Franchised Business. You are responsible for all of your and your attendees' costs and expenses of attending the Initial Training Program.

The total costs and expenses to attend our Initial Training Program will vary on how many people attend the training (6 maximum), how far they travel and the type of accommodations they choose. The low estimate is for you and one other person to attend the Initial Training Program and the high estimate is for you and 5 additional people to attend this training.

You must also attend and successfully complete third-party training, at your expense, before opening your business. This third-party training is provided at our approved supplier's then-current tuition rates. These expenses are typically not refundable. This third-party training typically contains about eight hours of instruction covering building/energy science, safety and OSHA/State-OSHA compliance. The cost of this training is approximately \$900 per person, with a possible additional charge of up to \$400 for course materials.

Many jurisdictions (state and local) require specialized training and licenses for insulation installers. If required by the jurisdiction(s) where you operate your Franchised Business, you must attend, successfully complete and achieve the necessary certifications and accreditations to operate your business, all at your own expense.

13. **Insurance.** This estimate includes 3 months of the insurance coverages disclosed in Item 8. You must obtain, annually renew and submit proof to us of these insurances. You must name us and our affiliate

providing products to you as an additional insured on all of your required policies except for workers compensation. The cost of insurance varies by market and experience.

14. **Additional Funds.** We recommend that you have a minimum amount of working capital available to cover certain expenses you incur before you open and in your first 3 months of operation, including operating expenses and salaries and fees payable to us (which are not included in these estimates). You will need to have sufficient capital to cover employment costs for three to five associates, some of which will be part time. You must be prepared to reorder inventory and supplies as necessary and to cover the costs of operations. In calculating these estimates, we relied on our affiliate's 40 plus years of experience in the business and the experience of our franchisees starting USA Insulation Franchised Businesses. This estimate does not include any of your personal living expenses and does not include any fees associated with debt service.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing when we evaluate your proposed location for the Franchised Business during training, before you conduct your Initial Marketing Spend, during on-site opening assistance, during periodic visits to your Franchised Business and through periodic bulletins and the USA Insulation Operations Manual and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications, as we deem appropriate or necessary, and you will be solely responsible for costs associated with complying with any modifications to the System. We have no purchasing or distribution cooperatives and we do not negotiate purchase arrangements with suppliers for the benefit of franchisees.

#### **Proprietary Foam Insulation Products and other Items**

You may only market, offer, sell and provide the Approved Products and Approved Services. These Approved Services and Approved Products, including our Proprietary Foam Insulation Products must meet our System standards and specifications. We will provide you with a list of our Approved Services and Approved Products, including our then-current Proprietary Foam Insulation Products, along with their standards and specifications, as part of the USA Insulation Operations Manual. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Services and Approved Products, including the Proprietary Foam Insulation Products, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, you must obtain our prior written approval, as described more fully in this Item.

You must carry commercial general liability insurance, including personal injury, completed operations, contractual liability, and products liability, in an amount of at least \$2,000,000 per occurrence for bodily injury and at least \$2,000,000 per occurrence for property damage. You must also carry fire, vandalism, and extended coverage insurance with primary and excess limits of not less than the full replacement value of the premises of the Franchised Business and its furniture, fixtures, and equipment. You must carry auto insurance for all vehicles used in connection with the Franchised Business, with liability coverage of at least \$1,000,000 per year, as well as commercial auto insurance including collision and comprehensive coverage as well as liability coverage of at least \$250,000 per person and \$500,000 per accident per year, or the minimum required by state law, whichever is greater. You must also carry employer's liability, workers' compensation insurance and such other insurance as may be required by applicable state or local

law and business interruption insurance, based on projected annual income for the Franchised Business, with coverage of at least \$500,000 per occurrence per year.

### **Approved Suppliers**

We can require you to purchase or lease any items or services necessary to operate your Franchised Business, including equipment, fixtures, inventory, and paper goods, from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers, as part of the USA Insulation Operations Manual, or otherwise in writing, and we may update or modify this list as we deem appropriate.

We, an affiliate or a third party may be the sole supplier of goods or services you must purchase for use or sale in your Franchised Business. For example, FDIE is the only Approved Supplier for our Proprietary Foam Insulation Products and the Truck Upfit Package. We are the sole Approved Supplier of USA Insulation branded email addresses. If we or our affiliate are the Approved Supplier of any items, we can sell the items directly to you or designate a different supplier from which you must buy these items. We and our affiliates intend to make a profit on any products or services we sell to you. Other than FDIE, none of our officers presently own an interest in any of our Approved Suppliers. Except as disclosed above, neither we nor any other affiliate are currently the Approved Supplier for any other items you will use in your Franchised Business.

We also have Approved Suppliers for the following items that you must use in connection with your Franchised Business: (i) insulation and other inventory/supplies necessary to provide the Approved Products and Services; (ii) certain equipment with which you must outfit and equip your Approved Vehicle, and any vehicle wrap or other trade dress; and (iii) the proprietary customer record management system (or “CRM”) that you must use in connection with your Franchised Business, which we will also be able to access independently. We only have a single supplier of the CRM and we do not intend to approve other suppliers of this item.

We are the sole Approved Supplier of website development and maintenance services. We are also the sole Approved Supplier for business profile and review management services for any Internet Presence, including any website, business profile or review platform, we approve for you to use. We are an Approved Supplier of search engine optimization services, but you may use other Approved Suppliers for these services.

### **Non-Approved Product/Service and Alternate Supplier Approval**

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business other than the Approved Services (which includes the Proprietary Foam Insulation Products); or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier, and when the item or service is required to be purchased from a single Approved Supplier we will not grant a request for an additional or alternative supplier or product or service.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before:

- (i) using or offering the non-approved product or service in connection with your Franchised Business; or
- (ii) purchasing from a non-approved supplier. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider

not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve of must comply with our requirements regarding insurance, indemnification and non-disclosure. If we incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you must reimburse us for our reasonable testing costs, regardless of whether we subsequently approve the item or supplier. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Marks. The revocation of a previously approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

### **Required Purchases and Right to Derive Revenue**

We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, may range from 55% to 65% of the costs of establishing your Franchised Business, and approximately 15% to 25% of the total cost of operating your Franchised Business after that time.

We and our affiliates may derive revenue as a result of purchases or leases by our franchisees. This revenue may come directly from our or affiliates' sale of goods or services to franchisees or from rebates, marketing allowances or other amounts paid to us by suppliers to our franchisees. We may also be provided with discounts on goods or services we purchase, beneficial purchasing terms, or other benefits based upon our franchisees' purchases of goods or services from these suppliers. We may receive rebates in amounts equal to a percentage of franchisee purchases from certain preferred suppliers. In our fiscal year ended December 31, 2024 this percentage was approximately 3% of the purchase value. In our fiscal year ended December 31, 2024, we received a total of \$21,805.09 in rebates from third-party suppliers.

In the fiscal year ended December 31, 2024: (i) we had revenue of \$1,169,970 from required purchases or leases made by System franchisees, representing 15% of our total annual revenue of \$7,615,335; and (ii) our affiliate FDIE had revenue of \$5,490,849 on account of franchisees' required purchases. This information was taken from our and our affiliate's internal financial statements.

### **Franchisee Compliance**

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 as a result of your compliance with these requirements.

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other areas of this Disclosure Document.**

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Sections 2(B), 2(C), 5(D), and 6(A), 6(B) and Exhibit A of the Franchise Agreement	Items 11 and 12
b. Pre-opening purchases/leases	Sections 4,(A), 6(B), 6(G), 6(I) and 6(J)	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 6(C), 6(D) and 6(E)	Items 6, 7 and 11
d. Initial and ongoing training	Sections 5(A), 5(B), 6(F), 6(R), and 6(S)	Items 6, 7 and 11
e. Opening	Section 6(C)	Items 7 and 11
f. Fees	Section 4(A); Section 4 of Conversion Franchise Addendum	Items 5 and 6
g. Compliance with standards and policies/ Operating Manual	Sections 5(C), 6 and 8	Items 8 and 16
h. Trademarks and proprietary information	Section 7	Items 13 and 14
i. Restrictions on products/services offered	Sections 5(C), 6(F), 6(J), 6(K), 6(L) and 6(S)	Items 8 and 16
j. Warranty and customer service requirements	Section 6(T)	Item 16
k. Territorial development and sales quotas	Sections 2(C) and 6(FF)	Item 12
l. Ongoing product/service purchases	Sections 6(G), 6(I), 6(J), and 6(K)	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 6(G), 6(I), and 6(Q)	Items 6 and 17
n. Insurance	Section 11	Items 6, 7 and 8
o. Advertising	Sections 5(E), 5(F) and 9	Items 6, 7 and 11
p. Indemnification	Sections 6(W), 7(M) and 12(C)	Item 6
q. Owner's participation/ management/staffing	Sections 6(HH) and 6(JJ)	Item 15
r. Records and reports	Sections 4(C) and 10	Item 11
s. Inspections and audits	Sections 5(I), 6(C), 6(F), 6(K), 6(L), 6(V), 6(AA), 10(B) and 10(G)	Items 6, 11 and 13
t. Transfer	Section 13	Item 17
u. Renewal	Section 3(B)	Item 17

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
v. Post-termination obligations	Sections 14(B) and 16	Item 17
w. Non-competition covenants	Section 14	Item 17
x. Dispute resolution	Section 21	Item 17
y. Conversion Franchisee's Obligations	Sections 5 and 6 of Conversion Franchise Addendum	Items 1 and 5
z. Guaranty of franchise obligations	Section 6(JJ) and Exhibit B of the Franchise Agreement	Item 15
aa. Spousal Non- Disclosure and Non-Competition Agreement	Section 8(I)	Item 15 and Exhibit K

## **ITEM 10 FINANCING**

Except as disclosed below, we offer no financing arrangements to USA Insulation franchisees, and we do not receive payment or other consideration for the placing of financing. We do not guaranty any note, lease or obligation you enter into for your Franchised Business.

We may offer financing of up to the full amount of the Initial Franchise Fee as disclosed in Item 5 to prospects who meet our qualifications, including creditworthiness.

If you qualify and accept financing from us, you must sign the Promissory Note attached as Exhibit G to the Franchise Agreement. Your owners must guaranty the payment of all amounts you owe under the Promissory Note.

The Promissory Note will provide for payment by electronic funds transfer via direct debit in scheduled monthly installments of up to 24 months. We will charge interest at an annual rate of 12%. The Promissory Note may be prepaid at any time without penalty.

If you fail to make payment under the Promissory Note within 10 days after a payment date, we may impose a late charge of 5% of the unpaid amount. If any payment is not made within 30 days after the due date, we may impose an additional late charge of 5% of the unpaid amount plus a 5% late charge of the unpaid amount for each 30-day period that the amount remains unpaid. (Section 1)

Under the Promissory Note, you waive: (1) the right to claim or enforce any right of offset, counterclaim, recoupment or breach in any action brought to enforce your obligations under the Note (Section 6); (2) the right to demand, presentment for payment, notices of nonperformance or nonpayment, protest and notice of protest, notice of dishonor, diligence in bringing suit and notice of acceleration (Section 7); (3) questions of governing law, personal jurisdiction and convenience of forum and venue (Section 12 and 14); (4) trial by jury (Section 13); and (5) all claims that you may have against us and any persons and entities related to us, other than our obligations under the Franchise Agreement, accruing on or before the date of the Promissory Note (Section 16). If any of the events of default described in Section 5 of the Note occur, the entire unpaid principal and accrued interest, if any, of the Note will become immediately due and payable without further notice. Under Section 8 of the Note, you must pay all of our expenses and costs of collection, including attorneys' fees and expenses, court costs, costs of sale and costs of maintenance and repair we incur in connection with the enforcement of the Note, collection of amounts due and sale or other disposition of any collateral.

A default under the Franchise Agreement or any other agreement with us constitutes a default under the Promissory Note (Section 5). A default under the Promissory Note constitutes a default under the Franchise Agreement, which gives us the right, among other remedies, to terminate the Franchise Agreement.

We may sell, assign or discount the Promissory Note. If we do assign the Promissory Note, we will not remain primarily obligated under the Note. You will also lose all of your defenses against us as they relate to the Promissory Note as a result of the sale or assignment (Section 17).

## **ITEM 11**

### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

#### **A. Pre-Opening Obligations**

Before the opening of your Franchised Business, we (or our designee) will, as applicable, provide you with the following assistance:

1. We will provide site selection guidelines and assistance, in connection with selecting the Approved Location for your Franchised Business. The general site selection and evaluation criteria or factors that we consider in approving sites include, among other things, the condition of the premises, vehicular and pedestrian access, population demographics of the surrounding area, and general suitability. (Franchise Agreement, Sections 2(B) and 5(D)). Your Approved Location must: (i) be located in a light industrial area; and (ii) be large enough to park two (2) Approved Vehicles; and (iii) have sufficient space and appropriate layout for a reception area, offices, warehouse space and room to store all required supplies, products and equipment. Your Approved Location will typically be between 2,500 to 3,500 square feet. We will approve or reject your site proposals within 30 days of the date you provide us all reasonably requested information that we require (Franchise Agreement, Section 5(D)).

2. We will also review, and subsequently approve/reject, any proposed lease or purchase agreement for the location that you propose as an Approved Location for your Franchised Business. (Franchise Agreement, Sections 2(B) and 6(B)). We require a lease of at least two (2) years, but we do not recommend a lease of more than three (3) years.

3. Once you secure the Approved Location, we will define your Designated Territory for that Franchised Business and include its boundaries in Exhibit A to your Franchise Agreement. (Franchise Agreement, Section 2(C)).

4. We will provide you with online access to, or otherwise loan you, one copy of our confidential and proprietary USA Insulation Operations Manual. The USA Insulation Operations Manual consists of many different manuals that cover a variety of specific topics. The tables of contents from all of our subject-specific manuals are attached to this Disclosure Document as Exhibit B, and together total approximately 800 pages. (Franchise Agreement, Sections 5(C) and 8(A)).

5. We will provide you with a list of our Required Items and Approved Suppliers (to the extent we have designated them), either as part of our proprietary USA Insulation Operations Manual or otherwise in writing. (Franchise Agreement, Section 5(C)). Our affiliate will also supply you with the Truck Upfit Package and initial supply of the Proprietary Premium Foam Products that are necessary to establish and commence operations of the Franchised Business, so long as you pay the appropriate fees for these items at, or prior to, delivery. (Franchise Agreement, Sections 4(A)(2), 4(A)(3) and 5(I)).

6. We will review and approve your proposed layout and design of your Approved Location as well the signage, equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. We will also provide you with an approved template for you to use to prepare your signage, which you may then purchase from our Approved Suppliers. (Franchise Agreement, Section 6(G)). We do not conform your Approved Location to local ordinances and building codes or obtain any required permits for you, and we do not construct, remodel, or decorate the premises.

7. We may provide you with guidance and/or directives in connection with how to expend the required funds associated with the promotion and advertisement of the initial launch of your Franchised Business. (Franchise Agreement, Section 5(E)).

8. We will provide our Initial Training Program (Franchise Agreement, Section 5(A)) as discussed below.

Except as discussed above, we have no obligation to provide assistance to you to obtain signs, fixtures, opening inventory or supplies for your Franchised Business. Other than the template discussed above, we do not provide any of these items to you but will provide you with names of Approved Suppliers. We do not deliver or install any of these items for you. We may provide you with our general pricing guidelines for your Approved Products and Services. We may also require you to follow these guidelines as permitted by applicable law.

## **B. Initial Training Program and Other Training**

### **Initial Training Program**

Before you may open your Franchised Business, you must complete, to our satisfaction, the Initial Training Program including all phases of New Office Launch checklist. The topics covered are listed in the chart below. The instructional materials used in the initial training program are the USA Insulation Operations Manual that currently includes, among other things: the New Office Launch Manual, Marketing Manual, Sales Manual, Installation and Safety Manual and Policy Manual. This training is offered at our headquarters or another location we designate unless we determine to conduct training by virtual/remote means. Currently, we offer the Initial Training Program on an as-needed basis as you near the opening of your Franchised Business. You, and each owner or manager of your Franchised Business if it is owned and operated by a corporate entity, must attend and complete the appropriate components of the Initial Training Program, before you open the Franchised Business. Those individuals that will be installing or selling our Proprietary Foam Insulation Products must attend and complete the relevant components of our Initial Training Program that we designate as necessary to provide those services. (Franchise Agreement, Section 5(A)). This will typically include specific training and authorization to provide those Approved Services that involve the Proprietary Foam Insulation Products. We will then issue them an Authorized Installer Certificate and wallet card that details the services that the individual is eligible to provide through the Franchised Business.

We expect that trainees will advance through the Initial Training program at different rates depending on a variety of factors, including background and experience. The time frames set forth in the chart are an estimate of the time it will take to complete training and the number of hours required may vary based on (a) the experience of the trainee and (b) the schedules and availability of our training staff. We do not charge any tuition or training fee for you, the owners and managers of your corporate entity, your operating principal, installers and sellers to attend the appropriate portions of our Initial Training Program, provided all individuals attend at the components that are provided at our headquarters or other designated training facility at the same time before the opening your Franchised Business. You will be responsible for all costs

and expenses associated with you and your personnel attending the Initial Training Program, as well as any other ongoing training that we or any third-party provides once your Franchised Business is open. You and any required trainees must complete to our satisfaction the Initial Training Program within 120 days of the date of your Franchise Agreement.

Before attending any portion of the Initial Training Program that takes place at our Corporate Headquarters in Ohio, or other designated training facility, or, in our sole discretion, by remote/virtual means, you must (i) submit and obtain our approval of your Initial Marketing Spend plan for the Franchised Business, (ii) demonstrate that you have pre-paid all amounts in connection with the Initial Marketing Spend or are in a position to do so in the near future, (iii) undertake all steps to establish the EFT Account, including providing us with all authorizations and approvals necessary to access such EFT Account, (iv) demonstrate that you have obtained all required insurance coverages set forth in the Franchise Agreement and USA Insulation Operations Manual, (v) have your own counsel review and, if determined appropriate, ensure the validity and enforceability of any then-current template form of services agreement, and (vi) provide us with completed copies of all agreements and contracts that are attached as Addenda to the Franchise Agreement.

### INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
New Office Launch Operations Administration CRM Taking Incoming Calls Sales Process Training Marketing Manual Review Other Remote Learning	46	0	This training is provided remotely through a series of telephone calls, webinars and/or other online forms of learning management systems.
Management Training	20	4	Corporate HQ, or other designated training facility. These sessions also offered virtually.
Technical Training	32	32	Corporate HQ, or other designated training site.
Sales Training	32	0	Corporate HQ, or other designated training site.
<b>TOTALS</b>	<b>130</b>	<b>36</b>	

We expect the Initial Training Program, will take 150-180 days to complete.

Rich White, our Franchise Operations Manager who has more than 20 years of industry experience, will lead our training. Rich has been with us since March 2015. We may periodically name additional trainers if the training schedule requires it. There are no limits on our right to assign a substitute to provide training. Substitute trainers currently have at least 1 year of experience.

The Initial Training Program and the training discussed below are for the purpose of protecting the goodwill related to the USA Insulation franchise system and the Marks and not to control the day-to-day operation of your Franchised Business.

## **Training Conducted by Third-Party(ies) Before Opening**

If third-party certification training becomes required by law, we have included the cost of such certification training in Item 7 and may provide you with information on where and when you can obtain such training as it becomes available. We may require you to complete this certification training before opening for business.

You must attend and successfully complete third-party training, which is currently provided by one of our Approved Suppliers, at your expense, before opening your business. This third-party training is provided at our Approved Supplier's then-current tuition rates (which are accounted for in Item 7 of this Disclosure Document). These expenses are typically not refundable. This third-party training typically contains about eight hours of instruction covering building/energy science, safety and OSHA/State-OSHA compliance. The cost of this training is approximately \$900 per person, with a possible additional charge of up to \$400 for course materials.

We may also require you to attend and complete an accredited course or training program regarding the proper use of QuickBooks Online in the operation of your Franchised Business. We may require you to attend this training in a classroom taught by a certified instructor in the event there is a training location nearby your Franchised Business, or we may permit you to complete this training online. We do not necessarily require that this training be completed before opening your Franchised Business, but we may do so as we deem advisable in our sole discretion.

The Initial Training Program is provided for the purpose of protecting the goodwill related to the USA Insulation franchise system and the Marks and not to control the day-to-day operation of your Business.

## **Additional Training**

Once you and your required trainees have completed the components of our Initial Training Program we require, we may provide you with on-site assistance at your Franchised Business that is designed to provide additional on-the-job instruction. There will also be opportunities for advanced coaching and training at an additional cost as approved by us.

## **Conferences and Training Sessions**

We, at our option, will conduct conferences or training sessions (Franchise Agreement, Section 5(B) and 5(N)). We may charge registration fees to subsidize the costs associated with performing these activities (see Item 6 for fees and costs). You must attend the conferences or training sessions/programs. You are solely responsible for paying all related expenses, including travel, transportation, food/meals, hotel/lodging and wages (with payment to be made at the time and upon the terms specified by each vendor) while attending the conferences, conventions, and training sessions/programs. You must pay us a Convention Fee of up to \$1,500 depending upon our costs, even if you or one of your required attendees fails to attend. (Franchise Agreement, Section 5).

## **C. Typical Length of Time Before Operation**

We must approve a location for your Franchised Business and you must secure property control of the Approved Location all within 90 days of the date you sign the Franchise Agreement. You must open and commence operations of your Franchised Business within 6 months of the date you sign your Franchise Agreement for that Franchised Business. We estimate that it will take 5-6 months to open your Franchised Business from the time you sign your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Approved Location, to obtain financing, to obtain

the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed before opening. If we do not approve a location for your Franchised Business or you do not secure the Approved Location within 90 days of the date you sign the Franchise Agreement, or you do not open or operate your Franchised Business within 6 months of the date you sign your Franchise Agreement, then we may terminate your Franchise Agreement and any amounts you have paid us or our affiliates will not be refunded (Franchise Agreement, Sections 6(A), 6(B) and 6(C)).

#### **D. Post-Opening Obligations**

After the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We may offer, and require you and your management to attend, additional training programs and/or refresher courses, as we deem necessary (“Additional Training”). We will not require you and/or your management to attend more than: (i) two sessions of additional/refresher training year, which, combined will not exceed 7 total days and may take place at our designated training facility in Ohio (or other location that we designate); and (ii) 24 hours of additional or refresher training via webinar, Skype or other medium that allows for remote attendance and completion. We may also provide Remedial Training to you if you are in default of your Franchise Agreement or if your required trainees fail to complete any Additional Training as described in Item 6 of this Disclosure Document. For both Additional Training and Remedial Training, you will be responsible for all expenses incurred in connection with you and your personnel attending and the cost for this training is, \$500 per trainer per day. (Franchise Agreement, Section 5(B));

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, intranet communication, video conference or any other communication channel, as we deem advisable and subject to the availability of our personnel. (Franchise Agreement, Section 5);

3. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(F));

4. We will list the contact information of the Franchised Business on our Website, provided you are not in material default of your Franchise Agreement. (Franchise Agreement, Section 9(G));

5. We will, as we deem appropriate, conduct inspections and/or audits of the Franchised Business and, upon 48 hours’ notice, of the Approved Location and/or Approved Vehicle(s) to ensure that you are operating the Franchised Business in compliance with the terms of the Franchise Agreement, the USA Insulation Operations Manual and the System standards and specifications. (Franchise Agreement, Section 5(I));

6. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(L));

7. We will administer and maintain the Brand Fund (as defined below) for the benefit of the System, as we deem necessary. (Franchise Agreement, Sections 5(J) and 9(E));

8. We may provide you with various examples of forms and templates you may customize for use in your Franchised Business. (Franchise Agreement – Section 5(P)); and

9. We, or our designee, may establish and maintain a System-wide call center (the “Call Center”) and, if we do so, you must pay related subscription fees at our then-current rate, or the then-current rate charged by our Approved Supplier for call center services. (Franchise Agreement, Section 5(O)).

10. We will provide you with website development and maintenance services and business profile and review management services for any Internet Presence including any website, business profile or review platform, we approve for you to use. (Franchise Agreement - Sections 5Q and 9G).

#### **E. Advertising and Promotion**

We have no obligation to spend any amount on advertising in your area or territory.

##### **Local Advertising**

You must spend 15% of the prior month’s Gross Sales of your Franchised Business each calendar month as your “Local Advertising Requirement” on the local advertising and promotion of your Franchised Business within your Designated Territory, with such obligations commencing once the approved period for your Initial Marketing Spend (described more fully below under this heading) has expired. We will approve the advertising, promotions and public relations plan and its creative execution on a periodic basis, as we deem necessary. (Franchise Agreement, Section 9 (D)).

During your first 3 months after you begin operating, you must spend an amount between \$25,000 and \$45,000 (depending on the size of your Designated Territory), exclusive of the cost of sales and marketing materials, on the initial advertising and promotion of your Franchised Business (“Initial Marketing Spend”), as outlined in the approved marketing plan developed with you and marketing professionals during the New Office Launch process (as described more fully in the New Office Launch component of our USA Insulation Operations Manual). You may choose to spend more. Factors that may affect your decision on the actual amount to spend includes local media cost, location of the Franchised Business, time of year and client demographics in the surrounding area. The amounts you spend in connection with your Initial Marketing Spend are typically not refundable. We may provide you with guidance with respect to conducting these activities, as we deem appropriate, and we will review and approve the materials you use as part of your Initial Marketing Spend. (Franchise Agreement, Section 9(C)). You may use your own advertising materials to advertise your Franchised Business as long as we approve the materials before use.

You must list the telephone numbers for the Franchised Business in the appropriate Internet-based and Chamber of Commerce directories designated by us and in Google and other relevant search engines under the category “Insulation Service Contractors” or such other category as we may specify. You must place the listings together with other Franchised Businesses operating within the distribution area of the directories. (Franchise Agreement, Section 9(D)). For further information about your costs, see Item 6 of this disclosure document.

### **USA Insulation Brand Fund**

You must contribute to our Brand Fund each month in an amount equal to the greater of: (i) 2% of the monthly Gross Sales of your Franchised Business from the prior month; or (ii) \$500. (Franchise Agreement, Section 9(E)). The Brand Fund Fee is non-refundable. We can modify it on 30 days' notice to you.

The purpose of the Brand Fund (the "Fund") is to support the USA Insulation brand. This means we may use monies in the Fund for any purpose that promotes the USA Insulation name or any other names we choose to use in the System, including the creation, production and placement of commercial advertising; to pay for agency costs and commissions; to pay the costs to create and produce video, audio and written advertisements; to pay for direct mail and other media advertising, including internet advertising, internet search engine campaigns, direct email marketing, and the cost to maintain and update our websites, intranet, web pages, social media and social networking sites, profiles and accounts; for the costs to create and maintain any applications, whether web-based or otherwise, and for the costs of search engine optimization; the cost to license, improve and interface with software for your use in the operation of your franchise; in-house staff assistance, including salaries, and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising, marketing and sales activities such as the cost of operating a call center to assist with selling USA Insulation products and services and servicing existing clients, creating sales materials and tools for your use, the costs of client satisfaction activities such as surveys and the cost of training and training tools for our franchisees.

Although the Brand Fund is not audited, the Brand Fund will prepare annual income and expense statements which will be available to you upon request. Excess funds not spent in any given fiscal year will be carried forward to the next fiscal year. If any taxes become due based upon the activities of the Brand Fund, these taxes may be paid out of the funds in the Brand Fund. We can terminate the Brand Fund only after all monies have been spent for advertising and promotion. As our System expands, we may create an advertising council. (Franchise Agreement, Section 9(F)).

All USA Insulation franchisees must contribute to the Brand Fund based on the terms of their Franchise Agreements. Neither we nor our affiliates will have any obligation to contribute to the Brand Fund for USA Insulation businesses operated by us or our affiliates. No portion of the funds collected will be used principally to solicit franchises. However, a brief statement about availability of information regarding the purchase of USA Insulation franchises may be included in advertising and other items produced and/or distributed using the Brand Fund. We may collaborate with the advertising and marketing funds of certain franchise systems affiliated with us. There can be no assurance that the Brand Fund's participation in these collaborations and joint efforts will benefit the franchised businesses using the Marks proportionately or equivalently to the benefits received by the other franchised businesses or the other franchised systems affiliated with us that also participate. We are not obligated to make proportionate expenditures of your contributions. (Franchise Agreement, Section 9(E)). We do not guarantee that expenditures from the Brand Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We may, but have no obligation to, loan amounts to the Fund and can determine the repayment obligation of the Fund, including interest rate of the loan and repayment terms, as we see fit.

In the fiscal year ended December 31, 2024, the Brand Fund contributions were expended as follows: (i) 1% content creation, (ii) 2% print advertising, (iii) 8% pay-per-click advertising, (iv) 28% marketing/advertising (v) 40% software services and subscriptions, (vi) 17% administrative costs, and (vii) 5% marketing support services.

The Fund is not a trust and we assume no fiduciary duty to the franchisees in administering the Fund. (Franchise Agreement, Section 9(E)(3)).

## **Advertising Cooperatives**

Although we are not obligated to do so, we may create an advertising cooperative for the benefit of all USA Insulation franchises located within a particular region. If we create one in the region in which your Franchised Business is located you must participate in it and contribute the amount we specify to the cooperative. We will not require you to contribute an amount greater than the amount you must contribute to the Fund. Any amount you contribute will be in addition to any amounts you must contribute to the Fund. Any outlets we or an affiliate own that are located in the region will not contribute to the cooperative. We may administer the cooperative or appoint a third party to administer it. If we create a cooperative, there will not be governing documents for review. The cooperative will not prepare annual or periodic financial statements and none will be available for review. We may change, dissolve, or merge any cooperatives that we create. We may also establish a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an “Advertising Council”). (Franchise Agreement, Sections 9(F) and 9(J)).

## **F. Computer System**

You must purchase and use any hardware and software programs we require. You must subscribe to an Internet service provider or other electronic communication provider or service as we may require and otherwise meeting our standards and specifications. You must purchase and use all of the hardware and software below in connection with the operation of the Franchised Business. The use of your desktop computer must be exclusively designated for operation of the Franchised Business and may not be used or shared for any other purpose, including, personal or home use. (Franchise Agreement, Section 6(G) and 6(N)). The required computer hardware and software is as follows:

<b>HARDWARE</b>
A computer that meets our specifications as stated in our Manuals, and that is approved by us.
1 tablet with iOS operation system per salesperson (recommend additional iOS tablet for Franchise owner) and 1 tablet or another approved mobile device with iOS or Android operating system per truck/install crew. The mobile devices must be capable of achieving internet connectivity at all potential worksites.
<b>SOFTWARE</b>
Most Recent Version of QuickBooks Online
Most Recent Version of Windows Small Business
Then-current Customer Record Management (CRM) Software Platform
Additional software we may designate or specify in the future for use in connection with your Franchised Business

The estimated cost of purchasing the computer hardware and software above is approximately between \$2,000 to \$5,000, depending on whether you already own some of the required hardware and software. You are responsible for ensuring that your hardware and software is properly maintained, secure and upgraded as necessary to ensure your compliance with our specifications. We may introduce new requirements for computer systems. We can require you to purchase QuickBooks online for use in connection with the Franchised Business and you would then be required to pay all fees associated with this software. There are no limits on our rights to do so. We estimate that you will spend approximately \$100 to \$500 annually on maintenance and support contracts for your computer system, which includes any upgrades.

You must lease or purchase the necessary equipment and software and must have arrangements in place with the credit card or gift card issuers as we may designate for purposes of taking payment from your clients.

You will store financial records as well as client information, existing and prospective, in your computer system. We have the right to independently access all information you collect or compile at any time without first notifying you. There are no limits on our rights.

We may establish and maintain a website portal or other intranet for use by you and other franchisees (the “USA Insulation Web Portal”), where we may post content that will automatically become part of, and constitute a supplement to, the USA Insulation Operations Manual, all of which you must strictly comply with promptly after such content is posted or otherwise listed on the USA Insulation Web Portal. (Franchise Agreement, Section 5(C) and 9(G)).

You must pay a monthly Technology Fee of between \$300 and \$500. You will receive at least one USA Insulation branded email address, access to our field service or point-of-sale software and access to our intranet and on-line training portal. You may be required to pay our vendors a separate fee for tenant or user licenses for emails, software or other services as required by us or our preferred vendor. See Item 6 for additional information.

#### **G. Website and Internet Use**

We will establish an Internet Presence that we determine to promote the Franchised Business within the Territory. We are also the sole Approved Supplier for business profile and review management services for any Internet Presence we approve for you to use. You will provide content for the Internet Presence as we request, including contact and address information, hours of operation, fees, photos, video, social media posts, and such other information about the products and services as we may require. We must approve any and all changes to this content. An “Internet Presence” includes any domain name, URL, website, webpage, landing page, portal, HTML document, online directory, online business profile, review and opinion page or site, social media or social networking site, profile, avatar, account or username, control panel, administrative platform, intranet, jotform or other form or method of digital or electronic medium or method of communication. (Franchise Agreement, Section (G)).

We can discontinue operation of an Internet Presence at any time without notice to you. We can modify our policies regarding your use of social media and Internet websites in connection with your Franchised Business as we deem necessary or appropriate. We or our affiliate, as applicable, are the sole owners of the Internet domain name [www.usainsulation.net](http://www.usainsulation.net), [www.usainsulation.com](http://www.usainsulation.com), as well as any other Internet domain names that we or our affiliates register in the future. You may not register or use any Internet domain name that contains words used in or similar to any of our Marks, or any abbreviation, acronym, phonetic variation or visual variation of those words or any similar mark, tradename, commercial, symbol logo or other identifier.

We may impose prohibitions on your posting or blogging of comments about us, your business, the System, or other franchisees. These prohibitions include personal blogs, common social networks like Facebook, Instagram, TikTok, X (formerly Twitter), Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like X and Snapchat; virtual worlds, metaverses, file, audio and video-sharing sites, and other similar social networking or media sites or tools.

## ITEM 12 TERRITORY

You will operate from one site located in your Designated Territory (defined below) and you may not relocate the Franchised Business without our prior written consent, which we will not unreasonably withhold, provided: (i) you secure an alternate location for the Franchised Business within the Designated Territory (as defined below); and (ii) you reimburse us for the reasonable costs and expenses that we incur in connection with evaluating and approving the proposed relocation. If you can no longer use the location due to circumstances beyond your control, including destruction of the premises, we will not unreasonably withhold our written consent to relocate. You may not operate the Franchised Business unless you have secured an Approved Location that is within your Designated Territory and properly staffed it to meet our System standards.

### **Designated Territory**

If you purchase a Large Market territory you will typically receive a territory consisting of up to 150,000 homes built before 1990 (“Older Homes”). If you purchase a Small Market territory you will typically receive a territory consisting of up to 100,000 Older Homes. We refer to the territory we grant to you as the “Designated Territory”. The number of Older Homes will be determined based upon the figures available from the United States Census Bureau. Under certain circumstances, you may accept clients from outside your Designated Territory as long as these clients do not reside in the Designated Territory of another franchisee (unless that other franchisee consents).

Once your Franchised Business has been open and operating for a period of 6 months, the Franchised Business must generate a certain level of average Gross Sales over each rolling, 3-month period of operations (each, a “MPL Period”) in order to: (i) comply with your minimum productivity levels under your Franchise Agreement (the “Minimum Productivity Levels”) detailed more fully in the table below.

You must generate the following Minimum Productivity Levels within each Designated Territory we grant to you:

<b>LARGE MARKET MPL Period(s) at Issue</b>	<b>Minimum Productivity Level for the MPL Period (Average Monthly Gross Sales over Period)</b>
Each MPL Period once the Franchised Business has been open for a period of 6 months	\$30,000
Each MPL Period once Franchised Business has been open for a period of 1 year	\$40,000
Each MPL Period once Franchised Business has been open for a period of 2 years	\$60,000
Each MPL Period once Franchised Business has been open for a period of 3 years	\$70,000

<b>SMALL MARKET MPL Period(s) at Issue</b>	<b>Minimum Productivity Level for the MPL Period (Average Monthly Gross Sales over Period)</b>
Each MPL Period once the Franchised Business has been open for a period of 6 months	\$15,000
Each MPL Period once Franchised Business has been open for a period of 1 year	\$20,000
Each MPL Period once Franchised Business has been open for a period of 2 years	\$30,000

<b>SMALL MARKET MPL Period(s) at Issue</b>	<b>Minimum Productivity Level for the MPL Period (Average Monthly Gross Sales over Period)</b>
Each MPL Period once Franchised Business has been open for a period of 3 years	\$35,000

The continuation of your territorial rights is contingent upon achieving and maintaining your Minimum Productivity Levels. If you do not meet the applicable Minimum Productivity Levels for 3 consecutive MPL Periods, then we may: (i) terminate your Franchise Agreement; or (ii) reduce the size of your Designated Territory. We may require that you attend Remedial Training if, among other things, you fail to meet your Minimum Productivity Level in 3 or more MPL Periods (consecutive or otherwise) within any 18-month period.

If we elect to reduce the size of your Designated Territory as an alternative to terminating your Franchise Agreement, we will provide you an Addendum that details the size and boundaries of your reduced territory. You must execute this addendum within 10 days of your receipt, or your Franchise Agreement will be terminated. Once your Designated Territory is effectively reduced, we may own or operate, or license another to operate, additional USA Insulation businesses anywhere in the reduced area. If we reduce the size of your Designated Territory, you do not have the right to nor will you receive compensation for any value of the forfeited portion of your Designated Territory. If the zip codes used to define your territory should be changed in the future by the U.S. Post Office or other government agency, we may require you to execute an addendum to your Franchise Agreement to redefine the physical territory using new zip code numbers. Redefinition of your territory to comply with the U.S. Post Office or other government agency's definition does not constitute a material change to the Franchise Agreement. Except as set forth in this Item 12, we may not modify your Designated Territory for any reason other than by mutual agreement.

For so long as you are in compliance with the terms of your Franchise Agreement (including achieving and maintaining your Minimum Productivity Levels), we will not grant licenses to establish any other USA Insulation businesses that are physically located in your Designated Territory. We may establish alternate channels of distribution selling similar services and products, including e-commerce, Internet, mail order or catalogs. We are not required to pay you any compensation for soliciting or accepting orders inside your Designated Territory obtained through these alternative channels of distribution. Although at this time we have no plans to establish other franchises or company-owned or other channels of distribution selling or leasing similar products or services under a different trademark, there is nothing in the Franchise Agreement that prohibits us from doing so and we expressly reserve the right to do so. There are no geographic restrictions on soliciting or advertising for clients, except that you may not: (i) solicit or advertise within the Designated Territory of another franchisee without that franchisee's express consent and/or cooperation; (ii) solicit or advertise on the Internet without our consent; or (iii) service any client that resides within the designated territory of another USA Insulation business, unless you obtain the prior consent of the owner of that business.

### **Reservation of Rights**

Your rights under the Franchise Agreement do not include: (i) any right to offer any USA Insulation product or service via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Marks or any variation thereof; (iii) any right to sell USA Insulation merchandise via wholesale; (iv) any right to otherwise distribute, market, or implement our products and services in any channel of distribution not specifically identified in this Agreement; (v) the right to sub-license the USA Insulation franchise business in any fashion; or (vi) the right to sell any or all of your Designated Territory independent of your entire Franchised Business to another person or franchisee without our written permission.

You expressly understand and agree that we and our affiliates have the right, in our sole discretion, to: (i) own and operate franchised businesses at any location(s) outside of the Designated Territory under the Marks, or to license others the right to own and operate USA Insulation businesses at any location(s) outside of the Designated Territory under the Marks and System; (ii) the right to own and operate businesses under different marks at any location(s) inside or outside of your Designated Territory, or license to others the right to own and operate such businesses, under different marks at any location(s) inside or outside of Designated Territory; (iii) use the Marks and System in connection with services and products, promotional and marketing efforts, or related items, or in alternative channels of distribution, including the sale of any products in wholesale and retail stores, via the Internet, and through mail order catalog, without regard to location; (iv) use the Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited in this Agreement; and (v) acquire, be acquired by, or merge with other companies with existing insulation and related businesses, and other related services anywhere including inside or outside of the Designated Territory and, even if such businesses are located in the Designated Territory. You do not have any of the foregoing rights under your Franchise Agreement, and we are not required to provide you any compensation in connection with conducting any of these activities.

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.

### **Additional Disclosures**

The Franchise Agreement does not provide you with any right or option to open and operate additional Franchised Businesses. Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement. You must meet our then-current qualifications for new franchises, as set forth in our then-current Franchise Agreement, to qualify for additional businesses.




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. Neither we nor either of our affiliates have established, or presently intend to establish, any other franchised or company-owned businesses that sell our Proprietary Foam Insulation Products under a different trade name or trademark, but we reserve the right to do so in the future.

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.

## **ITEM 13 TRADEMARKS**

Under your Franchise Agreement, we will grant you a non-exclusive license to use the Marks solely in connection with your Franchised Business, and as authorized in your Franchise Agreement, our USA Insulation Operations Manual, or otherwise by us in writing. You must follow our rules when you use our Marks. We currently license you under the Franchise Agreement the Marks in the charts below.

We have registered the Marks in the immediate chart below on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	Registration No.	Registration Date
USA INSULATION COMFORT. SAVINGS. ENERGY EFFICIENCY®	3,708,154	November 10, 2009
USA INSULATION COMFORT. SAVINGS. ENERGY EFFICIENCY. (and design)® 	3,708,155	November 10, 2009
USA INSULATION®	3,495,517	September 2, 2008
USA PREMIUM FOAM INSULATION®	4,177,965	July 24, 2012
FOAM ZONE®	5,707,163	March 26, 2019
	7,323,584	March 5, 2024
	7,716,382	March 4, 2025

We have filed all required affidavits with the USPTO to maintain the registrations for the registered Marks above and to renew any of the registrations when required.

You must strictly comply with our standards, policies, specifications, rules, requirements, and instructions regarding the use of the Marks. The goodwill associated with our Marks will remain our exclusive property. All rights to use our Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of the Franchise Agreement.

You may not use all or any portion of our Marks as part of your company name and, without our prior written consent, as part of your trade name. You may not modify the Marks in any manner, including with words, designs or symbols, except those which we license to you. You may not use our Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You may not directly or indirectly, contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise system, or contest our sole right to register, use, or license others to use, our Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the words “USA Insulation” or any similar phrase.

There is no litigation pending arising out of our Marks, and we are not aware of any infringing use of our Marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court

adverse to our rights in the Marks, nor are there any pending infringement, opposition, cancellation proceedings, or material litigation, involving the Marks.

We are not a party to, or bound by, any agreement that significantly limits our rights to use or license others to use the Marks in any manner material to the franchise we offer.

You must immediately notify us, in writing, if you become aware of any unauthorized use of our Marks or other proprietary information, and you must permit us to participate in any litigation involving you and our Marks. We will take the action we think appropriate. We will indemnify and defend you up to the amount of the Initial Franchise Fee you paid under the Franchise Agreement against a claim against your use of our Marks, so long as your use of the Marks was in compliance with the Franchise Agreement and our written directives, you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We will control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Marks. We will not reimburse you for disputes where we challenge your use of a Mark.

You must modify or discontinue the use of a trademark if we modify or discontinue it. If this happens, you will be responsible for your costs of compliance (for example, changing exterior and interior signage, advertisements and promotional material, etc.). We are not obligated to reimburse you for any loss of revenue or other amounts attributable to the modified or discontinued mark or for any expenditure you incur to promote a modified or substitute mark.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own rights in, or license to, patents or any pending patent applications that are material to the franchise. Although we have not filed an application for a copyright registration for our manuals or advertising materials, we claim common law copyright in these materials and all other proprietary materials that we develop for use in connection with the System or a Franchised Business. We consider our USA Insulation Operations Manual to be confidential and require you to treat it as confidential. You must tell us when you learn about any unauthorized use of our USA Insulation Operations Manual.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. If you become aware that any unauthorized third party is using any of our copyrighted materials, you must notify us of such unauthorized use. We may revise our System and any of our copyrighted materials and may require that you cease using any outdated copyrighted material. You are responsible for printing any revised or new advertising, marketing or other business materials and for any costs associated with the change.

During our relationship, you will receive information we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement or any time after that, communicate, divulge, or use for the benefit of any other party any of these trade secrets, copyrighted materials, methods and other techniques and know-how concerning the operation of the Franchised Business (the “Confidential Information”). You may divulge Confidential Information only to your employees who must have access to it in order to perform their employment obligations. You may not use our Confidential Information or Marks, any part of the System, or any information in our manuals, for the purpose of machine learning, augmented human intelligence development, training any artificial intelligence (“AI”) model, algorithm improvement, or similar data aggregation activities. You may not input any of our Confidential Information, including any aspect of the System and any information contained in our manuals, into any generative AI platform, or disclose this information to any provider or source of generative AI services. You must opt

out of allowing any provider or source of generative AI to utilize any of these items for training of any AI model or for other purposes.

You must operate your Franchised Business in accordance with our manuals, including the USA Insulation Operations Manual and all applicable laws and regulations. We may amend or modify our manuals to reflect changes in the System. You may not copy any part of our manuals. You must keep a copy of the manuals at your Approved Location, and if there is a dispute relating to the contents of a manual, then the master copy (which we maintain at our corporate headquarters) will control. We can disclose updates to the manuals in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System.

#### **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You must personally participate in the actual operation of your Franchised Business.

Under certain conditions and with our prior approval, we may permit you to appoint a “Dedicated Manager” to handle day-to-day management of the Franchised Business on-site at the Approved Location but only after your Franchised Business has been in operation for at least 18 months. Your Dedicated Manager must complete our Initial Training Program, but we do not require that he or she have an ownership interest in you. The Dedicated Manager must be approved by us and will need to sign the form a Confidentiality and Non-compete Agreement in a form substantially similar to the form attached to your Franchise Agreement. Any replacement manager must attend and complete all required training before assuming any management responsibility in connection with your Franchised Business.

If you or your Dedicated Manager are not physically present on an Approved Vehicle or on-site at a given job, then there must be at least one Authorized Installer present if the services being provided involve the Proprietary Foam Insulation Products.

If you are an entity or partnership or you transfer your Franchise Agreement to an entity or partnership, all owners must sign a personal guaranty of all obligations under the Franchise Agreement. The form of personal guaranty is attached as an exhibit to the Franchise Agreement. We do not require your spouse or domestic partner to sign the Franchise Agreement or personal guaranty, but we do require that your spouse or domestic partner sign a Non-Disclosure and Non-Competition Agreement, attached as Exhibit K to this Disclosure Document. If your spouse or domestic partner breaches this Agreement, we can seek remedies and enforce the provisions of that Agreement against both you and your spouse or domestic partner. We can also terminate your Franchise Agreement.

#### **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must conduct your business in accordance with our USA Insulation Operations Manual and policies in order to protect our reputation and goodwill and to maintain our high standards of operation under our Marks. You must use the Approved Location solely for the operation of the Franchised Business; and must keep the Approved Location open and in normal operation for the hours and days as we may specify in the Manual or as we may otherwise approve in writing.

You are prohibited from offering or selling any products or services not authorized in writing by us. You may not have ownership or an interest in a competing business, including any operation, formal or otherwise, of a business that offers any of the products or services provided by USA Insulation Franchised

Businesses (which includes any services that affects the building envelope of a residential or commercial structure, regardless of age). You may not have ownership or an interest in a business that competes with any of our franchisor's affiliates. Any and all services you provide to your clients must be provided in accordance with the standards established by us.

You may not: (i) solicit or advertise within the designated territory of another USA Insulation franchisee without that franchisee's express consent and/or cooperation; (ii) solicit or advertise on the Internet without our consent; or (iii) service any client that resides within the designated territory of another USA Insulation business, unless you obtain the prior consent of the owner of that business. You are not permitted to distribute our products on a non-retail or wholesale basis without our prior written consent.

The only individuals that may sell or install our Proprietary Foam Insulation Products are those individuals who have first attended and completed the components of our Initial Training Program that we designate as necessary to provide those services, and have received a written notice from us acknowledging that the individual is an Authorized Installer.

You must also participate in all customer programs we require, including any gift card, gift certificate, rewards, coupon, customer satisfaction, or frequent customer, reciprocity, membership or loyalty programs. You must comply with all policies related to any these programs. We can implement pricing policies, such as maximum price policies, and minimum advertised price policies, and you must abide by these policies.

We do not impose any restrictions in the Franchise Agreement as to the clients to whom you may sell Approved Products and Services to, except as discussed above. We reserve the right to expand and otherwise modify the Approved Products and/or Approved Services that you may offer and provide through your Franchised Business (through limited trials or otherwise). There is no limit on our right to request expansion of the goods and products offered and you must offer new products and services that we introduce. We may also discontinue any products or services that we previously approved for your Franchised Business to offer and sell.

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

### **THE FRANCHISE RELATIONSHIP**

**This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of franchise term	Section 3(A)	10 years commencing on the date we sign your Franchise Agreement.
b. Renewal or extension	Section 3(B)	If you are in good standing and you meet our specified conditions, including signing our then-current franchise agreement, you may renew for one additional term equal to the then-current term we are granting to new franchisees generally.

Provision	Section in Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	Section 3(D)	In order to renew your franchise with us, you must: (i) provide timely written notice of election to renew; (ii) not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us, any of our affiliates or any of your suppliers, or have had 3 default notices during the term of your Franchise Agreement; (iii) execute our then-current franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement) and our then-current Renewal Amendment, including a general release (subject to applicable state law), the current form of which is attached to the Franchise Agreement; (iv) complete our then-current refresher training course in a timely manner; (v) pay the renewal fee; and (vi) re-image, renovate, refurbish and modernize the Approved Vehicles and Franchised Business, including the Approved Location.
d. Termination by franchisee	None	However, you may terminate on any grounds available under applicable state law.
e. Termination by franchisor without cause	Section 6 - Multi-Territory Development Addendum	If you have not begun operations under the Franchise Agreement, we can terminate it if we terminate another of your Franchise Agreements under a Multi-Territory Development Addendum. Otherwise, no termination without cause.
f. Termination by franchisor with cause	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart (subject to applicable state law).
g. "Cause" defined – curable defaults	Section 15(C)	Your Franchise Agreement may be terminated based on the following defaults: (i) if you fail to cure any of the following defaults after 10 days' notice: (a) fail to offer only Approved Products; (b) purchase or sell any non-approved item or service; (c) fail to purchase any item from the appropriate Approved Supplier(s), and (d) fail to cure any monetary default; (ii) fail to provide us with access to the Computer System and fail to remedy this default within 48 hours; (iii) fail to comply with any applicable law; (iv) fail, after 10 days' notice, to obtain any necessary license or permit; or (v) you fail to meet the Minimum Productivity Levels for 3 consecutive MPL Periods.
	Section 15(C)(xxii)	Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults within 10 days of being provided with notice of your default(s).
h. "Cause" defined – non-curable defaults	Section 15(B)	Your Franchise Agreement may be terminated automatically and without notice from us if: (i) you become insolvent or make a general assignment for the benefit of creditors; (ii) a bankruptcy petition is filed by or against you and not dismissed within 30 days; (iii) a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business; (iv) a receiver or custodian of your assets of property is appointed; (v) a final judgment in the

Provision	Section in Franchise Agreement	Summary
	Section 15(C)	<p>amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); (vi) a party signing the Spousal Non-Disclosure and Non-Competition Agreement breaches it; and (vii) you attempt to make a transfer in violation of your Franchise Agreement; or; (vii) you withhold our access to accounting and financial systems or data, revoke any electronic-funds transfer or direct debit authorization, or initiate any stop payment against us.</p> <p>Your Franchise Agreement may be terminated with notice but without an opportunity to cure if you: (i) commit any fraud or misrepresentation in the establishment or operation of the Franchised Business; (ii) or any of your required attendees fails to attend and complete the Initial Training Program to our satisfaction; (iii) receive 3 or more notices to cure the same or similar defaults within any 12-month period; (iv) you violate the in-term restrictive covenant; (v) misuse the Marks or Confidential Information; (vi) misuse any software we or our affiliate provide to you; (vii) default under any other agreement with us, our affiliate(s) or any Approved Supplier and such default is not cured according to the agreement; (viii) default under your lease; (ix) fail to open the Franchised Business in the time required; (x) abandon the Franchised Business; (xi) are convicted of a felony or other crime that adversely affects the System; (xii) take for your own personal use the assets or property of the Franchised Business; (xiii) do not have sufficient funds in your EFT Account 3 or more times in any 12-month period to cover amounts you owe us in any month; (xiv) commit repeated violations of any applicable laws; (xv) on 3 or more occasions, fail to comply with the standards and specifications in our manuals during any 18 month period, whether or not these failures were timely cured; or (xvi) default under your Franchise Agreement and we exercise our right to unilaterally decrease the size of your Designated Territory or license others to operate in your Territory and you refuse to sign an amendment to that effect in a timely manner.</p>
	Section 7 - Multi-Territory Development Addendum	<p>If Franchise Agreement includes a Multi-Territory Development Addendum and we terminate the Franchise Agreement because you miss the development deadline or for any other reason after you commence operations, we can also terminate all other Franchise Agreements where operations have not been commenced.</p>
i. Franchisee's obligations on termination/ non-renewal	Section 16	<p>Upon termination or expiration of the Franchise Agreement, your obligations include: (i) cease ownership and operation of the Franchised Business and cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; (ii) return of the USA Insulation Operations Manual or any other Confidential</p>

Provision	Section in Franchise Agreement	Summary
		Information to us; (iii) assign to us all approved services contracts, telephone/fax numbers and domain names; (iv) cease the use of the Marks and trade dress and client lists; (v) comply with all post-term restrictive covenants; (vi) pay us and our Approved Suppliers any amounts owed; (vii) provide us with written confirmation of compliance with these obligations within 30 days; (viii) cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee, (ix) comply with our purchase option if we exercise it.
j. Assignment of contract by franchisor	Section 13(G)	No restriction on our right to assign.
k. "Transfer" by Franchisee – defined	Section 13(A) and Section 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you (as the Franchisee).
l. Franchisor's approval of transfer by franchisee	Section 13(A)	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
m. Conditions for franchisor's approval of transfer	Section 13(E)	We can impose the following conditions on any transfer by you: (i) all of your accrued monetary obligations under the Franchise Agreement have been satisfied; (ii) you cure all existing defaults under the Franchise Agreement; (iii) you or the transferee enter into a transfer agreement approved by us; (iv) the transferee must meet our then-current qualifications and criteria for a new franchisee; (v) the transferee executes our then-current franchise agreement; (vi) you or the transferee pays us a transfer fee; (vii) the transferee satisfactorily completes our Initial Training Program; (viii) you must comply with all post-termination provisions of the Franchise Agreement; (ix) the transferee must obtain all permits and licenses required for the continued operation of the Franchised Business; (x) all applicable lessors consent to the proposed transfer; (xi) the transfer is made in compliance with all applicable laws; and (xii) the parties must sign our then-current Conditional Consent to Transfer Agreement, including a general release, the current form of which is attached as Exhibit L to this Disclosure Document, and satisfy all of its terms (subject to state law).
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13(D)	If (i) you propose to transfer any of your interest in the Franchise Agreement or Franchised Business or any interest in your lease for the Approved Location, or (ii) your owners propose to transfer any interest in you (if you are an entity), except in certain circumstances (death/disability or transfer from individual franchisee to business entity), then you must first offer to sell the interest to us on the same terms and conditions as offered by the third party. If we do not exercise this right, then you will have 90 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer

Provision	Section in Franchise Agreement	Summary
		change in any way, then we will have another 30 days to exercise our right of first refusal.
o. Franchisor's option to purchase franchisee's business	Section 16(H)	Upon expiration or termination of the Franchise Agreement, we have the option to purchase your assets at net depreciated book value.
p. Death or disability of franchisee	Section 13(B)	<p>You will have a period of 180 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our Initial Training Program and signs our then-current franchise agreement for the remainder of your term.</p> <p>During this 180-day period, we may step-in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with the operation on your behalf. We are not under any obligation to step-in and operate your business during this period.</p>
q. Non-competition covenants during the term of the franchise	Section 14(A)	<p>Neither you, your principals, guarantors, owners or Dedicated Managers, nor any immediate family member, may: (i) own, operate, or otherwise be involved with a Competing Business or that grants franchises or license for a Competing Business or any business that competes with any of our franchisor affiliates; or (ii) divert, or attempt to divert, any prospective client to a Competing Business (subject to state law).</p> <p>A "Competing Business" means any business that offers, sells or provides any of the products we have authorized (including spray foam insulation, blown insulation or batten insulation) or services we have authorized (including the installation of any insulation products) that are offered or provided by your business and/or other of our franchisees.</p>
r. Non-competition covenants after the franchise is terminated or expires	<p>Section 14(B)(1)</p> <p>Section 14(B)(2)</p>	<p>For a period of 2 years after the termination, expiration, or transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Dedicated Managers, nor any immediate family member, may own, operate or otherwise be involved with any business that competes with us by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of any Competing Business. May not directly or indirectly work with or for or be affiliated with a Competing Business. The restriction applies in any location where we have offered or sold franchises as of the date of termination or expiration.</p> <p>For a period of 2 years after the termination, expiration, or transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Dedicated Managers, nor any immediate family member, may own, operate or otherwise be involved with any Competing Business: (i) within your Designated Territory, including at the Approved Location; (ii) within a 60 mile radius of your Designated Territory; (iii) within a 60 mile radius of any Franchised Business that is</p>

Provision	Section in Franchise Agreement	Summary
		<p>open and operating as of the date your Franchise Agreement expires and/or is terminated; (iv) within a 60-mile radius of any other designated territory that has been granted by us in connection with any Franchised Business as of the date your Franchise Agreement expires, is assigned, or is terminated, regardless of whether a Franchised Business is open and operating in that designated territory.</p> <p>During this 2-year period, these parties are also prohibited from: (i) soliciting business from clients of your former Franchised Business; or (ii) contacting any of our suppliers/vendors for a Competitive Business purpose (subject to applicable state law).</p>
s. Modification of the agreement	Section 2(F), 18(C), and 18(D)	Must mutually agree on any modifications to the Franchise Agreement but we may unilaterally modify the System and USA Insulation Operations Manual.
t. Integration/ merger clause	Sections 18(C) and 22	Only the terms of the Franchise Agreement are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 21(B) and Section 21(C)	Except for certain claims, all disputes must first be submitted to mediation. If the mediation is unsuccessful, all continuing disputes must be arbitrated before the American Arbitration Association closest to our principal office. (subject to applicable state law).
v. Choice of forum	Sections 21(F) and 21(G)	Litigation in state or federal courts of state in which our principal office is located (Subject to applicable state law).
w. Choice of law	Section 21(I)	The Franchise Agreement is governed by the laws of the state of Ohio (subject to applicable state law).

## ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

As of December 31, 2024 there were 55 franchises operating a total of 109 designated territories in the USA Insulation franchise system. Excluded from this number is 4 franchises who operated a total of 10 territories that permanently closed as USA Insulation businesses in 2024. None of these franchises operated for less than 12 months before closing.

The information in the tables below is derived from 41 USA Insulation franchises operating a total of 79 designated territories, and with respect to the last table, our affiliate-owned USA Insulation business. The first of these Franchised Businesses opened in 2008 and the latest opened in 2023. Excluded from the tables below is information from 8 franchises with 17 territories that did not operate for the entire 12-month period ended December 31, 2024. We also excluded 6 franchises who failed to provide us with the data disclosed in this Item 19.

This Item sets forth certain historical financial data derived from data reported to us for the calendar year ended December 31, 2024 in three tables:

- The first table provides 2024 average Gross Sales information for all 41 franchises.
- The second table provides this same information and certain cost information for these same 41 franchisees, but we have placed them in quartiles in descending order based on their individual Gross Sales for 2024.
- The third table provides the same information provided in the second table but only for our affiliate-owned location for 2024.

#### 2024 Gross Sales<sup>1</sup> Information

Average	High/Low:	Median:	Number/% that Met/Exceeded Average:
\$2,437,318	\$5,060,986 / \$216,180	\$1,116,695	7/ 17%

#### First Quartile

Franchise	No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>2</sup>
Franchise #1	5	\$5,060,986	5%	8%	15%	11%
Franchise #2	2	\$4,477,733	6%	13%	10%	16%
Franchise #3	3	\$3,362,406	2%	23%	10%	14%
Franchise #4	3	\$3,211,321	7%	11%	11%	14%
Franchise #5	2	\$2,969,890	7%	11%	11%	14%
Franchise #6	2	\$2,868,529	4%	6%	9%	28%
Franchise #7	1	\$2,657,067	5%	16%	7%	13%
Franchise #8	1	\$2,355,007				
Franchise #9	3	\$2,269,429	5%	8%	15%	11%
Franchise	1	\$2,248,319	11%	8%	11%	11%

Franchise	No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>2</sup>
#10						
Franchise #11	7	\$2,126,254				
Average Gross Sales: \$3,055,176						
Median Gross Sales: \$2,868,529						
No./% that Met or Exceeded Average Gross Sales: 4/36%						
High/Low Gross Sales: \$5,060,986 / \$2,126,254						

### Second Quartile

Franchise	No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>2</sup>
Franchise #12	3	\$2,018,618	6%	14%	13%	12%
Franchise #13	1	\$1,954,256	8%	8%	20%	8%
Franchise #14	1	\$1,924,680	0%	25%	7%	15%
Franchise #15	2	\$1,706,443	14%	16%	12%	10%
Franchise #16	2	\$1,618,328	5%	8%	15%	11%
Franchise #17	1	\$1,500,000	9%	25%	13%	16%
Franchise #18	1	\$1,480,098	5%	8%	15%	11%
Franchise #19	5	\$1,446,334				
Franchise	1	\$1,415,275	6%	13%	9%	18%

Franchise	No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>2</sup>
#20						
Franchise #21	2	\$1,369,047	7%	11%	11%	14%
Average Gross Sales: \$1,643,308						
Median Gross Sales: \$1,559,164						
No./% that Met or Exceeded Average Gross Sales: 4/40%						
High/Low Gross Sales: \$2,018,618 / \$1,369,047						

### Third Quartile

Franchise	No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>2</sup>
Franchise #22	1	\$1,325,632	11%	8%	11%	14%
Franchise #23	2	\$1,244,401	5%	8%	15%	11%
Franchise #24	3	\$1,116,695	4%	10%	8%	22%
Franchise #25	1	\$1,085,759	4%	10%	9%	22%
Franchise #26	1	\$1,062,285	6%	16%	8%	12%
Franchise #27	1	\$1,014,138	7%	8%	11%	14%
Franchise #28	1	\$980,235				
Franchise #29	3	\$905,961	4%	16%	11%	28%
Franchise	3	\$859,633	1%	11%	3%	22%

Franchise	No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>2</sup>
#30						
Franchise #31	2	\$845,718	7%	9%	9%	14%
Average Gross Sales: \$1,044,046						
Median Gross Sales: \$1,038,212						
No./% that Met or Exceeded Average Gross Sales: 5/50%						
High/Low Gross Sales: \$1,325,632 / \$845,718						

#### Fourth Quartile

Franchise	No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>2</sup>
Franchise #32	1	\$750,868				
Franchise #33	2	\$741,936	4%	18%	9%	10%
Franchise #34	1	\$702,127	6%	14%	0%	26%
Franchise #35	2	\$656,425				
Franchise #36	1	\$636,045	4%	16%	11%	28%
Franchise #37	1	\$597,967	4%	22%	9%	9%
Franchise #38	1	\$542,878	5%	16%	2%	15%
Franchise #39	1	\$423,514	4%	12%	8%	20%
Franchise	2	\$302,123	4%	16%	11%	28%

Franchise	No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>2</sup>
#40						
Franchise #41	1	\$216,180	4%	36%	5%	67%
Average Gross Sales: \$557,006						
Median Gross Sales: \$617,006						
No./% that Met or Exceeded Average Gross Sales: 6/60%						
High/Low Gross Sales: \$750,868 / \$216,180						

#### Affiliate-owned Business

No. of Territories	Gross Sales <sup>1</sup>	Cost of Proprietary Foam Products as a % of Gross Sales <sup>2</sup>	Cost of Goods as a % of Gross Sales <sup>2</sup>	Cost of sales commissions as a % of Gross Sales <sup>2</sup>	Cost of Labor as a % of Gross Sales <sup>1, 2</sup>
3	\$3,840,742	9%	16%	16%	12%

#### NOTES:

1. “Gross Sales” as used in this Item 19 has the same meaning as “Gross Sales” disclosed in Item 6 of this Disclosure Document and as is used in the Franchise Agreement. “Costs of Goods” includes all insulation products other than our Proprietary Foam Insulation products that a franchisee would ordinarily purchase. “Cost of Sales Commissions” is the amounts paid to sales personnel on client sales. “Cost of Labor” is the amounts for payroll for installation technicians (excluding benefits). These costs to franchisees have been reported to us by our reporting franchisees discussed in the chart above. The items in the chart above related to percentage of Gross Sales were determined by taking the total amount of the applicable cost for that outlet and dividing it against the Gross Sales for that outlet.

2. The information in this Item 19 does not reflect all costs of sales, operating expenses or other costs or expenses that must be deducted from the sales figures to calculate net income or profit.

3. The dollar amounts shown in this Item 19 have been rounded to the nearest dollar and the percentages have been rounded to the nearest full percentage point.

Written substantiation of the data used in preparing this information will be made available upon reasonable request. Except for the corporate-owned location, the information contained in this Item was reported to us by our franchisees.

**Some outlets have sold/earned these amounts. Your individual results may differ. There is no assurance you'll sell/earn as much.**

Other than the preceding financial performance representation, 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 our management by contacting Kelli Schroeder at 17700 Saint Clair Avenue, Cleveland, Ohio 44110, telephone (617) 997-4729., the Federal Trade Commission and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1  
System-wide Outlet Summary For Years 2022 through 2024<sup>1</sup>**

(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
<b>Franchised</b>	2022	59	91	+32
	2023	91	102	+11
	2024	102	109	+7
<b>Company-Owned</b>	2022	1	1	0
	2023	1	1	0
	2024	1	1	0
<b>Total Outlets</b>	2022	60	92	+32
	2023	92	103	+11
	2024	103	110	+7

<sup>1</sup> For purposes of this Table each franchisee's Designated Territory under a Franchise Agreement is considered a "Franchised Outlet".

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2022 through 2024<sup>1</sup>**

(Column 1) State	(Column 2) Year	(Column 3) Number of Transfers
<b>Idaho</b>	2022	1
	2023	0
	2024	0
<b>Illinois</b>	2022	2
	2023	0
	2024	0
<b>Maryland</b>	2022	0
	2023	2
	2024	0

(Column 1) State	(Column 2) Year	(Column 3) Number of Transfers
Pennsylvania	2022	5
	2023	0
	2024	0
Tennessee	2022	0
	2023	0
	2024	1
Texas	2022	1
	2023	0
	2024	1
Washington	2022	0
	2023	0
	2024	3
Wisconsin	2022	0
	2023	0
	2024	1
Virginia	2022	0
	2023	1
	2024	0
Total	2022	9
	2023	3
	2024	6

<sup>1</sup> For purposes of this Table each franchisee’s Designated Territory under a Franchise Agreement is considered a “Franchised Outlet”.

**Table No. 3**  
**Status of Franchised Outlets For Years 2022 through 2024<sup>1</sup>**

(Col. 1) State	(Col. 2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Terminations	(Col. 6) Non- Renewals	(Col. 7) Reacquired by Franchisor	(Col. 8) Ceased Operations- Other Reasons	(Col. 9) Outlets at End of Year
AZ	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
CT	2022	0	1	0	0	0	0	1
	2023	1	6	0	0	0	0	7
	2024	7	0	0	0	0	0	7
CO	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
FL	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	4	0	0	0	0	7
GA	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3

(Col. 1) State	(Col. 2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Terminations	(Col. 6) Non- Renewals	(Col. 7) Reacquired by Franchisor	(Col. 8) Ceased Operations- Other Reasons	(Col. 9) Outlets at End of Year
ID	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IL	2022	1	2	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	2	2	0	0	0	3
IN	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	2	2	0	0	0	5
KY	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	1	0	0	0	1
MD	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MI	2022	13	4	0	0	0	0	17
	2023	17	0	0	0	0	0	17
	2024	17	0	0	0	0	0	17
MN	2022	0	3	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
MO	2022	0	4	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	4	0	0	0	0
NH	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NY	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4
NC	2022	1	2	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4
OH	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
OK	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
PA	2022	6	2	0	0	0	0	8
	2023	8	2	0	0	0	0	10
	2024	10	0	0	0	0	0	10

(Col. 1) State	(Col. 2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Terminations	(Col. 6) Non- Renewals	(Col. 7) Reacquired by Franchisor	(Col. 8) Ceased Operations- Other Reasons	(Col. 9) Outlets at End of Year
RI	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
TN	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
TX	2022	8	2	0	0	0	0	10
	2023	10	0	0	0	0	0	10
	2024	10	0	1	0	0	0	9
UT	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
VA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WA	2022	1	3	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
WV	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WI	2022	0	5	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
<b>Totals</b>	2022	59	32	0	0	0	0	91
	2023	91	11	0	0	0	0	102
	2024	102	17	10	0	0	0	109

<sup>1</sup> For purposes of this Table, each franchisee's Designated Territory granted under a Franchise Agreement is considered a "Franchised Outlet".

**Table No. 4**  
**Status of Company-Owned Outlets For Years 2022 through 2024**

(Col. 1) State	(Col. 2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Outlets Reacquired From Franchisee	(Col. 6) Outlets Closed	(Col. 7) Outlets Sold to Franchisee	(Col. 8) Outlets at End of Year
Ohio <sup>1</sup>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
<b>Totals</b>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1

<sup>1</sup> This outlet is owned and operated by our affiliate.

**Table No. 5 Projected Openings**  
**As of December 31, 2024**

(Column 1) State	(Column 2) Franchise Agreements Signed But Outlet Not Opened as of December 31, 2024 <sup>1</sup>	(Column 3) Projected New Franchised Outlets in 2025	(Column 4) Projected New Company- Owned Outlets In 2025
CO	2	0	0
MN	2	0	0
NC	0	3	0
OH	0	3	0
SC	1	0	0
TX	3	0	0
WV	0	1	0
<b>Totals</b>	8	7	0

<sup>1</sup> For purposes of this Table, each franchisee's Designated Territory granted under a Franchise Agreement is considered a "Franchised Outlet".

Exhibit G lists the names of all franchisees as of December 31, 2024 and the addresses and telephone numbers of their outlets. Exhibit H lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year ending December 31, 2024, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. There are 8 franchisees listed on Exhibit H. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In the past 3 years, some of our current and former franchisees have signed agreements with us that contain provisions that restrict their ability to speak openly about certain aspects of their experience with us and/or our System. You may wish to speak with current and former franchisees but be aware that not all of those franchisees will be able to communicate with you regarding certain aspects of their experience.

We do not currently have any trademark specific organizations associated with the franchise system being offered that we have created, sponsored or endorsed.

## **ITEM 21 FINANCIAL STATEMENTS**

Included as Exhibit C are the audited consolidated financial statements of our parent, HS Group Holding Company, LLC, for the years ended December 31, 2024, 2023 and 2022. We have also included the unaudited Balance Sheet and Income Statement of HS Group Holding Company, LLC, as of, and for the period ended, March 31, 2025. Our parent, HS Group Holding Company, LLC guarantees our performance under the Franchise Agreement (see Exhibit C).

## **ITEM 22 CONTRACTS**

The following agreements and other required exhibits are attached to this disclosure document:

- Exhibit A: USA Insulation Franchise, LLC Franchise Agreement (and Exhibits, including Personal Guaranty, EFT Authorization Form, Confidentiality and Restrictive Covenant Agreement, Conditional Assignment of Telephone/Facsimile Numbers and Domain Names, Franchise Option Amendment, Promissory Note, Renewal Amendment, Multi-Territory Development Addendum, and Novation Agreement)
- Exhibit J: Conversion Franchise Addendum
- Exhibit K: Spousal Non-Disclosure and Non-Competition Agreement
- Exhibit L: Conditional Consent to Transfer Agreement

## **ITEM 23 RECEIPTS**

You will find two copies of a detachable receipt at the end of this Disclosure Document. Please sign and date both copies of the receipt and return one to us at:

USA Insulation Franchise, LLC 17700 Saint Clair Avenue Cleveland, Ohio 44110; Phone: (440) 951-6800;  
Fax: (440) 951-6800

**EXHIBIT A**



**USA INSULATION FRANCHISE, LLC**

**FRANCHISE AGREEMENT**

**DATE:** \_\_\_\_\_

**USAI # -** \_\_\_\_\_

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## **EXHIBITS**

Exhibit A: Data Sheet and Statement of Ownership

Exhibit B: Personal Guaranty

Exhibit C: EFT Authorization Form

Exhibit D: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names

Exhibit E: Franchise Option Amendment

Exhibit F: Promissory Note

Exhibit G: Renewal Amendment

Exhibit H: Multi-Territory Development Addendum

Exhibit I: Novation Agreement

**USA INSULATION FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “Agreement”) is made and entered into as of \_\_\_\_\_ (“Effective Date,”) by and between: (i) **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal business address at 17700 Saint Clair Avenue, Cleveland, OH 44110 (the “Franchisor”); and (ii) \_\_\_\_\_, [an individual] or a [corporation / limited liability company] established in the State of \_\_\_\_\_ with a primary [residence] / [principal place of business] at \_\_\_\_\_ (the “Franchisee”).

**BACKGROUND**

A. Franchisor and its affiliate, as a result of the expenditure of time, skill, effort, and money, has developed and owns a unique system (the “System”) related to the development, opening, and ongoing operation of a business that offers and provides various types of insulation-related products and services that Franchisor authorizes now or in the future (collectively, the “Approved Products” and “Approved Services”, as applicable), including proprietary injection foam, polyurethane spray foam, blown fiberglass insulation, rolled/batten fiberglass insulation and other energy efficient products and the corresponding installation services to existing residential homes or commercial buildings (each, a “Client”). For purposes of this Agreement, each such business will be referred to herein as a “USA Insulation Business” or “Franchised Business.”

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a USA Insulation Business; standards and specifications for the supplies, inventory and methodology associated with storing, preparing, offering and providing each type of Approved Product and Approved Service; advertising; marketing; standards and specifications for equipment; customize designed chemicals, equipment, and other services; basic standards typically used as the premises for a USA Insulation Business; standards and specifications for the furniture, fixtures and equipment, including computer hardware and system, that must be used in connection with a Franchised Business; established relationships with approved or designated suppliers for certain products and services that must be utilized in connection with a Franchised Business, including certain proprietary and/or branded items; proprietary training programs, courses and training materials; Franchisor’s confidential and proprietary operations manual and, at Franchisor’s option, other instructional manuals that have been reduced to writing (collectively, the “Manuals”); and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Franchised Business. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information that makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the System or are contained in the relevant manuals are proprietary and confidential.

C. The System and Franchised Businesses are primarily identified by the mark USA INSULATION, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Franchised Business utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor's high and uniform standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single Franchised Business and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Franchised Business based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

**1. REPRESENTATIONS OF FRANCHISEE**

- A. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were true, complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing with Franchisee expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information. Franchisee states that Franchisee and Franchisee's owners are not presently involved in any business activity that could be considered competitive in nature with a Franchised Business, unless heretofore disclosed to Franchisor in writing.
- B. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency that would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- C. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a Franchised Business; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.
- D. Franchisee agrees and acknowledges as follows:
  - 1. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent

contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

2. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor, nor vice versa.

## 2. **GRANT OF FRANCHISE**

- A. **Grant of Franchise.** Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single Franchised Business (the "Franchised Business").
- B. **Approved Location.** Unless Franchisor approves otherwise in writing, Franchisee will be required to operate the Franchised Business from the approved premises within the Designated Territory as set forth on Exhibit A hereto (the "Approved Location"), Franchisee may not relocate the Franchised Business without Franchisor's prior written consent. Franchisee will be required to reimburse Franchisor for reasonable costs and expenses Franchisor incurs in connection with evaluating and approving any proposed relocation.
- C. **Designated Territory.** Franchisee shall only have the right to operate the Franchised Business and offer/provide the Approved Products and Approved Services in connection with homes that are located within the designated territory set forth in Section 2 of Exhibit A (the "Designated Territory"). For so long as Franchisee is in compliance with this Agreement, Franchisor will not open or operate, or license a third party the right to open or operate, any other USA Insulation Business that is physically located within the Designated Territory.
- D. **Rights Not Granted.** Franchisee acknowledges and agrees that this Agreement does not grant Franchisee any right or option to open any additional Franchised Businesses nor does this Agreement provide Franchisee with any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Approved Location and within the Designated Territory. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Franchised Businesses, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.
- E. **Reservation of Rights.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) own and operate franchised businesses at any location(s) outside of the Designated Territory under the Proprietary Marks, or to license others the right to own and operate a Franchised

Business at any location(s) outside of the Designated Territory; (ii) the right to own and operate businesses under different marks at any location(s) inside or outside of the Designated Territory, or license to others the right to own and operate such businesses, under different marks at any location(s) inside or outside of the Designated Territory; (iii) use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts, or related items, or in alternative channels of distribution, including the sale of any USA Insulation products in wholesale and retail stores, via the Internet, and through mail order catalog, without regard to location; (iv) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System to engage in any other activities not expressly prohibited in this Agreement; and (v) acquire, be acquired by, or merge with other companies with existing insulation and related businesses, and other related services anywhere (including inside or outside of the Designated Territory), even if such businesses are located in the Designated Territory, and to continue the operation of such existing or related businesses even if they are located in the Designated Territory.

- F. **Modification of System.** Franchisee acknowledges and agrees that from time to time Franchisor may change or modify the System standards and Franchisor's business in any manner that is not expressly and specifically prohibited by this Agreement including, but not limited to, the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new computer programs and systems, new types or brands of products or services, new equipment requirements or new techniques, and that Franchisee will accept, use and display for the purpose of this Agreement any such changes in the System, as if they were part of this Agreement at the time of execution. Whenever Franchisor has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, Franchisor may make such decision or exercise Franchisor's right and/or discretion on the basis of Franchisor's judgment of what is in Franchisor's best interests, including without limitation Franchisor's judgment of what is in the best interests of the System, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised. Franchisee shall not change, modify or alter in any way any material aspect of the System, without Franchisor's prior written consent.

### 3. **TERM AND RENEWAL**

- A. **Term.** This Agreement shall begin on the Effective Date and shall continue for a period of ten (10) years thereafter, unless terminated earlier in accordance with the terms of this Agreement.
- B. **Renewal.** Franchisee may be eligible to renew its franchise to operate the Franchised Business granted hereunder for an additional term equal to the then-current term Franchisor is granting for new USA Insulation franchises as of such time, but only if Franchisee meets all conditions of renewal set forth in Section 3(D). Franchisor has the absolute right to refuse to renew or extend the term of the Franchised Business granted in this Agreement if Franchisee has, during the term of this Agreement, received three (3) or more notices of default, whether or not Franchisee has subsequently cured such default.
- C. Franchisee must notify Franchisor that Franchisee intends to seek renewal of the franchise for the Franchised Business by providing written notice not less than six (6)

months prior to the expiration of the term of this Agreement. Failure to provide the required notice shall act as a waiver of Franchisee's option to renew.

**D.** Franchisee may be eligible to renew the franchise for the Franchised Business if Franchisee:

- (i) Provides Franchisor with the notice required under Section 3(C); and
- (ii) Is not in default under this Agreement, or any other agreement ancillary hereto as of the date of the notice; and
- (iii) Has not received three (3) or more notices of default during the term of this Agreement, regardless of whether Franchisee cured the default(s); and
- (iv) Has timely paid all Royalties Fees, Brand Fund Fees and any other amounts due and owing to Franchisor and any of its affiliates; and
- (v) Is not in default beyond the applicable cure period with Franchisor or any of its affiliates or any of Franchisee's vendors or suppliers; and
- (vi) At Franchisee's sole cost and expense, re-image, renovate, refurbish, and modernize the Approved Vehicles, the Approved Location and other aspects of the Franchised Business as necessary to meet Franchisor's then-current System standards, specifications, and design criteria.
- (vii) Enter into the then-current form of franchise agreement offered by Franchisor, which may contain terms different from those contained herein including, but not limited to, different performance standards, renewal terms, royalty structures or fees, and territory and our then-current renewal amendment, the current form of which is attached as Exhibit G to this Agreement; and
- (viii) Pay the renewal fee of twenty percent (20%) of the then-current initial franchise fee.

**E.** If Franchisee continues to operate after the end of the term of this Agreement, Franchisee shall be deemed to be operating on a month-to-month basis under the terms and conditions of this Agreement. In such circumstances, and notwithstanding the foregoing, Franchisor may on ten (10) days written notice, terminate this Agreement and Franchisee's right to operate the Franchised Business.

**4. FEES AND PAYMENTS**

**A. Fees.** In consideration of the rights and license granted herein, Franchisee agrees and acknowledges that it must pay the following amounts to Franchisor or its affiliate, as noted below:

1. *Initial Franchise Fee.* Upon execution of this Agreement, an initial franchise fee (the "Initial Franchise Fee") of either Fifty-Five Thousand Dollars (\$55,000) or Forty-Five Thousand Dollars (\$45,000) respectively depending upon whether Franchisee is being granted a "Large Market" or "Small Market" Designated Territory. The Initial Franchise Fee is due and payable upon

execution of this Agreement, unless Franchisee is financing the Initial Franchise Fee, in which case Franchisee shall execute the Promissory Note attached as Exhibit F to this Agreement. Except as set forth in an addendum to this Agreement, the Initial Franchise Fee shall be non-refundable.

2. *Truck Upfit Package.* Upon execution of this Agreement Franchisee shall purchase from Franchisor's affiliate, certain proprietary materials and equipment, that will be used in the operation of the Franchised Business, including without limitation certain equipment necessary to up-fit the initial truck Franchisee must purchase in connection with establishing the Franchised Business (the "Truck Upfit Package"). Amounts due for the Truck Upfit Package shall be paid at the time and by the method specified by Franchisor. Franchisee must also purchase any and all other items and services necessary to establish, open, and operate the Franchised Business in accordance with Franchisor's standards and specifications (including the computer hardware and software that Franchisor designates). Franchisee may not make any changes to any of the equipment or products provided to Franchisee unless Franchisor provides its prior written consent. Franchisee may never sell equipment from the Truck Upfit Package to anyone other than Franchisor or, if approved by Franchisor, another franchisee of Franchisor.
3. *Proprietary Foam Insulation Products.* Franchisee must purchase from Franchisor's affiliate, Franchisor's proprietary foam insulation formulation products (both resin and foaming agent) necessary to service Franchisee's Clients within the Designated Territory (collectively, the "Proprietary Foam Insulation Products"). Franchisee shall place its initial order of Proprietary Foam Insulation Products (ordering amounts sufficient to operate for at least three (3) months) upon execution of this Agreement or as otherwise directed by Franchisor. Franchisee shall then purchase additional Proprietary Foam Insulation Products in such amounts and on such schedule as necessary to service its Clients and according to such purchasing schedules and requirements as Franchisor may impose in its standards and specifications. Amounts due for these items shall be paid at the time or times specified by Franchisor and shall be nonrefundable.
4. *Definition of Gross Sales.* In addition to the fees above, Franchisee will be required to pay Franchisor certain ongoing fees based on "Gross Sales". As used in this Agreement, "Gross Sales" include all: (a) revenue from the sale of all products and performance of services from or through the Franchised Business, whether for cash, credit or barter, and regardless of collection in the case of credit, and income of every kind and nature related to the Franchised Business; and (b) any rebates or other consideration that Franchisee receives from third-party vendors/suppliers. Gross Sales will not include monies that are collected and submitted by Franchisee for the transmittal to the appropriate taxing authority. In computing Gross Sales, Franchisee shall be permitted to deduct the amount of cash refunds to, and coupons used by Clients at or prior to the time the Client has paid the full balance owed to Franchisee, provided such amounts have been included in sales. In the event Franchisee participates in any discount program, including, but not limited to, Groupon (which Franchisor must approve in writing), Gross Sales will include the full retail value of the goods or services rendered before any discounts or commission.

5. *Royalty Fee.* Once the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee will pay Franchisor a continuing monthly Royalty Fee in the amount equal to the greater of: (i) five percent (5%) of Gross Sales of the Franchised Business from the preceding month; or (ii) One Thousand Dollars (\$1,000) per month (collectively, the “Royalty Fee”), unless otherwise modified by an addendum to this Agreement. Payment shall be due on the date and as directed by Franchisor in its standards and specifications.
6. *Brand Fund Fee.* Franchisor has established a System-wide Brand Fund (“Brand Fund”). Franchisee shall make monthly contributions to the Brand Fund amounting to the greater of: (i) two percent (2%) of the Gross Sales of the Franchised Business from the preceding month; or (ii) five hundred dollars (\$500) per month (the “Brand Fund Fee”). Payment shall be due on the date and as directed by Franchisor in its standards and specifications.
7. *Technology Fee.* Franchisee shall pay Franchisor a monthly Technology Fee of \$500, or if this Agreement is for a Franchised Business that will operate in a territory that is adjacent and contiguous to the territories of one or more of Franchisee’s operating USA Insulation franchises, and which operates out of the same location as such adjacent and contiguous territory, the Technology Fee shall be reduced to \$300 per month. The Technology Fee shall be due and payable at the same time as the Royalty Fee.
8. *Other Amounts.* The other amounts detailed in this Agreement that Franchisee will be required to expend on are: (a) local advertising and promotion of the Franchised Business; (b) training/tuition fees; (c) evaluation costs; (d) ongoing software licensing fees for software that Franchisor designates for use in connection with the Franchised Business; and (e) marketing materials, inventory and/or other supplies that must be purchased on an ongoing basis in accordance with Franchisor’s System standards and specifications. Franchisor may require Franchisee to purchase any of the foregoing items or services from Franchisor, its affiliate or another supplier that Franchisor approves and/or designates.
9. *Increases.* Franchisor shall have the right to increase any fees charged under this Agreement, except for the Royalty Fee, the Minimum Royalty, and the Brand Fund Fee. Franchisor may not increase any fee or other amount more than once each calendar year. Except as set forth below, such increase shall not exceed ten percent (10%) of the then-current fee or other amount for such year. Adjustments are compounded annually and cumulative including increases in any given year of greater than ten percent (10%) to adjust for prior years when no increase was implemented or an increase of less than ten percent (10%) was made. Franchisor shall provide thirty (30) days notice of any such changes. The annual adjustment cap discussed above is not applicable to any fee that is “optional”, meaning that it is charged by Franchisor or a third party for a service or product that Franchisee is not required to purchase or use under the terms of this Agreement. It also does not apply to fees or other charges where Franchisor or an affiliate are collecting fees or other amounts on behalf of third-party suppliers

10. *Timing; Refundability.* Unless otherwise stated herein, all fees in this Agreement shall be due and payable beginning with the month in which the Franchised Business commences operations in the Territory and shall continue for each month thereafter during the term of this Agreement. All fees and other amounts set forth herein are deemed fully earned and are nonrefundable, unless otherwise stated in this Section. If the due date of any payment is not a business day, the due date shall be the next immediate business day.

**B. Method of Payment; Bank Accounts.**

1. *Method of Payment.* With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor, its affiliates, and designated vendors and suppliers, under this Agreement through an electronic funds transfer program (the “EFT Program”), under which all payments owed under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, or designated vendors and suppliers, is automatically paid to Franchisor via a direct debit, from the Franchisee’s business bank operating account, or such other account approved by Franchisor (the “EFT Account”). Upon Franchisor’s written request, Franchisee must make any or all payments by bank or certified check or such other means or methods as Franchisor may require.
2. *Use of EFT Account for Operational Funds.* Franchisee shall immediately deposit all revenues from operation of the Franchised Business into the EFT Account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall have provided Franchisor with: (i) Franchisee’s bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee’s bank, all documents, including Franchisor’s form of EFT Authorization Form attached as Exhibit C to this Agreement, necessary to effectuate the EFT Program and Franchisor’s ability to debit funds from the EFT Account. Franchisee shall immediately notify Franchisor of any change in Franchisee’s banking relationship, including any change to the EFT Account.

**C. Operational Reports; Right to Modify Payment Interval.**

1. Franchisee shall provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Sales report on or before the 5<sup>th</sup> day of each month for Gross Sales generated during the immediately preceding month detailing the information from the preceding month, including (a) Gross Sales of the Franchised Business, (b) Franchisee’s calculated Royalty Fee, (c) Brand Fund Fee, (d) Cooperative contributions (if applicable), and such evidence that Franchisee has made its local advertising expenditures required by Franchisor under this Agreement, the Manual, policy, or otherwise in writing; (ii) on or before the fifteenth (15<sup>th</sup>) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within sixty (60) days of each calendar quarter, an unaudited balance sheet reflecting the financial position of the

Franchised Business as of the end of that calendar quarter; (iv) within sixty (60) days of Franchisor's request, a financial statement that details the total assets and liabilities of the Franchised Business (and, if appropriate Franchisee and personal guarantors under this Agreement); (v) within sixty (60) days after the close of each fiscal year of Franchisee, financial statements which must include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (vi) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.

2. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee's Royalty Fee, Brand Fund Fee and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a weekly rather than monthly basis). In such event, Franchisee's reporting obligations may also be modified by Franchisor accordingly.
3. Franchisee hereby grants Franchisor permission to report and distribute Franchisee's gross sales, gross sales mix, cost of material and labor and other certain expenses to other existing franchisees of Franchisor and others with such additional information as Franchisor may deem appropriate, including the identification of Franchisee, the address of Franchisee's Approved Location, and such other information as may make the gross sales/gross sales mix information a useful business aid to Franchisee and other franchisees of Franchisor.

**D. Late Payments.** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to Franchisor, in addition to the overdue amount, at a rate of the lesser of twelve percent (12%) per year, or the maximum rate allowed by applicable law in the state where the Franchised Business is located, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay Fifty Dollars (\$50) for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, does not cover the amounts due or is returned.

**E. Late Submission Fee.** In the event any payment (including a late fee), request for information, forms, data or any item related to the operation of the Franchised Business, is not received by the established due date, you agree to pay us a late fee ("Late Submission Fee") of One Hundred Dollars (\$100) per violation, which is intended to reimburse us for our expenses and to compensate us for our inconvenience and does not constitute interest. Any acceptance of an amount which is less than the full amount due, shall not be considered a waiver of our right to (or your obligation for) the full amount then due, or which may become due in the future.

**F. Taxes Owed by Franchisee.** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor.

All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.

- G. **Inability to Operate Franchised Business.** If Franchisee is unable to operate the Franchised Business due to damage to or loss of the Approved Location and/or the Approved Vehicle(s) and any equipment located thereon caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Approved Location and resume operations (or relocate the Franchised Business to a different location within the Designated Territory), with said waiver period not to exceed ninety (90) days commencing from the date Franchisee gives Franchisor notice of the damage or loss.

## 5. **DUTIES OF FRANCHISOR**

### A. **Initial Training.**

1. *Initial Training Prior to Opening.* Franchisor will provide (a) its initial training program (the “Initial Training Program”) to Franchisee (including each owner or manager if you are an entity), and (b) the appropriate installation and other components of the Initial Training Program, to each additional individual that Franchisee expects or intends to engage as an Authorized Installer that will be authorized to provide certain Approved Services and Approved Products through the Franchised Business, or that will be authorized to sell the Approved Services and Approved Products. Franchisor will not charge any tuition or its then-current training fee to provide the Initial Training Program or appropriate components thereof to the foregoing individuals (up to six (6) trainees), provided all individuals attend such training at the same time as the Franchisee prior to opening the Franchised Business. Franchisee shall pay Franchisor’s then-current training fee for any additional trainees. The parties agree and acknowledge that: (i) certain portions of the Initial Training Program will be provided by Franchisor remotely via telephone calls, webinars or other online learning management system/technology; (ii) other portions of the Initial Training Program must be attended and completed at Franchisor’s headquarters or other designated training facility, unless Franchisor, in its sole discretion, determines that the entire training will be by remote/virtual means; and (iii) Franchisee shall bear all its costs and expenses incurred by Franchisee and all other trainees in connection with the Initial Training Program, including without limitation, travel, lodging, meals, local transportation and wages for any personnel.
2. *Replacement Personnel.* Franchisor will also provide the Initial Training Program or appropriate portions thereof, to any replacement personnel that will serve as Franchisee’s Dedicated Manager and/or an Authorized Installer of the Franchised Business or a salesperson of the Approved Products or Services, provided Franchisee pays Franchisor’s then-current training fee for such training as set forth in its Manual (as well as any costs and expenses incurred) and subject to the schedule and availability of Franchisor’s training staff.

3. *Training Pre-Conditions; Acknowledgement of Completion.* The parties agree and acknowledge that: (i) Franchisee must satisfy the training pre-conditions set forth in Section 6(R) of this Agreement (the “Training Pre-Conditions”) before Franchisee or any of its personnel can attend any portion of the Initial Training Program that is provided at Franchisor’s headquarters and/or other designated training facility; and (ii) upon completion of the Initial Training Program and/or any appropriate components thereof, Franchisee or the individual that completed such training may be required to sign an acknowledgement that it received such training from Franchisor consistent with this Agreement.

**B. Additional and Refresher Training.**

1. *Additional Training.* Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses (“Additional Training”), and require Franchisee, its owners, its Dedicated Manager, Authorized Installers or approved product sellers to attend such courses either in-person or via remote presentation. Franchisor may charge its then-current training fee for each attendee at any Additional Training. Franchisee shall be responsible for all costs and expenses, including travel, lodging, food and salaries, to attend any Additional Training.
2. *Requested Additional Training and/or On-Site Assistance.* Franchisor may also provide Additional Training or other on-site assistance at Franchisee’s reasonable written request, subject to: (i) the schedule and availability of Franchisor’s training personnel; and (ii) Franchisee paying Franchisor’s then-current training fee for each trainer that is provided in connection with the requested Additional Training, as well as Franchisee covering the costs and expenses that such personnel incur in providing such training. Franchisor will provide Additional Training under this Section as it deems appropriate in its discretion.
3. *Remedial Training.* Franchisor may require Franchisee to attend up to five (5) days of remedial training that Franchisor reasonably determines Franchisee and appropriate personnel must undertake in response to (a) the failure of Franchisee or any other required personnel to sufficiently complete the Initial Training Program or any type of Additional Training that Franchisor requires, or (b) Franchisee’s failure to operate the Franchised Business in accordance with the terms of the Franchise Agreement after Franchisor has provided Franchisee with written notice of such failure (each, an instance of “Remedial Training”). Franchisor reserves the right to charge its then-current training fee for any Remedial Training that is provided to Franchisee and/or its personnel at any location. Franchisee must cover the costs and expenses incurred by Franchisor and its personnel in providing such Remedial Training if such training is provided at a location other than Franchisor’s headquarters.

**C. Manuals; Supply Chain.** Franchisor will provide to Franchisee access to its Manuals prior to the opening of the Franchised Business. Franchisor will provide Franchisee a list of (i) all furniture, fixtures, equipment, inventory, supplies, products, services and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively,

the “Required Items”); (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items or other items, which may be Franchisor or its affiliates (collectively, the “Approved Suppliers”); and (iii) a list of the Approved Products and Approved Services that Franchisee is authorized to offer, sell or provide at and from the Franchised Business, including membership programs and services. Any product or service that is not specifically listed as an Approved Product or Approved Service is prohibited. The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to Franchisee. Franchisor may also establish and maintain a website portal or other intranet for use by Franchisee and other Franchised Business owners (the “USA Insulation Web Portal”), wherein Franchisor may post the Manuals, or additional content that will automatically become part of, and constitute a supplement to, the Manuals, all of which Franchisee must strictly comply with promptly after such content is posted or otherwise listed on the USA Insulation Web Portal. In the event Franchisee or its personnel saves or prints out a hard copy of any Manual, then such electronic/hard versions of said Manuals must be immediately returned upon expiration or termination of this Agreement for any reason (and never used for any competitive purpose). The provisions of this Section shall survive the termination of this Agreement.

Franchisor, any affiliate or any other third party may be the Approved Supplier of any individual item or service, whether a Required Item or otherwise. Franchisor, an affiliate, or any other third party may be the sole Approved Supplier for any item. Franchisee acknowledges and agrees that Franchisor or its affiliates may derive revenue or other benefits based on Franchisee purchases and leases, including from charging Franchisee for products and services Franchisor or its affiliates provide to Franchisee and from rebates, promotional allowances, volume discounts, and other payments made to Franchisor by Approved Suppliers or others providing products, services or other items to Franchisee or the franchise system. Franchisor and its affiliates may use all amounts received from suppliers, whether or not based on Franchisee’s or other franchisees’ actual or prospective dealings with them, without restriction for any purposes they deem appropriate. If Franchisee derives any revenue based on payments or promotional allowances received from suppliers and/or distributors, it must report to Franchisor the details of the arrangement and such revenue shall be included as part of Franchisee’s Gross Sales.

- D. Site Selection Review and Approval.** Following execution of this Agreement, Franchisor shall: (i) provide Franchisee with basic site selection criteria that Franchisor establishes for the premises of the Franchised Business, if any; (ii) review and evaluate any site relocation proposals from Franchisee; and (iii) approve or reject such site selection proposals within 30 days of the date Franchisee provides Franchisor with all reasonably-requested information that Franchisor requests in connection with a given site proposal. The parties agree and acknowledge, however, that Franchisor’s approval of any given site does not constitute a guarantee or other representation that the Franchised Business will succeed or otherwise perform at a certain level at that location.
- E. Initial Marketing Assistance.** Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the Initial Marketing Spend (as defined and described more fully in Section 9 of this Agreement), which program will be conducted at Franchisee’s expense.

- F. **Review of Advertising Materials.** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.
- G. **Email Addresses.** Franchisor will provide Franchisee with at least one (1) USA Insulation branded email address, which: (i) Franchisee is required to use in connection with the Franchised Business; and (ii) must be the only email address(es) used in connection with the Franchised Business.
- H. **Private Label Products.** Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be used by Franchisee and/or offered and sold by Franchisee as part of the Approved Services that are provided at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier that Franchisor designates.
- I. **Inspections of the Approved Location and Approved Vehicles.** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and, upon 48 hours' notice, of the Approved Location and/or Approved Vehicles to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Such inspections may include: (i) inspections of the Approved Location and/or Approved Vehicles and inspecting any and all books and records; and/or (ii) conducting mystery shop services and/or inspections designed to evaluate the Approved Products and Approved Services provided by the Franchised Business and any pre-sale activities involved with the same. Inspections of the Approved Location and/or Approved Vehicles will only occur during normal business hours and, with respect to the Approved Location, will only involve the physical area that is specifically devoted to the Franchised Business. Franchisee is solely responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.
- J. **Administration of Brand Fund.** Franchisor will administer the Brand Fund as it deems advisable in its sole discretion as described more fully in Section 9 of this Agreement.
- K. **No Assumption of Liability.** Franchisor shall not, by virtue of any approvals or advice provided to Franchisee under this Agreement, including site approval or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its designee in relation to the selection or development of the Approved Location is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Approved Location, that the development of the Approved Location is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.
- L. **Delegation of Duties.** Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

- M. Pre-Opening Obligations Acknowledgement.** If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within sixty (60) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.
- N. Conferences and Conventions.** Franchisor may, at its option, from time-to-time conduct conventions or host meetings of some or all of its franchisees (“Conventions”). The duration, curriculum and location of the Conventions will be determined by Franchisor, in its sole discretion. Franchisee is required to pay the then-current registration fee for one (1) person to attend each Convention, regardless of whether Franchisee attends the Convention. Franchisee may choose to send more than one person to each Convention, subject to attendance limitations imposed by Franchisor, and Franchisee will be required to pay the then-current registration fee for all such additional attendees. Franchisee is solely responsible for all of the expenses incurred by Franchisee and its personnel in connection with attending the Conventions, including, without limitation, travel, transportation, hotel/lodging, food/meal expenses and wages. If Franchisee owns more than one Franchised Business, Franchisee will only be charged one mandatory registration fee.
- O. Call Center.** Franchisor reserves the right, but is under no obligation, to establish a System-wide call center (the “Call Center”). If Franchisor or its designee does so, Franchisee will have the right to participate, provided Franchisee pays the then-current rate charged by Franchisor or Franchisor’s Approved Supplier for call center services. Franchisee understands and acknowledges that Franchisor may require Franchisee to use a Call Center in the following circumstances to handle both inbound and outbound calls for the Franchised Business, including all “rehash” or “win back” calls: (i) during the first two years the Franchised Business is operating; and (ii) in any given subsequent calendar year of operation upon written notice from Franchisor if the Franchised Business fails to generate at least \$1,000,000 in Gross Sales in the prior calendar year of operation.
- P. Forms and Templates.** Franchisor may provide to Franchisee various example forms and templates Franchisee may use in the operation of the Franchised Business. Franchisor makes no representation or warranty as to whether any such forms or templates meet the legal requirements of the jurisdiction in which Franchisee does business. Franchisee acknowledges that it is Franchisee’s responsibility to modify such forms and templates to meet all laws and regulations applicable to the Franchised Business. Franchisor may from time to time update the forms and templates provided to Franchisee. Upon provision of an updated form or template to Franchisee, Franchisee must immediately discontinue use of any prior version and only use the new version of the form or template thereafter.
- Q. Development and Maintenance Services.** Franchisor shall provide to Franchisee website development and maintenance services that Franchisee shall be required to use under this Agreement. Franchisor may also provide certain other optional services, such as search engine optimization services, that Franchisee may use from time to time. Franchisee shall pay all amounts charged by Franchisor for such optional services, at the times and by the methods specified by Franchisor.

- R. **Level of Services.** Franchisor is not obligated to perform any services to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge, and judgment. In addition, Franchisor shall have the right to subcontract or delegate any of its duties and responsibilities under this Agreement; provided, however, Franchisor shall be responsible for the performance of such duties, notwithstanding such subcontract or delegation, to the same extent as if Franchisor had not subcontracted or delegated such duties, unless such subcontract or delegation is in connection with an assignment pursuant to Section 13.

6. **DUTIES OF FRANCHISEE**

- A. **Securing an Approved Location.** Franchisee shall obtain and secure an Approved Location for the operation of the Franchised Business within ninety (90) days of the execution of this Agreement that Franchisor approves in its sole discretion (if an Approved Location is not already identified and accepted by Franchisor at the time of execution of this Agreement).

- B. **Lease.** Franchisee must enter into an approved lease for the Approved Location (the "Lease") within ninety (90) days from the execution of this Agreement and ensure that it complies with all provisions of the Lease, including those provisions related to leasehold improvements and signage. Franchisor may review any proposed Lease for the Approved Location and approve such Lease prior to Franchisee's execution for use in connection with operating the Franchised Business. Franchisee must ensure that the Lease contains the following terms as a condition to Franchisor's approval thereof:

1. The Lease requires the landlord to provide Franchisor with a written notice of Franchisee's default or deficiency under the Lease at the same time such notice of default is sent to Franchisee;
2. The Lease requires the landlord to provide Franchisor with written notice of Franchisee's failure to cure any default under the Lease within the appropriate cure period and grants Franchisor the right (but not the obligation), in its sole discretion, to cure any such default or deficiency under the lease within thirty (30) days after the expiration of the Franchisee's cure period if Franchisee fails to cure;
3. The Lease evidences the right of Franchisee to display the Proprietary Marks in accordance with the specifications required by the Manuals, subject only to provisions of applicable law;
4. The Lease requires the Approved Location be used solely for the operation of a Franchised Business;
5. The Lease prohibits modification, supplementation, cancellation, termination, or amending of the Lease without Franchisor's reasonable prior express written approval.

- C. **Build-Out of Approved Location and Time to Open.**

1. Franchisee shall submit to Franchisor, for Franchisor's approval, detailed plans and specifications, adapting Franchisor's then-current standard plans and

specifications to the Approved Location and to local and state laws, regulations, and ordinances. Once approved by Franchisor, Franchisee shall not materially change or modify such plans and specifications without the prior written consent of Franchisor. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period or, if applicable, within an extension of time approved in writing by Franchisor, this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee, without the necessity of further action or documentation by either party. Franchisee shall use a qualified licensed, general contractor or construction supervisor to oversee construction or modification of the Franchised Business and completion of all improvements.

2. Franchisee shall complete the construction or development of the Approved Location of the Franchised Business and open for operations no later than six (6) months from the date this Agreement is executed.
3. If this Agreement is signed as part of the purchase of multiple territories, then you may be required to sign the Multi-Territory Development Addendum attached hereto as Exhibit H and your deadline to open the Franchised Business will be set forth in the Addendum. If you fail to timely open your Franchised Business, we have the right to terminate this Agreement and, in such case, retain all amounts you have paid to us and our affiliates.
4. If Franchisee fails to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice to Franchisee from Franchisor.

**D. Licenses and Permits for Franchised Business.** Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Approved Location and within the Designated Territory, including all required licenses and permits related to the offer and sale of the Approved Products and Approved Services.

**E. Licensing Requirements for Personnel.** Franchisee must ensure that the applicable Approved Services provided at the Franchised Business are only conducted by individuals that have the necessary licenses and/or other certifications or approval, if any, necessary to provide the Approved Services at issue.

**F. Approved Products and Approved Services; Authorized Installer Requirement.**

1. *Authorized Products and Services Only.* Franchisee must offer and sell only the Approved Products and Approved Services at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Services and Approved Products are offered and sold, unless Franchisor provides its prior written consent. Franchisor has

the right to add additional, delete or otherwise modify certain aspects of the Approved Services or Approved Products from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Approved Location, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute. If Franchisee desires to purchase any services or products from suppliers that Franchisor has not previously approved, Franchisee or the supplier must submit a written request for such approval to Franchisor. As a condition of Franchisor's approval, Franchisor may require that Franchisor's representatives be allowed to inspect the supplier's facilities and/or that a sample of its product be made available to Franchisor or Franchisor's designee for testing. In such event, Franchisee or the supplier may be charged a fee not to exceed the actual cost of such inspection and/or testing. Within thirty (30) days of delivery of the test results, if testing is conducted, or the written request if testing is not conducted, Franchisor will issue a decision in writing. Such decision may be a determination that additional time is needed to complete the review. Any denial will state the reasons. In the event Franchisor does not provide Franchisee with a written decision, the request shall be deemed denied.

2. *Personnel that May Provide Certain Approved Services and/or Approved Products.* Franchisee agrees and acknowledges that: (i) for the offer and sale of certain Approved Services and corresponding Approved Products through the Franchised Business, including those Approved Services involving the Proprietary Foam Insulation Products, Franchisee, its Dedicated Manager or other individual must first complete the appropriate components of the Initial Training Program necessary to become an Authorized Installer of such Approved Services and Approved Products; (ii) upon completion of such initial training, Franchisor will provide Franchisee, its Dedicated Manager (if applicable) and/or other individual with a written acknowledgement that he/she is an Authorized Installer (the "Authorized Installer Notice") that confirms and details the specific Approved Services that the installer may provide to Clients of the Franchised Business (the "Authorized Installer Services"); and (iii) Franchisee must ensure that any Approved Services and Approved Products provided through the Franchised Business are provided by an Authorized Installer (which may be Franchisee or its Dedicated Manager or other individual) that has received an Authorized Installer Notice detailing the relevant services/products as part of the Authorized Installer Services.

- G. **Approved Vehicles, Signs, and Inventory.** Franchisee must maintain at all times during the term of this Agreement, at Franchisee's expense, the Franchised Business, including the Approved Vehicles in good working order and otherwise meeting Franchisor's standards and specification. All equipment, fixtures, furnishings, signs, artwork, décor items and inventory, supplies, computer hardware, software and other technology systems, including payment processing systems, mobile devices, point-of-sale software, field service software, accounting software, payment processing software, security software, communications software, marketing software, electronic applications, insurance and advertising and marketing materials, must meet

Franchisor's specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. At Franchisor's request, which shall not be more often than once every five (5) years, Franchisee shall refurbish and upgrade the Approved Vehicles, any equipment thereon, and other components of the Franchised Business at its expense, to conform to the building design, trade dress, color schemes, and presentation of Proprietary Marks consistent with Franchisor's then-current standards and conditions for the System, including without limitation, redecoration, remodeling, and modifications to existing improvements, but specifically excluding vehicle wraps, lettering, and/or trade dress for those vehicles used in the operation of the Franchised Business that may be updated more frequently (collectively, the "Vehicle Updates"). Franchisee shall have twelve (12) months from its receipt of Franchisor's request to complete the change, except that Franchisee is required to complete any Vehicle Updates within four (4) months of Franchisor's request.

**H. Compliance with Applicable Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto.

**I. Approved Vehicle; Other Required Items.** Franchisee must: (i) purchase, lease, and/or maintain any and all Required Items that Franchisor designates for use in connection with the Franchised Business that may include, without limitation, the vehicle that must be used in connection with the Franchised Business (the "Approved Vehicle"), Computer System, equipment, supplies, inventory; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchise designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.

Franchisee shall cause the Approved Vehicle to be wrapped or painted in signage and artwork as approved by Franchisor prior to opening the Franchised Business. Franchisee agrees to maintain any Approved Vehicle in good mechanical condition and an appearance that properly represents the USAI Insulation brand to the public and to improve vehicle appearance at the request of the Franchisor.

**J. Required Purchases of Inventory and Supplies.** Franchisee must purchase from Franchisor's affiliate all inventory and supplies required to sell and provide the Approved Products and Approved Services, as well as thereafter maintain such inventory/supply levels, as Franchisee deems reasonably necessary and appropriate to meet current Client demand and any anticipated Client demand in the near future.

**K. Inspection of Items.** Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove from the Franchised Business samples of items without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent, certified laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies, it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor, or if the sample fails to conform to Franchisor's specifications.

- L. Alternative Supplier Approval.** If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.
- M. Quality Service.** Franchisee shall conduct the Franchised Business in accordance with Franchisor's professional and ethical image which Franchisee acknowledges is an integral part of the System. Franchisee shall, at all times, adhere to the highest standards of integrity and ethical conduct in the operation of the Franchised Business and otherwise. Franchisee shall utilize its best efforts, skill, and diligence to ensure that it and its employees, contractors, and agents establish and maintain high quality service to all doing business with the Franchised Business, including Clients and vendors. At all times, Franchisee shall conduct its business in a manner that will preserve and enhance the goodwill associated with the Proprietary Marks and in accordance with the standards of Franchisor.
- N. ISP; Computer Software.** Franchisee must subscribe, at Franchisee's expense, to an Internet service provider or other electronic communication provider or service as required by Franchisor and otherwise meeting Franchisor's standards and

specifications. Franchisee may not integrate, directly or indirectly, any third-party software into the computer or other technology systems of Franchisor. Unless otherwise agreed by Franchisor, Franchisor shall have no obligation to integrate into its computer or other technology systems, any third-party software used or otherwise requested by Franchisee.

- (i) Franchisee shall only use USA Insulation branded emails obtained from Franchisor in its communications with customers, suppliers or any other third parties, in the development, promotion and operation of the Franchised Business.
- (ii) Franchisee shall use all software and other systems specified or provided by Franchisor, an affiliate or any third party, for use in the operation of the Franchised Business, including customer relationship management, field service, point-of-sale, financial software and any other software or systems specified or provided by Franchisor.
- (iii) Franchisor and its affiliates or vendors may issue credentials or other forms of access, licenses, or permissions to their systems and software. Franchisee shall not share any credentials, licenses, permissions, passwords or other form of access to any software or systems with any third party. Franchisor shall have independent access to all of Franchisee's systems and software, and all information contained therein, excluding any employment records, and Franchisee shall provide Franchisor, upon request, with any passwords or login ability necessary to access all such software or systems.
- (iv) Franchisee may not authorize any third party, including, but not limited to, vendors, marketers and sales agents, to connect to any of Franchisor's systems or software without Franchisor's prior written approval.
- (v) Franchisor may require that any and all communications between Franchisee and Franchisor be made through the Internet or such other electronic medium as Franchisor may designate, and Franchisee may be required to access the Internet or other electronic information on a regular basis to obtain full benefit of the System. Franchisee shall maintain a working email address to communicate with Franchisor.
- (vi) Franchisor is not liable for any damage to Franchisee including lost profits, which occur as a result of any outage or delay related to electronic transmission of information, whether by the Internet or otherwise, or as a result of Franchisee's failure to access the information. Franchisor may, in its sole discretion, make use of any information furnished by it to Franchisee.

- (vii) Franchisee will not devise, develop or implement any modifications or changes to any of the software or systems used in the System without Franchisor's prior written approval.
- O. Mobile Applications.** Franchisor may develop and provide one or more mobile technology applications for Franchisee's use in the operation of the Franchised Business. If Franchisor provides such applications, Franchisee shall use the applications and their functionality only as Franchisor shall specify and shall pay all fees or other charges required by Franchisor for use of the application.
- P. Technology Upgrades.** Franchisee must subscribe to or obtain, and maintain and upgrade as needed, at Franchisee's expense, and use for communicating, reporting, managing, and operating the Franchised Business in the form and method prescribed by Franchisor, all hardware, software and systems selected and approved by Franchisor, including but not limited to computer equipment, mobile devices, point-of-sale software, field service software, accounting software, payment processing software, security software, communications software and marketing software. Franchisee shall be responsible for all costs, fees and charges for the purchases, subscriptions, maintenance and improvements required by this Section 6(P). For the avoidance of any doubt, Franchisor may require Franchisee to upgrade any technology used by Franchisee in the Franchised Business at any time and without regard to any expenditure or frequency limitations. Additionally, there shall be no limit on Franchisor's right to require Franchisee to replace its computer system, to replace or upgrade hardware or software used by Franchisee in the Franchised Business, or to require Franchisee to purchase additional hardware or software that Franchisor may select for use in the Franchised Business.
- Q. Changes.** Nothing in this Agreement limits the frequency or cost of future changes to the System that Franchisor may require. Franchisee understands and agrees that Franchisor has no ability to identify with specificity the nature of these future general improvements or their expected cost and accepts the risk that future general improvements may be imposed that will require significant capital expenditures in an amount that is unknown on the Effective Date and that cannot be fully amortized over the period of time then remaining in the term of this Agreement.
- R. Training Completion and Conference Attendance.**
- (i) Franchisee must ensure that Franchisee, each owner if Franchisee is an entity and any other prospective Authorized Installers or sellers of the Approved Products or Services each attend and successfully complete the Initial Training Program or appropriate portions thereof with respect to any prospective Authorized Installers or salesperson, prior to opening the Franchised Business. Franchisee agrees and acknowledges that Franchisor may require Franchisee and its personnel to complete the components of the Initial Training Program that are provided via remote participation within 30 days of the date this Agreement is executed.
- (ii) Franchisee agrees and acknowledges that it must complete and/or satisfy the following Training Pre-Conditions before Franchisor will approve Franchisee or any of its designated trainees to attend the components of the Initial Training

Program that are provided at Franchisor's headquarters or other designated training facility:

- submit, and obtain Franchisor's approval of, Franchisee's Initial Marketing Spend plan for the Franchised Business;
  - demonstrate that Franchisee has pre-paid all amounts in connection with the Initial Marketing Spend or is in a position to do so in the near future;
  - undertake all steps to establish the EFT Account, as described in Section 4(B) of this Agreement, including providing Franchisor and/or its designee with all authorizations and approvals necessary to access such EFT Account;
  - demonstrate that Franchisee has obtained all required insurance coverages as set forth in this Agreement and the Manuals;
  - consult with counsel to ensure any then-current template agreement or services agreement that Franchisor provides to Franchisee in its Manuals are reviewed by counsel and ensure the validity and enforceability of any such agreement; and
  - provide Franchisor with completed copies of all agreements and contracts that are attached as Addenda to this Agreement that are signed by Franchisee and/or appropriate third party(ies), to the extent such documents have not been signed, completed or need to be updated as of that date.
- (iii) In addition to the Initial Training Program, Franchisee and any other management personnel of the Franchised Business must attend a training program that is conducted by one (1) or more of Franchisor's Approved Suppliers and designed to provide further instruction and training regarding the operation of the Franchised Business and provision of certain Approved Services (the "Third-Party Training"). Franchisee will be: (i) required to pay the then-current training fee, and any course materials charges, for those that attend the Third-Party Training; and (ii) responsible for the costs and expenses associated with Franchisee and any other required trainees attending such training. Once the Franchised Business is open, Franchisor will have the right to make this kind of Third-Party Training part of any Additional Training or Remedial Training that Franchisor may require under this Agreement.
- (iv) Franchisee must also ensure that Franchisee, any owner, its Dedicated Manager and any other Authorized Installers or sales personnel attend and complete and Additional Training or Remedial Training that may be required pursuant to this Agreement.
- (v) Any failure by Franchisee or any of its required trainees to (a) attend and complete the Initial Training Program, or (b) any other training/conferences that such individual(s) are required to attend and/or complete hereunder or as set forth in the Manuals will constitute a material default of this Agreement and

grounds for termination if not cured within the appropriate cure period set forth in this Agreement.

- S. **Training of Personnel other than Authorized Installers.** Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the entire Initial Training Program must conduct training classes for, and properly train, all of Franchisee's employees on sales, advertising, maintenance of the Approved Location, the POS and computer system, as well as any other information that is relevant to each individual's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing. Further, at least one (1) person that has completed the entire Initial Training Program must manage the Franchised Business at all times.
- T. **Hours of Operation.** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals, or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- U. **Image.** Franchisee shall maintain the image of the Approved Vehicle and Franchised Business at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that each Approved Vehicle is maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures used in connection with the Franchised Business remains in good, clean condition.
- V. **Client Lists and Data**
- (i) Franchisee must (i) maintain a list of all of its current and former Clients, as well as their properties and any Approved Services contracts associated therewith (the "Client Information"), at the Approved Location; and (ii) make such lists and contracts available for Franchisor's inspection upon request. Franchisee must promptly return this information to Franchisor upon expiration or termination of this Agreement for any reason. This Client Information is deemed "Confidential Information" (as later defined in this Agreement) and Franchisor's exclusive property hereunder, including all Approved Services contracts with such Clients. Franchisee acknowledges that Franchisor may have automatic access to any or all of this information via the Computer System and related software that Franchisor requires for use in connection with the Franchised Business.
- W. **Privacy and Security.** Franchisee shall comply with all standards, laws, rules, regulations, or any equivalent thereof relating to the possession, use, control, processing, transfer, sale and storage of all data, including personally identifiable information, sensitive personal information and financial information, data privacy, and data protection, including but not limited to, as applicable, the California Consumer Privacy Act, Cal. Civ. Code Section 1798.100 et seq. Franchisee must comply with any privacy policies, security protocols or policies, data protection protocols or policies and breach or incident response protocols or policies that Franchisor may periodically establish or revise. Franchisee shall take all action necessary to ensure that all payment processing activity is PCI-DSS compliant and shall certify compliance to Franchisor upon request. Franchisee shall comply with all of Franchisor's standards, practices, policies and protocols governing the selection and

use of third-party vendors for compliance, technology, security or privacy. Franchisee shall comply with all protocols and practices, whether at the direction of Franchisor or a third-party approved by Franchisor or under applicable law, for protecting itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders. Franchisee assumes all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories, and transactions concerning Clients of the Franchised Business, unless otherwise directed by Franchisor. Franchisee waives any and all claims Franchisee may have against Franchisor or its affiliates, parents, vendors, agents and consultants as the direct or indirect result of such disruptions, failures, or attacks. If Franchisee suspects or knows of a security breach, Franchisee shall immediately give notice of such security breach and promptly identify and remediate the source of any compromise of security breach at its expense. Franchisee shall indemnify and hold harmless Franchisor from any suits, demands, actions, complaints, claims, investigations, fines, penalties, compliance actions and any other costs, including legal fees, compliance fees and damages, arising out of Franchisee's failure to comply with applicable data privacy or data security laws, regulations, standards, protocols or policies or any other matter addressed in this Section.

- X. **Promotional Prices; Pricing Guidelines.** To the extent permitted under applicable law, Franchisee must use commercially reasonable efforts to follow Franchisor's general pricing guidelines set forth in its Manuals, including any promotional prices set by Franchisor for a particular Approved Product or Approved Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition with respect to the pricing of the Approved Products and Approved Services.
- Y. **Client Complaints.** Franchisee shall promptly respond to any and all Client inquiries or complaints and achieve Client satisfaction through feasible means, including, but not limited to, refunds or corrective action, as well as take such other steps as may be required by Franchisor to ensure positive Client relations and maintain the goodwill and reputation of the System. At Franchisor's sole discretion, Franchisor may intervene to address unresolved Client complaints or inquiries. Franchisee must reimburse Franchisor for all our costs associated with any such Client intervention.
- Z. **Third-Party Actions.** You will notify us, in writing, within twenty-four (24) hours of receipt of notice of the commencement of, or the threat of, any action, suit or proceeding against you, and of the issuance of or the threat of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which arises out of, concerns, or may affect the operation or financial condition of the Franchised Business, us, or the goodwill associated with the Proprietary Marks including, without limitation, any criminal action or proceedings brought against Franchisee or any of its owner or by Franchisee against its employees, Clients, or other parties. Franchisees agrees that it will not commence any action, suit or proceeding that affects Franchisor, or the goodwill associated with the Proprietary Marks, without Franchisor's prior written approval.
- AA. **Access for Inspections/Audit.** To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) observe and monitor the operation of the Franchised Business for consecutive or

intermittent periods as Franchisor deems necessary; (ii) allow Franchisor to inspect, photograph, or videotape the Franchised Business, equipment, or operations therein; (iii) interview or survey personnel and Clients of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken) and take such steps as may be necessary to immediately correct the deficiencies detected during any such inspection. If Franchisor exercises any of these rights, Franchisor will use commercially reasonable efforts to not unreasonably interfere with the operation of the Franchised Business.

- BB. Personal Participation by Franchisee.** Franchisee or Franchisee's operating principal must personally perform the tasks of management and provide direct supervision full-time in the operation of the Franchised Business. After Franchisee has been in operation for at least 18 months, Franchisee may be approved by Franchisor to engage a Dedicated Manager as described in the Manual that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business and who must devote full-time efforts to the operation of the Franchised Business. A Dedicated Manager must successfully complete the Initial Training Program prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.
- CC. Credit Cards and Payment Methods.** Franchisee must accept credit cards in connection with the Franchised Business to facilitate sales, including any credit cards designated by Franchisor. Franchisee may also accept cash and/or checks in connection with the Franchised Business. Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards ("PCI DSS"), as such standards may be revised and modified by the PCI Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that Franchisor may reasonably specify. Franchisee's requirements include, but are not limited to, implementing the enhancement, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- DD. Payments to Creditors.** Franchisee agrees to promptly pay all of its creditors, including Franchisor and its affiliates, all amounts due to Franchisor, its affiliates or any other creditor as and when due, unless otherwise approved by Franchisor.
- EE. Employment and Other Personnel Decisions.** Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained.
- FF. Minimum Performance Requirement.** Franchisee must meet the following applicable minimum productivity levels in connection with its operation of the Franchised Business for sales made to Clients within Franchisee's Designated

Territory (collectively, the “Minimum Productivity Levels” or “MPL”), with such Minimum Productivity Levels based on whether Franchisee has been granted a Large Market or Small Market Designated Territory and how long the Franchised Business has been open and operating. The Minimum Productivity Levels are evaluated on a rolling three-month average to reflect the seasonal nature of the business.

<b>LARGE MARKET MPL Period(s) at Issue</b>	<b>Minimum Productivity Level for the MPL Period (Average Monthly Gross Sales over Period)</b>
Each MPL Period once the Franchised Business has been open for a period of six (6) months	\$30,000
Each MPL Period once Franchised Business has been open for a period of one (1) year	\$40,000
Each MPL Period once Franchised Business has been open for a period of two (2) years	\$60,000
Each MPL Period once Franchised Business has been open for a period of three (3) years	\$70,000

<b>SMALL MARKET MPL Period(s) at Issue</b>	<b>Minimum Productivity Level for the MPL Period (Average Monthly Gross Sales over Period)</b>
Each MPL Period once the Franchised Business has been open for a period of six (6) months	\$15,000
Each MPL Period once Franchised Business has been open for a period of one (1) year	\$20,000
Each MPL Period once Franchised Business has been open for a period of two (2) years	\$30,000
Each MPL Period once Franchised Business has been open for a period of three (3) years	\$35,000

- GG. Pictures; Materials.** Franchisee grants Franchisor the right to freely use, without Franchisee’s consent, any pictures, video and voice recording or biographical material relating to Franchisee or Franchisee’s Franchised Business for use in promotional literature or in any other way beneficial to Franchisor’s System as a whole. Franchisee will cooperate in securing photographs, video and voice recordings including obtaining consents from any persons appearing in photographs, video and voice recordings.
- HH. Participation.** Franchisee or its Dedicated Manager must participate in Franchisor’s calls with franchisees and summits as described and required in the Manuals.
- II. Compliance with System.** Franchisee shall comply with all of the System rules, regulations, policies and standards which are by their terms mandatory including, without limitation, those contained in the Manuals. Franchisee shall operate and maintain the Franchised Business solely in the manner and pursuant to the standards prescribed herein, in the Manuals or in other materials provided by Franchisor to Franchisee which shall include all modifications and/or additions made by Franchisor from time to time. Franchisee understands and agrees that Franchisee may not use the

System or Franchisor's network of franchisees for any purpose which is not specifically authorized by Franchisor.

- JJ. Owners; Novation.** If Franchisee is an entity, including a corporation, limited liability company or partnership, each owner as of the Effective Date hereof, as well as any future owners, must sign Franchisor's then-current Personal Guaranty at the time such individual becomes an owner of Franchisee. The current form of Personal Guaranty is attached hereto as Exhibit B. If this Agreement is signed by an individual, then before opening the Franchised Business Franchisee shall, at its sole expense, establish a corporate entity (i.e., a C-corp, S-corp, LLC, etc.) of its choosing and provide Franchisor with all requested information regarding such entity. Franchisee shall also, at its sole expense, amend, assign or novate this Agreement so that its corporate entity shall be the counterparty to this Agreement and the legal operator of the Franchised Business. A form of Novation Agreement is attached as Exhibit I to this Agreement.
- KK. Programs.** Franchisee must participate in, comply with all terms and conditions of, and pay all charges related to, all programs Franchisor may require Franchisee to participate in from time to time, including any gift card, gift certificate, rewards, coupon, customer satisfaction, or frequent customer, reciprocity, membership or loyalty programs. The terms and conditions of any such programs, as well as the programs themselves, may be modified or terminated at any time by Franchisor in its sole and absolute discretion. Franchisee shall comply with all policies related to any such programs. Franchisee shall not create or issue its own gift card, gift certificate, rewards, coupon, customer satisfaction, or frequent customer or other membership programs.

## **7. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. Ownership of Proprietary Marks.** Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. Permitted Use.** It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.
- C. Use of Proprietary Marks in Advertising and Signage.** To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:

1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;
2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, USA INSULATION, under a license agreement with USA Insulation Franchising Company."

**D. Proprietary Marks are Sole Property of Franchisor.** Franchisee acknowledges that the Proprietary Marks, System, Manuals, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, signage, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.

**E. Legal Action Involving Proprietary Marks.** Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.

**F. Improvements.** Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the "Improvements"), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor's interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that

Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

- G. Modification or Substitution of Marks by Franchisor.** If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages.
- H. Modification of Proprietary Marks by Franchisee.** Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.
- I. Non-Exclusive Use of Proprietary Marks.** Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.
- J. Acknowledgements.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;
  2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and
  3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.
- K. Use Outside Scope.** Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during

the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.

- L. Notification of Infringement.** Franchisee shall immediately notify Franchisor of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.
- M. Indemnification Regarding Marks.** Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 7. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement.
- N. Other Obligations of Franchisee.** In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:
1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the Internet or otherwise online, except as approved in writing by Franchisor; and
  2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time.

## **8. OPERATIONS MANUALS AND CONFIDENTIAL INFORMATION**

- A. Manuals.** Franchisor will provide Franchisee with physical or online access to the Manuals. The Manuals shall at all times remain the sole property of Franchisor and any and all copies (hard copies or electronic files) of the Manuals must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement. In order to protect the reputation and goodwill of Franchisor and the System, and to

maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals. In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.

- B. Control of Franchised Business.** Franchisee acknowledges any Manual(s) provided by Franchisor to Franchisee are intended to protect Franchisor's standards, System and Proprietary Marks, and are not intended to control day-to-day operation of Franchisee's Franchised Business. Franchisee further acknowledges and agrees that the Franchised Business will be under the control of the Franchisee at all times, and that Franchisee will be responsible for the day-to-day operation thereof.
- C. Confidential Information.** In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become the property of Franchisor. Franchisee and all owners and guarantors of Franchisee agree to keep confidential any of Franchisor's Confidential Information (as defined below) and will not use such for its or their own purpose or supply or divulge same to any other party except as reasonably necessary to operate the Franchised Business. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.
- D. Trade Secrets and Confidential Information.** The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. "Confidential Information" shall mean and include the following:
1. The Manuals and all information contained therein;
  2. Any Client and prospect data, including the names, contact information, rental preferences and any other information concerning users of the Approved Products or Services, except for credit card numbers, bank information or other financial data related to the transaction of funds between the Franchisee and Clients (collectively, the "Client Data");
  3. Any and all information and materials, including all items covered by copyright or any other intellectual property, associated with any proprietary software used in connection with the System;

4. Trade Secrets and any information or materials, whether technical or non-technical, that is used in connection with or otherwise related to the establishment and operation of a Franchised Business or the System that is not commonly known by, or available to, the public, including without limitation, any proprietary software;
5. The terms and conditions of this Agreement; and
6. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential.

**E. Confidential Information as Property of Franchisor.** Franchisee acknowledges and agrees that the Confidential Information, which includes the Client Data, and any business goodwill of the Franchise are Franchisor's sole and exclusive property, and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative.

**F. Information Not Confidential.** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as defined in Section 8(H) below) is information that:

1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.

**G. Maintenance of Confidentiality.** Franchisee shall at all times treat the Confidential Information as confidential and shall keep such information secret and confidential, including without limitation, all logins/passwords/keys necessary to access any component of the Computer System or related software used in connection with the Franchised Business. Franchisor shall provide Franchisee with electronic access to its Manuals. The Manuals may not be copied, downloaded or otherwise transferred from Franchisor's computer systems. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals or any information contained therein, available to any unauthorized person or entity, in whole or in part.

**H. Prevention of Unauthorized Use or Disclosure.** Franchisee shall adopt and implement all procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, "Restricted Persons") execute a confidentiality and non-competition agreement containing restrictions substantially similar to the confidentiality and

noncompetition provisions of this Agreement. Franchisee must obtain a signed copy of this agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee must provide Franchisor with a copy of each signed agreement within ten (10) days of Franchisor's request.

- I. **Restriction on AI.** Franchisee will not use any of the Proprietary Marks, any part of the System or any Confidential Information for the purpose of machine learning, augmented human intelligence development, training any artificial intelligence ("AI") model, algorithm improvement, or similar data aggregation activities without Franchisor's express written consent. Such uses shall not be deemed related to the performance of this Agreement and are expressly prohibited. Franchisee must not, without Franchisor's prior written consent, input any of the foregoing into any generative AI platform or disclose such information to any provider or source of generative AI services. Franchisee must opt out of allowing any provider or source of generative AI to utilize any of the foregoing for training of any AI model or for other purposes.
- J. **Spousal Agreements.** Franchisee's spouse or domestic partner (and if Franchisee is a business entity, then the spouses or domestic partners of all shareholders, members, or partners) shall execute Confidentiality and Non-Competition Agreements in a form approved by Franchisor, at the time of the signing of this Agreement or otherwise promptly upon becoming a spouse or domestic partner. The Confidentiality and Non-Competition Agreement shall prohibit spouses or domestic partners from disclosing or using any trade secrets, Client lists or other information, knowledge or know-how deemed confidential or proprietary by Franchisor concerning the System or the operation of Franchised Business and from competing with the System or franchised businesses during the term of this Agreement and for two (2) years following termination or expiration of this Agreement.

## 9. **ADVERTISING**

- A. **Advertising and Sales Promotion Programs.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the Franchised Businesses operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/ timing/ placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (at Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.
- B. **Approval for all Advertising/Promotional Materials.** All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials twenty (20) days prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor

during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have fifteen (15) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously-approved materials in writing. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase "Franchises Available" and references to Franchisor's telephone number and/or website.

- C. **Initial Marketing Spend.** During the initial three (3) months of operating the Franchised Business, Franchisee must spend at least \$25,000 to \$45,000, exclusive of the cost of sales and marketing materials, on local advertisement and promotion of the grand opening of the Franchised Business ("Initial Marketing Spend"), in accordance with the marketing plan that Franchisor approves prior to, or around the time of opening. Prior to the opening of the Franchised Business, Franchisor will designate the exact minimum that Franchisee must expend on Initial Marketing within this initial three (3) month period, which will typically be based on the size and demographics of the Designated Territory. Prior to their use, all initial marketing materials must be approved by Franchisor. Franchisor will have the right to approve and/or designate the type of expenditures that are made as part of Franchisee's Initial Marketing Spend. Initial Marketing Spend expenditures will be in addition to any Local Advertising expenditures and Brand Fund Fees, as set forth in this Agreement.

- D. **Local Advertising.** Franchisee shall comply with the following requirements in regard to local advertising:

1. After the expiration of the three (3) month period wherein Franchisee is required to expend the Initial Marketing Spend under Section 9(C) above, for each month for the remainder of the term of this Agreement, Franchisee must spend fifteen percent (15%) of the prior month's Gross Sales on advertising and promoting the Franchised Business in the immediate locality surrounding the Franchised Business in accordance with the advertising/marketing plan that Franchisor approves (the "Local Advertising Requirement").
2. Franchisor may require Franchisee to prepare an initial comprehensive local advertising plan and program prior to opening the Franchise Business that details Franchisee's budget and anticipated expenditures for the Local Advertising Requirement for the Franchised Business's first year of operations, which must be approved by Franchisor prior to opening. Franchisor may further require that Franchisee submit an annual Local Advertising Requirement plan or program for each subsequent year of the Franchised Business's operation on or before the beginning of the Franchised Business's fiscal year that must be approved by Franchisor prior to implementation. Franchisor may from time to time provide to Franchisee, at

Franchisee's expense, such approved advertising and promotional plans and materials as Franchisor deems advisable. Franchisor may, as it deems necessary in its sole discretion, provide general guidelines for conducting local advertising so as to better assist Franchisee. Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on local advertising for the preceding month.

3. Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only; and (ii) the Franchised Business is listed in the appropriate Internet-based directories and Chamber(s) of Commerce that Franchisor designates. Franchisee shall obtain at least two (2) telephone numbers solely dedicated to the Franchised Business, which Franchisee shall assign to Franchisor, at Franchisor's option, upon termination, expiration, or transfer of this Agreement. Franchisee must list and advertise the telephone number(s) for the Franchised Business in Google and/or other relevant search engines under the category "Insulation Service Contractors" or such other category as Franchisor may specify from time-to-time. Franchisee must place the classified directory advertisement and listings together with other USA Insulation Businesses operating within the distribution area of the search engine.
4. Furthermore, Franchisee shall obtain listings and/or advertise with Franchisor and other franchisees of the System on electronic yellow pages directory and other online directors as Franchisor may designate, including Google Local, and similar online directories. In the event Franchisee does not comply with Franchisor's requests regarding such online listings or advertisement, Franchisor reserves the right to place, modify, or remove such listings and advertisements on behalf of Franchisee. For any listings or advertisements that Franchisor posts on behalf of Franchisee due to Franchisee's non-compliance under this Section, Franchisee shall promptly pay, upon demand by Franchisor, its pro rata share of the costs of such listings or advertisements. Upon termination, transfer, or expiration of this Agreement, Franchisee agrees to take any and all steps necessary to assist Franchisor in removing or assigning control of all listing under this Section to Franchisor.
5. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise has not been granted in connection with any other Franchised Business, and Franchisee cannot ever engage in targeted advertising (e.g., digital, direct mail, etc.) outside of Franchisee's Designated Territory.

**E. Brand Fund.** Franchisor has established a Brand Fund for advertising, marketing and promotion associated with the System and the sale of products and services. Franchisee is required to pay the Brand Fund Fee monthly. Franchisor may modify this "Brand Fund Fee" upon thirty (30) days written notice to the Franchisee.

1. Franchisor may use monies in the Brand Fund for any purpose that promotes the USA Insulation name or any other marks it chooses to use in the System, and in connection with the offer and sale of products and services, including the creation, production and placement of commercial advertising; to pay for

agency costs and commissions; to pay the costs to create and produce video, audio and written advertisements; to pay for direct mail and other media advertising, including internet advertising, internet search engine campaigns, direct email marketing, and the cost to maintain and update Franchisor's websites, intranet, web pages, social media and social networking sites, profiles and accounts; for the costs to create and maintain any applications, whether web-based or otherwise, and for the costs of search engine optimization; the cost to license, improve and interface with software for use in the operation of the Franchised Business; in-house staff, including salaries, assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising, marketing and sales activities such as the cost of operating a call center to assist with selling USA Insulation products and services and servicing existing Clients, creating sales materials and tools for use by franchisees, the costs of client satisfaction activities such as Client surveys and the cost of training and training tools for its franchisees.

2. No portion of the fees collected will be used principally to sell franchises. However, a brief statement about availability of information regarding the purchase of USA Insulation franchises may be included in advertising and other items produced and/or distributed using the Brand Fund. If any taxes become due based upon the activities of the Brand Fund, these taxes may be paid out of the funds in the Brand Fund. Franchisor may terminate the Brand Fund only after all monies have been spent.
3. Franchisor may collaborate with the advertising and marketing funds of certain franchise systems affiliated with it. There can be no assurance that the Brand Fund's participation in these collaborations and joint efforts will benefit the Franchised Businesses proportionately or equivalently to the benefits received by the other franchised businesses or the other franchised systems affiliated with Franchisor that also participate. The Franchisor has no obligation to make proportionate expenditures or contributions to the Brand Fund. Franchisor does not guarantee that expenditures from the Brand Fund will benefit Franchisee or any other franchisee directly, on a pro rata basis, or at all. Franchisee agrees and acknowledges that the Brand Fund is not a trust and the Franchisor has no fiduciary duty to Franchisee in administering the Brand Fund.

**F. Advertising Council.** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Brand Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Counsel, it will serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Franchised Businesses, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.

**G. Internet Presence.** Franchisor will establish an Internet Presence that it determines to promote the Franchised Business within the Territory. Franchisor shall have the sole

right to perform any development or maintenance services with respect to this Internet Presence and Franchisee shall use no other party for such services, unless otherwise approved by Franchisor. Franchisee shall also use Franchisor's business profile and review management services with respect to such Internet Presence and pay all amounts charged by Franchisor for such services, as and when due and by the means specified by Franchisor. Franchisee shall, upon request by Franchisor, provide content for the Internet Presence, which may include contact and address information, hours of operation, fees, photos, video, social media posts, and such other information about the Approved Products and Approved Services offered through the Franchised Business as Franchisor may require. Franchisor must approve any and all changes to content provided by Franchisee and the Internet Presence for the Franchised Business shall contain only such information as Franchisor may approve from time to time. Other than the Internet Presence established by Franchisor, Franchisee shall not establish or maintain, or have established or maintained on its behalf, either alone or in concert with others, any other Internet Presence, making reference to Franchisor, the System, the Proprietary Marks or the Franchised Business, unless otherwise approved by Franchisor. An "Internet Presence" includes any domain name, URL, website, webpage, landing page, portal, HTML document, online directory, online business profile, review and opinion page or site, social media or social networking site, profile, avatar, account or username, control panel, administrative platform, intranet, jotform or other form or method of digital or electronic medium or method of communication.

1. Franchisee may not use all or part of any of the Proprietary Marks, or any similar name, word, symbol, or variant thereof, in a domain name, email address, account name, username, profile, or URL. Franchisor will retain sole ownership of any Internet Presence, as well as any domain name related thereto and all content thereon, which includes all or a portion of any of the Proprietary Marks, or any word, phrase, or symbol confusingly similar thereto or variant thereof, as part of the domain name, username, account name, profile, or page reference.
2. Franchisor reserves the right at any time, in its sole discretion, to require Franchisee to remove, delete, or modify any Internet Presence, or any information, content, or post thereon.
3. Upon request, Franchisee must provide Franchisor with all passwords and access to any Internet Presence.

**H. Satisfaction/Surveys.** Franchisee shall participate in all customer satisfaction programs Franchisor requires, including any Client surveys and shall provide Franchisor with such assistance and information as reasonably required by Franchisor in connection with such programs and surveys.

**I. Social Media Prohibitions.** Franchisee acknowledges that Franchisor may also impose prohibitions on Franchisee's posting or blogging of comments about Franchisor, the Franchised Business, the System, or other franchisees. The foregoing prohibition includes personal blogs, common social networks like Facebook, Instagram, TikTok, X (formerly known as Twitter), Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like X and Snapchat;

virtual worlds, metaverses, file, audio and video-sharing sites, and other similar social networking or media sites or tools.

- J. Cooperatives.** Franchisor may establish regional advertising cooperatives that are comprised of multiple Franchised Business owners located within a geographical region that Franchisor designates (each, a “Cooperative”). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in a monthly specified amount. All amounts paid to a Cooperative will be credited towards Franchisee’s Local Advertising Requirement or Brand Fund Fee. Franchisor may specify the governing rules, terms and operating procedures of any Cooperative.

## **10. ACCOUNTING AND RECORDS**

- A. Maintenance of Records.** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles (“GAAP”), maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for the duration of this Agreement and for a period of at least five (5) years thereafter. Upon Franchisor’s request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor’s disclosure documents).
- B. Examination and Audit of Records.** Franchisor and its designated agents shall have the right to examine and audit Franchisee’s records, accounts, books, computer files and data, including any proprietary software used in connection with the System, at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Sales of the Franchised Business (or any amount due to Franchisor) for any period or periods, Franchisee must pay Franchisor, within fifteen (15) days after receipt of the inspection or audit report, the underpayment amount which was not paid as a result of the understatement, plus interest as provided in Section 4(D). If an inspection or audit discloses an understatement of two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must also upon demand: (i) reimburse Franchisor for any costs/expenses incurred in connection with conducting the inspection and audit including, without limitation, the charges of any independent accountant and the travel, lodging, and meal expenses and compensation of Franchisor’s employees.
- C. Computer System for Records.** Franchisee shall record all transactions of the Franchised Business on a Computer System designated or approved by Franchisor,

which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 6(V) of this Agreement.

- D. Computer System Files and Passwords.** Franchisee shall not install or load any computer software on the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement. Consistent with the other provisions of this Agreement, Franchisee agrees and acknowledges that Franchisor may have automatic access to Franchisee's specific passwords/keys/logins through the Computer System components and related software that Franchisor requires Franchisee to use in connection with the Franchised Business.
- E. Current Contracts, Listings and Projects.** At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects related to Clients and/or properties that Franchisee is involved in, working with or soliciting.
- F. Tax Returns.** Upon Franchisor's request, Franchisee shall furnish Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, and that of each of its owners, all of which Franchisee and such owners shall certify as true and correct.
- G. Right to Require Audit if Franchisee Underreports.** In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has underreported the Gross Sales of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that comply with GAAP and generally accepted auditing standards for Franchisee's fiscal year within one hundred twenty (120) days of Franchisee's fiscal year end.
- H. Change to Ownership of Franchisee.** In addition to the foregoing statements, and subject to Section 13 (including obtaining Franchisor's consent), Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any of the Dedicated Manager(s) that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisee is required to first notify Franchisor and obtain its approval prior to making any such change.

## 11. INSURANCE

A. **Required Insurance.** Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks; or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

1. Commercial general liability insurance, including personal injury, completed operations, contractual liability, and products liability, in an amount of not less than Two Million Dollars (\$2,000,000) per occurrence for bodily injury and not less than Two Million Dollars (\$2,000,000) per occurrence for property damage, and naming Franchisor as an additional insured in each such policy or policies;
2. Fire, vandalism, and extended coverage insurance with primary and excess limits of not less than the full replacement value of the premises of the Franchised Business and its furniture, fixtures, and equipment;
3. Auto insurance for all vehicles used in connection with operating the Franchised Business, including Franchisee-owned vehicles, and non-Franchisee-owned vehicles, which will include liability coverage in the minimum amount of One Million Dollars (\$1,000,000) per year, as well as commercial auto insurance for Franchisee-owned vehicles, which will include collision and comprehensive coverage as well as liability coverage in the minimum amount of Two Hundred Fifty Thousand Dollars (\$250,000) per person and Five Hundred Thousand (\$500,000) per accident per year, or the minimum required by state regulations, whichever is greater;
4. Employer's liability, workers' compensation insurance and such other insurance as may be required by statute or rule of the state or locality in which the Franchised Business is located and operated;
5. Business interruption insurance, which may also be called Business income insurance, based on projected annual income for the business, with coverage in the minimum amount of Five Hundred Thousand Dollars (\$500,000) per occurrence per year; and;
6. Such insurance as necessary to provide coverage under the indemnity provisions set forth in this Section 11.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage. All insurance policies Franchisee purchases must name Franchisor and any affiliate

Franchisor designate as additional insureds. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. **General Contractor Insurance.** In connection with any construction, renovation, refurbishment, or remodeling of the Franchised Business, Franchisee shall cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for vehicles, builder's risk, private liability, and independent contractors coverage) in at least the amount of Two Million Dollars (\$2,000,000), with Franchisor named as an additional insured, and workers' compensation and employer's liability insurance as may be required by law.
- C. **Failure to Procure and Maintain Insurance.** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then- current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.

## 12. **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

- A. **No Fiduciary Relationship.** In all dealings with third parties, including without limitation, employees, suppliers, and Clients, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. **Independent Contractor Relationship.** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): "This Franchised Business is independently owned and operated pursuant to a franchise agreement."
- C. **Indemnification.**
  - 1. Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, members, partners, shareholders, affiliates (including any affiliate supplier), subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims,

demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's (i) breach or attempted breach of, or misrepresentation under, this Agreement, and/or (ii) ownership, construction, development, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

2. Franchisee will be solely responsible for storing and preparing the Proprietary Foam Insulation Products for use in connection with providing the Approved Services once those products are delivered to Franchisee. Franchisor will not be responsible or liable in connection with any claims involving how the Proprietary Foam Insulation Products are prepared and/or used by Franchisee once they are delivered to Franchisee. Franchisee must indemnify and hold Franchisor (and/or its designated supplier) harmless in connection with any third-party claims or damages arising out of or related to claims involving how the Proprietary Foam Insulation Products are prepared and/or used by Franchisee once they are delivered to Franchisee.

### 13. **TRANSFER AND ASSIGNMENT**

- A. **No Transfer by Franchisee Without Franchisor's Approval.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent, shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein.

- B. **Death or Disability.**

1. In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals/owners/guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if: (i) within one hundred and eighty (180) days from the date of death, disability or incapacity (the "180 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this

Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

2. Franchisor is under no obligation to operate the Franchised Business or incur any obligation on behalf of any incapacitated franchisee, during or after the 180 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 180 Day Period. In the event of Franchisee's death, disability, or incapacitation, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.
3. Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves, pursuant to Section 13(E).

C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's ownership shares/stock or any increase in the number of outstanding shares/stock of Franchisee's ownership/membership units that results in a change of ownership; (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer of any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D) so long as there is no change in control (ownership or otherwise) with respect to Franchisee.

D. **Right of First Refusal.** If (i) Franchisee proposes to transfer any of its interest in this Agreement or the Franchised Business or any interest in its lease for the Premises, or (ii) Franchisee's owners propose to transfer any interest in Franchisee if Franchisee is an entity (other than under Section 13(C) hereof or in the event of Franchisee's death/disability/ incapacitation as set forth in Section 13(B)), then Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer

(“Letter of Intent”). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed ninety (90) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall affect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor’s right of first refusal. So long as Franchisee has obtained Franchisor’s prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor’s first right of refusal.

**E. Conditions for Approval.** Franchisor may condition Franchisor’s approval of any proposed sale or transfer of the Franchised Business or of Franchisee’s interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:

1. Franchisee has paid in full all amounts due to Franchisor, Franchisor’s affiliates, and Franchisor’s designated/approved suppliers and vendors;
2. Franchisee is not in default of this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor’s affiliates, or Franchisor’s designated/approved suppliers and vendors;
3. Franchisee, its transferee and Franchisor have entered into a transfer agreement in a form satisfactory to Franchisor, and Franchisee shall execute a general release in favor of Franchisor;
4. The transferee is approved by Franchisor to purchase the Franchised Business, having demonstrated to Franchisor’s satisfaction that he or she meets Franchisor’s educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;
5. The transferee shall execute Franchisor’s then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee’s term under this Agreement, with transferee’s term commencing on the date agreed to by the transferee, Franchisee and Franchisor;
6. Franchisee or transferee shall pay Franchisor a transfer fee equal to twenty five percent (25%) of the then-current standard initial franchise fee charged by Franchisor for new USA Insulation franchises; provided, if Franchisor is not selling USA Insulation franchises at the time of transfer, the transfer fee due hereunder will be the greater of the transfer fee or twenty five percent (25%) of the initial franchise fee originally paid by Franchisee;
7. The transferee shall satisfactorily complete Franchisor’s Initial Training Program within the time frame Franchisor sets forth without paying an

additional tuition fee, but the transferee will be responsible for all costs and expenses associated with attending the Initial Training Program;

8. Franchisee (and Franchisee's owners, principals, guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post- termination provisions of this Agreement;
9. The transferee must demonstrate that it has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business; and
10. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party.

**F. Transfer from an Individual Franchisee to Business Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing a transfer fee or training tuition fees, and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) the entity at issue is wholly owned by Franchisee (and no other party); (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.

**G. Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

#### **14. COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

**A. During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Dedicated Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Dedicated

Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1. Own, maintain, engage in, be employed by or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that (a) offers, sells or provides any kind of the Approved Products (including spray foam insulation, blown insulation or batten insulation) or the Approved Services (including the installation of any insulation products) that are offered or provided by the Franchised Business and/or other USA Insulation franchises (each, a “Competing Business”), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business; or (c) competes with any of Franchisor’s franchise affiliates by providing the same or similar products and/or services provided by their franchisees. For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (ii) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest; or
2. Divert, or attempt to divert, any prospective client to a Competing Business in any manner.

**B. After the Term of this Agreement.**

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (i) be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business, (ii) directly or indirectly owning or operating a Competing Business, or (iii) directly or indirectly working with or for or being affiliated with a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.
2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
  - a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business:

- i. within the Designated Territory, including at the Approved Location;
  - ii. within a sixty (60) mile radius of the Designated Territory;
  - iii. within a sixty (60) mile radius of any USA Insulation Franchised Business that is open and operating as of the date this Agreement expires and/or is terminated; or
  - iv. within a sixty (60) mile radius of any other designated territory that has been granted by Franchisor or its affiliates in connection with a USA Insulation Franchised Business as of the date this Agreement expires and/or is terminated, regardless of whether a Franchised Business is open and operating in that designated territory; or
- b. Solicit business from Clients of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any Competitive Business purpose.

C. **Intent and Enforcement.** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 14 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 14 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation on the restrictive covenants set forth in Section 14(B) shall be tolled during any default under this Section 14.

D. **Confidentiality and Restrictive Covenant Agreement.** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Restrictive Covenant Agreement (which will be in substantially the same form as the document attached to the Franchise Disclosure Document). Franchisee must furnish Franchisor a copy of each executed agreement.

E. **No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not

constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

- F. Specified Damages.** In addition to any other remedies or damages allowed under this Agreement and/or by law, if Franchisee breaches any of the covenants set forth in Subsections (A) and (B) above, Franchisee shall pay Franchisor a fee equal to Franchisor's then-current initial franchise fee for each Competing Business identified plus seven percent (7%) of such Competing Business' Gross Sales until expiration of the non-competition period set forth in this Section.

## **15. DEFAULT AND TERMINATION**

- A.** Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.
- B. Automatic Termination.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:
1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
  2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
  3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;
  4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;
  5. A final judgment in excess of Ten Thousand Dollars (\$10,000.00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
  6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.

C. **Termination upon Notice.** Franchisor has the right to terminate this Agreement effective immediately upon written notice to Franchisee as a result of any of the following breaches or defaults:

1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;
2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C)(22) of this Agreement during the term hereof, whether or not these breaches were timely cured;
4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenants not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business;
7. If Franchisee or any of Franchisee's owners or principals' default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the Lease for the Approved Location and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Approved Location to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);
9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Approved Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; (iii) failure to purchase

any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates; and/or (iv) failure to comply with any of the standards required in the Manual;

11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term “abandon” means: (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor’s prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;
12. If Franchisee fails to provide Franchisor with access, or otherwise blocks Franchisor’s access, to Franchisee’s Computer System as required under this Agreement, and fails to remedy this default within forty-eight (48) hours of being notified by Franchisor, or Franchisee withholds access to accounting or financial systems or data, revokes any electronic-funds transfer or direct debit authorization, or initiates any stop payment against Franchisor;
13. If Franchisee fails to pay Franchisor, its affiliates, any of its Approved Suppliers or any Client any amount that is due and owing that party within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
14. If Franchisee fails after notification of non-compliance by appropriate authority, to immediately comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the reasonable opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
17. If Franchisee takes for Franchisee’s own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;
18. If there are insufficient funds in Franchisee’s EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period;
19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or clients;

20. If Franchisee fails to meet the Minimum Productivity Levels set forth in Section 6 of this Agreement for three (3) consecutive MPL Periods;
21. If Franchisee, on three (3) or more occasions, fails to comply with the standards and specifications set forth in the Manuals during the term of this Agreement, whether or not these failures were timely cured; or
22. If Franchisee (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement; and (ii) fails to cure such breach or violation within ten (10) days of the date Franchisee is provided with notice thereof by Franchisor.

**D. Loss of Designated Territory.** Notwithstanding the foregoing, if Franchisee is in default of this Agreement pursuant to Section 15(C)22, Franchisor may, in its sole discretion and as an alternative to terminating this Agreement, elect to reduce the size of Franchisee's Designated Territory and own and operate, or license another to operate, additional USA Insulation businesses in the Designated Territory. In the event Franchisor elects to reduce Franchisee's Designated Territory, Franchisor will provide Franchisee with written notice thereof. Upon receipt of such notice, Franchisee will have ten (10) calendar days to execute an addendum to this Agreement detailing the revised boundaries of the Designated Territory. If Franchisee does not execute this Addendum with the prescribed time period, then Franchisor may, at its option, immediately terminate this Agreement upon notice to Franchisee.

**E. Step-In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisor will maintain in a separate account, all Gross Sales of the Franchised Business. From that account Franchisor will pay all expenses of the Franchised Business, which will include the Royalty Fees, Brand Fund Fees, Technology Fees, and all other fees due pursuant to this Agreement. In addition, Franchisee must (a) pay Franchisor a management fee amounting to eight percent (8%) of the Gross Sales of the Franchised Business during the time period that Franchisor's representatives are operating the Franchised Business (the "Management Fee"), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

## **16. POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. **Cease Ownership and Operation of Franchised Business; Cease Affiliation with Franchisor and Brand Generally.** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. If this Agreement is terminated for cause by Franchisor, then Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of a Franchised Business (unless Franchisor agrees otherwise in writing);
- B. **Return Manuals and Confidential Information.** Return to Franchisor the Manuals and all trade secrets, Confidential Information (including all Client lists and Approved Services agreements) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;
- C. **Assignment of Approved Services Contracts, Telephone/Facsimile Numbers and Domain Names.** Take such action as Franchisor may designate to: (i) provide and assign to Franchisor the then-current and up-to-date (a) Client and property lists, and (b) any Approved Services contracts and other agreements between Clients and the former Franchised Business; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the former Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Addendum E.
- D. **Cease Using Proprietary Marks.** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System or in which Franchisor has a proprietary right, title, or interest, cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System, and all client lists owned by Franchisor or required to be transferred to Franchisor, and all other indicia of operations associated with the System. Remove all trade dress, then Franchisee must remove physical characteristics, color combinations, and other indications of operation under the System from the Premises and from the Approved Vehicles (and provide documentation thereof to Franchisor as set forth in Section 16(G) below).
1. Franchisee shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's Manuals, confidential information, trade secrets, procedures, forms, techniques, know-how, or materials acquired by Franchisee by virtue of the relationship established hereby, including but not limited to, USA Insulation services, programs and products, specifications or descriptions of USA Insulation services and products; lists of Clients and lists of employees and independent contractors; any telephone number listed in any

telephone directory under the name "USAI", "USA Insulation" or any similar designation or directory listing which relates to the Franchised Business.

2. Upon Franchisor's request, Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor.

In the event Franchisee fails or refuses to comply with the requirements of this subsection D, Franchisor has the right to modify Franchisee's property without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at Franchisee's expense, which expense Franchisee shall pay upon demand.

- E. **Compliance with Post-Term Covenants.** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;
- F. **Payment of Amounts Due.** Pay all sums owing to Franchisor within seven (7) days including, but not limited to, any and all amounts owed under this Agreement or otherwise in connection with the former Franchised Business including, but not limited to, all sums due and owing to any employees, taxing authorities, and all other third parties. Upon termination for any default by Franchisee, said sums shall include actual and consequential damages, costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor as a result of Franchisee's default and the obligation to pay said sums shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the real property, personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee or the Franchised Business at the time of default and/or against any of Franchisee's monies held or otherwise in Franchisor's possession.
- G. **Written Evidence of Compliance.** Provide Franchisor with written evidence that Franchisee has complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and
- H. **Purchase of Assets.** Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's operating assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).
- I. **Disconnection of Telephone Number on Termination/Renewal.** Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the name USA INSULATION or any name similar to it. Thus, effective upon the

termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.

**17. TAXES AND INDEBTEDNESS**

- A. Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, lodging, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor (or any subsidiary, affiliate or designee) promptly and when due the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected, or paid by Franchisor on account of services or goods furnished by Franchisor to Franchisee through sale, lease or otherwise, or on account of collection by Franchisor of the Initial Franchise Fee, Royalty Fees, or any other payment to Franchisor called for by this Agreement.
- B. Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

**18. WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. Franchisor's Approval.** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) business days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) business day period, such failure to respond shall be deemed as a disapproval of any such request. In no event shall Franchisee be entitled to make, nor shall Franchisee make, any claim, and Franchisee hereby waives any claim for money damages, nor shall Franchisee claim any money damages, by way of set-off, counterclaim or defense, based upon any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by Franchisee under any of the terms of this Agreement. Franchisee's sole remedy for any such claim shall be a court proceeding to enforce any such provisions.
- B. No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof

shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement. Any conditional waiver granted by Franchisor shall be subject to its continuing review, may subsequently be revoked for any reason effective ten (10) days after Franchisee's receipt of Franchisor's prior written notice to that effect, and shall be without prejudice to any other rights Franchisor may have.

- C. **Terms of Other Franchise Agreements.** No warranty or representation is made by the Franchisor that all franchise agreements heretofore or hereafter issued by Franchisor in connection with a Franchised Business do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. **Modification of System and Manuals.** Except as provided in Section 21 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. **No Disclaimers of Franchise Disclosure Document.** Nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor has made in the franchise disclosure document.

## 19. **ENFORCEMENT**

- A. **Injunctive Relief.** The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current Clients of businesses operated under the System, which constitutes a danger to other franchise owners, employees, Clients, or the public or which may impair the goodwill associated with the Proprietary Marks.
- B. **No Withholding of Payments.** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- C. **Enforcement Costs and Expenses.** Franchisee shall pay Franchisor on demand any and all costs and expenses Franchisor incurs in enforcing the terms of this Agreement or any related agreement, including, but not limited to, its overhead costs and expenses

for its staff's time and efforts to obtain overdue reports and/or payments or to address and/or resolve defaults; costs and commissions due to a collection agency; attorneys' fees; and our administrative costs. If a claim for amounts owed by Franchisee to Franchisor or any of its affiliates is asserted in any legal proceeding or if Franchisor is required to enforce this Agreement in a judicial proceeding or if Franchisee institutes any legal action to interpret or enforce the terms of this Agreement and Franchisor prevails, Franchisee must reimburse Franchisor for its costs and expenses, including court costs, expert witness fees, discovery costs, and reasonable accounting and attorneys' fees and costs on appeal together with interest charges on all of the foregoing whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. All such costs and expenses shall be prorated to properly reflect any partial prevailing in the proceeding, as determined by the court. Franchisor is entitled to have any amount awarded be part of the award or judgment. Franchisee's duty to pay all of the above costs and expenses shall survive the termination or expiration of this Agreement.

## **20. NOTICES**

All approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive the notice in accordance with this Section. All such approvals, requests, notices, and reports, as well as all payments, will be deemed delivered at the time delivered by hand; or one (1) business day after sending by facsimile, e-mail or comparable electronic system or through a nationally recognized commercial courier service for next business day delivery; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and/or, with respect to any approvals and notices that Franchisor provides to Franchisee or Franchisee's Owners, at the Franchised Business's address. As of the Effective Date of this Agreement, notices should be addressed as set forth on page one of this Agreement unless and until a different address has been designated by written notice to the other party.

## **21. BINDING ARBITRATION; GOVERNING LAW; CONSENT TO JURISDICTION**

- A.** This Agreement is subject to the terms and provisions of the Federal Arbitration Act, Title 9, of the United States Code. Any and all other controversies or claims whatsoever arising out of or relating to this Agreement or to any ancillary agreement between the parties or with regard to their interpretation, formation or breach, shall be settled by binding arbitration according to the commercial rules of the American Arbitration Association as hereinafter provided.
- B.** Prior to submitting any claim or dispute to arbitration, Franchisee shall give notice thereof to Franchisor setting forth in reasonable detail the nature and basis of the claim or dispute. The parties shall then seek to negotiate and resolve the dispute by direct negotiation between Franchisor and Franchisee over a period of not less than thirty (30) days. If the dispute is not resolved directly by the parties, the parties shall then submit the dispute to mediation with an independent mediator agreed upon by the parties within another thirty (30) days unless the parties agree to forego mediation. Each party will bear their own costs and fees of the mediation; however, the mediator's fee will be split equally between the parties.

- C.** If the dispute is not resolved through negotiation or mediation, either party may send written notice to (1) the other party, and (2) the Regional Office of the American Arbitration Association in or closest to the location of Franchisor's principal offices at that time invoking the binding arbitration provisions of this Subsection. Any arbitration shall be conducted in the city or town in which Franchisor's principal offices are located before a single arbitrator located within the state in which Franchisor is located who has been actively engaged in the practice of law for at least ten (10) years and has franchise law experience. If the parties cannot agree upon an arbitrator, the arbitrator shall be selected in accordance with the American Arbitration Association rules. Prior to the commencement of hearings, the arbitrator shall provide an oath of undertaking of impartiality. The award of the arbitrator shall be final. The parties' further consent to the jurisdiction in any appropriate court to enforce the provisions of this Section and/or to enter a judgment upon any award rendered by the arbitrator. The costs and expenses of arbitration, including the prevailing party's attorney's fees and costs and the compensation and expenses of the arbitrator, shall be borne by the non-prevailing party.
- D.** In the event that any such controversy or claim arising from this Agreement involves any of Franchisee's officers, directors, shareholders, employees, representatives or agents, then any such controversy or claim shall also be submitted to binding arbitration in the same manner as set forth above. In the event any controversy or claim is submitted to binding arbitration as set forth above, the parties hereto agree that discovery prior to arbitration shall be restricted solely to exchanging lists of those witnesses and documents which may be presented at the hearing before the arbitrator, unless the parties otherwise mutually agree in writing to expand the scope of discovery.
- E.** In proceeding with arbitration and in making determinations hereunder, the arbitrator shall not extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by us in good faith. If an arbitrator determines that any contractual limitations period provided for in this Agreement is not applicable or enforceable, then the parties agree to be bound by the provision of any statute of limitations which would otherwise be applicable to the controversy, dispute or claim which is the subject of any arbitration proceeding initiated hereunder. Notice of or request to or demand for arbitration shall not stay, postpone or rescind the effectiveness of any termination of this Agreement. In the event that either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party notwithstanding said failure to appear.
- F.** Despite any language hereinabove to the contrary, Franchisor expressly reserves the right, at its sole and exclusive discretion, to seek injunctive relief from a court of competent jurisdiction to enforce Franchisee's post-term covenants, including the non-competition covenants, to enjoin the disclosure of or improper or unauthorized use of Franchisor's Confidential Information of the System including, but not limited to, the Manuals, Client lists, Proprietary Marks, or to enjoin Franchisee from any existing or threatened conduct, pending completion of the above-noted binding arbitration, which Franchisor reasonably believes could cause any harm or damage to it or to the System. In the event Franchisor files a lawsuit to seek injunctive relief as hereinabove provided, such action shall not constitute, nor be deemed to constitute, a waiver by Franchisor of its right to invoke the binding arbitration provisions of this Agreement.

- G.** With regard to all claims brought under Subsection 21(F), Franchisee further agree as follows:
1. The following courts shall have personal jurisdiction over Franchisee in all lawsuits relating to or arising out of this Agreement or any ancillary agreement and waive any defense Franchisee may have of lack of personal jurisdiction or improper venue in any such lawsuits filed in these courts: (a) all courts included within the state court system of the state in which our principal office is located; and (b) all federal courts sitting within the state in which our principal office is located;
  2. All lawsuits filed by Franchisee against Franchisor (whether in breach of the arbitration provisions of this Agreement or not) relating to or arising out of this Agreement or any ancillary agreement shall be required to be filed in one of these courts. Lawsuits filed by Franchisor against Franchisee may be filed in any of these courts or in any court in which jurisdiction and venue are proper; and
  3. In all lawsuits related to or arising out of this Agreement, Franchisee consents and agree that Franchisee may be served with process outside the state in which Franchisor's principal office is located in the same manner of service that may be made within that state by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction. Franchisee hereby waives any defense Franchisee may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.
- H.** The parties agree that the arbitration of any disputes between them or any other proceeding shall be conducted on an individual basis and not a class-wide, multiple plaintiff or similar basis and that such disputes shall not be consolidated with the arbitration of any other disputes which might arise between Franchisor and any other franchise owners in the franchise system.
- I.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, or the United States Arbitration Act (9 U.S.C. § 1 et seq.), this Agreement, and the franchise rights granted herein shall be governed by and construed in accordance with the substantive laws of the State of Ohio.
- J.** Franchisee agrees that the sole recourse for claims arising between the parties shall be against Franchisor or its successors and assigns. Franchisee agrees that its shareholders, members, managers, directors, officers, employees and agents and those of its affiliates shall not be personally liable nor named as a party in any action or arbitration between Franchisor and Franchisee. The parties further agree that, in connection with any such proceeding, each must submit or file any claim constituting 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 such claim that is not submitted or filed as described above shall be forever barred. No previous

course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement. Any arbitration award will have a binding effect only on the actual dispute arbitrated and will not have any collateral effect on any other dispute whatsoever, whether in litigation, arbitration, mediation, or other dispute resolution proceeding.

**FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT HAS READ THE TERMS OF THIS BINDING ARBITRATION PROVISION AND SPECIFICALLY AFFIRM THAT THIS PROVISION IS ENTERED INTO WILLINGLY AND VOLUNTARILY AND WITHOUT ANY FRAUD, DURESS, OR UNDUE INFLUENCE ON THE PART OF FRANCHISOR, ANY AFFILIATE OR ANY OF ITS AGENTS OR EMPLOYEES.**

## **22. SEVERABILITY AND CONSTRUCTION**

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- B. This Agreement may be executed in any number of counterparts, including via digital or electronic signature, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

## **23. VARIATIONS ON THE STANDARD**

Franchisor reserves the right to materially vary the terms and standards of eligibility, including financial terms and conditions, for any franchisee, including Franchisee, based upon the peculiarities of a particular area, including density of population, business potential, population of trade area, existing business practices, or any other conditions which Franchisor determines to have or to potentially have a significant effect on the successful operation of such

franchisee's business. Variations from standard specifications and practices granted to other franchisees shall not under any circumstances, be cause to require Franchisor to grant to Franchisee a like or similar variation hereunder, either now or in the future.

**24. MISCELLANEOUS**

- A.** If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew, this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and this Agreement shall otherwise be enforced as originally made and entered into in all other jurisdictions.
- B.** The rights and remedies of the parties hereunder are cumulative and no exercise or enforcement by a party of any right or remedy hereunder shall preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.
- C.** Franchisee agrees and acknowledges that Franchisee has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises, or inducements whatsoever, whether oral or written, and whether directly related to the contents hereof or collateral hereto, made by Franchisor, Franchisor's officers, members, managers, directors, shareholders, agents, employees or contractors which are not contained within this Agreement.
- D.** Neither party hereto shall be liable for any loss or damage due to any delay in the performance of the terms hereof (except for the payment of money which shall not be delayed) by reason of strikes, lockouts and other labor troubles, fires, riots, wars, embargos and commotion, or acts of God. Any such delay shall extend performance only so long as such event is in progress.
- E.** In all respects, time shall be of the essence hereof.
- F.** The provisions hereof shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, successors and assigns unless otherwise specifically restricted by the terms of this Agreement.
- G.** Franchise and Franchisor agree that if this Agreement contains any errors or omissions that each will sign corrective documents as needed.
- H.** Franchisee acknowledges and agrees that exchanging information with Franchisor by electronic transmission ("e-mail") is efficient and desirable for day-to-day communications and that Franchisor and Franchisee may utilize e-mail for such communications. Franchisee authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and Affiliates ("Official Senders") to Franchisee during the term of this Agreement and any renewal thereof. Franchisee further agrees that: (i) Official Senders are authorized to send e-mails to those of Franchisee's employees as Franchisee may occasionally authorize for the purpose of communicating with Franchisor; (ii) Franchisee will cause Franchisee's officers, directors, members, managers, and employees to give their consent to Official Senders' transmission of e-mails to them; (iii) Franchisee will require such persons not to opt out or otherwise ask

to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with Franchisee; and (iv) Franchisee will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement and any renewal thereof. The consent given in this Section will not apply to the provision of notices by either party under this Agreement pursuant to Section 20 unless the parties otherwise agree in a written document signed by both parties.

- I. Whenever Franchisor reserves or is deemed to have reserved discretion in a particular area or where Franchisor agrees or is deemed to be required to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy Franchisor's obligations whenever Franchisor exercises Reasonable Business Judgment in making Franchisor's decision or exercising Franchisor's rights. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Proprietary Marks, improving Client service and satisfaction, improving service or product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System. Franchisor is not required to consider any of Franchisee's or any other franchisee's particular economic or other circumstances when exercising Franchisor's Reasonable Business Judgment. Decisions Franchisor makes using Franchisor's Reasonable Business Judgment will not affect all franchisees equally, and some may be benefited while others are not. Neither Franchisee nor any third party (including without limitation a court of competent jurisdiction), shall substitute its judgment for Franchisor's Reasonable Business Judgment.
- J. This Agreement has been negotiated in the English language and the rules of construction and definitions of the English language will be applied in interpreting this Agreement. Franchisee represents that Franchisee, Franchisee's owners, and office personnel are fluent in English and have consulted with legal counsel to the extent necessary to understand the provisions of this Agreement. The English language version of this Agreement will be the official and binding Agreement between the parties. All notices and communications required or permitted under this Agreement, including without limitation all meetings, mediations, and litigation, will be conducted and written in the English language. In addition, Franchisor will provide all services and materials under this Agreement, including without limitations the Manuals and all training programs, seminars, conventions, programs and meetings, in the English language and will not have a duty to provide any translation or interpreter services for any of Franchisee's personnel. Franchisee will be solely responsible for the cost of any related translation or interpreter services.
- K. If Franchisee consists of more than one person, Franchisee's liability under this Agreement shall be joint and several.

## 25. **ACKNOWLEDGMENTS**

- A. No representation has been made by Franchisor (or any employee, agent or salesperson thereof) and relied upon by Franchisee as to the future or past income, expenses, sales,

volume or potential profitability, earnings or income of the Franchised Business, or any other franchised business, other than the information provided in Franchisor's Franchise Disclosure Document.

- B.** Prior to the execution of this Agreement, Franchisee has had the opportunity to contact all of Franchisor's existing franchisees.
- C.** Franchisor has certain rights reserved to Franchisor to own and operate franchised businesses; to franchise other franchised businesses; and, to otherwise use the System, the Proprietary Marks, know-how, techniques and procedures, including (without limitation) those expressly set forth in Section 2 of this Agreement.
- D.** Franchisee acknowledges that Franchisee has received a complete copy of this Agreement, with all Attachments, Addenda and Exhibits referenced in this Agreement, and other related Agreements, if any, at least seven (7) days prior to the date on which this Agreement was executed. Franchisee further acknowledges that Franchisee received Franchisor's Franchise Disclosure Document at least fourteen (14) days prior to the date on which this Agreement was executed by Franchisee.
- E.** No representation or statement has been made by Franchisor (or any employee, agent or salesperson thereof) and relied upon by Franchisee regarding Franchisee's ability to procure any required license or permit that may be necessary to the offering of one or more of the services contemplated to be offered by the Franchised Business.
- F.** Franchisee affirms and agrees that Franchisor may sell Franchisor's assets, Franchisor's Proprietary Marks, or the System outright to a third party; may go public; may engage in a private placement of some or all of Franchisor's securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all 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 said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "USA Insulation Franchise, LLC" as franchisor hereunder.
- G.** The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience and education which affords Franchisee the opportunity to derive income from other endeavors.
- H.** Franchisee specifically acknowledges that the only financial performance information Franchisor furnishes is set forth in Item 19 of Franchisor's Franchise Disclosure Document; that no officer, director, employee, agent, representative or independent contractor of Franchisor's is authorized to furnish Franchisee with any other financial performance information; that, if they nevertheless do, Franchisee will not rely on any such financial performance information given to Franchisee by any such individual; and, that if any such individual attempts to or actually does give Franchisee any such financial performance information in contravention of this provision, Franchisee will immediately communicate such activity to Franchisor. For the purpose of this Agreement, "financial performance information" means information given, whether orally, in writing or visually which states, suggests or infers a specific level or range

of historic or prospective sales, expenses and/or profits of franchised or non-franchised businesses.

- I.** Franchisee has carefully considered the nature and extent of the restrictions upon Franchisee set forth in this Agreement (including, without limitation, the covenants not to compete and the restrictions on assignment) and the rights and remedies conferred upon Franchisee and Franchisor under this Agreement. Franchisee acknowledges such restrictions, rights and remedies: (i) are reasonable, including, but not limited to, their term and geographic scope; (ii) are designed to preclude competition which would be unfair to Franchisee and Franchisor; (iii) are fully required to protect Franchisee's and Franchisor's legitimate business interests; and, (iv) do not confer benefits upon Franchisee or Franchisor that are disproportionate to Franchisee's detriment.
- J.** Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law or otherwise shall be Franchisor's sole responsibility and none of Franchisor's agents, employees, representatives, nor any individuals associated with Franchisor or Franchisor's affiliates shall be personally liable to Franchisee for any reason.
- K.** Franchisee acknowledges and understands that any training, support, guidance or tools Franchisor provides to Franchisee as part of the franchise are for the purpose of protecting the System, brand, and Proprietary Marks and to assist Franchisee in the operation of Franchisee's Franchised Business and not for the purpose of controlling or in any way intended to exercise or exert control over Franchisee's decisions or day-to-day operations of the Franchised Business, including Franchisee's sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of Franchisee's employees and all other employment and employee related matters.

## **26. EFFECTIVE DATE**

This Agreement shall not be effective until accepted by us as evidenced by signing by an authorized officer of Franchisor. Such date shall be referred to herein as the "Effective Date". If this Agreement is signed as part of the renewal of the Franchise, then the Effective Date shall be the first day after the expiration of the Term of the prior franchise agreement, or the date upon which an authorized officer of the Franchisor has signed, whichever is later.

*[Signatures appear on the following page.]*

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Agreement under seal on the date first written above.

**FRANCHISOR:**  
**USA INSULATION FRANCHISE, LLC**

**FRANCHISEE:**  
\_\_\_\_\_ *[corporate entity name]*

\_\_\_\_\_  
By:  
Its:

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

## EXHIBIT A TO THE FRANCHISE AGREEMENT

### DATA SHEET AND STATEMENT OF OWNERSHIP

#### 1. APPROVED LOCATION

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure an Approved Location within the Designated Territory. The Franchised Business shall be located at the following address:

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#### 2. DESIGNATED TERRITORY

Pursuant to Section 2(C) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

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3. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name:	<hr/>
Daytime Telephone No.:	<hr/>
Evening Telephone No.:	<hr/>
Cellular Telephone No.:	<hr/>
Facsimile No.:	<hr/>
E-mail Address:	<hr/>

## **EXHIBIT B TO THE FRANCHISE AGREEMENT**

### **PERSONAL GUARANTY**

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH A DIRECT OR INDIRECT OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/ MANAGERS/PARTNERS/ETC.) MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

### **ARTICLE I PERSONAL GUARANTY**

The undersigned, [NAME] an individual domiciled at [ADDRESS] ( “Guarantor” or “you”), hereby represents to **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal business address at 17700 Saint Clair Avenue, Cleveland, OH 44110 (the “Franchisor”) that you are an [owner/principal/member/shareholder/manager/partner] of the Franchisee [Entity Name], a corporation/limited liability company established under the laws of the State of \_\_\_\_\_, with a principal place of business at [LOCATION] (“Franchisee”). On or about [EFFECTIVE DATE], Franchisor and Franchisee entered into that franchise agreement for the operation of a USA INSULATION Franchised Business by Franchisor (the “Franchise Agreement”).

In consideration of the grant of right by Franchisor to the Franchisee under the Franchise Agreement, Guarantor hereby agrees, for [himself/herself], and for [his/her] heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, but not limited to: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

### **ARTICLE II CONFIDENTIALITY**

During the term of the Franchise Agreement, You will receive information which Franchisor considers to be proprietary, confidential and trade secret information, including without limitation: (i) site-selection criteria; (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the “System”) for the establishment and operation of a USA INSULATION business (each, a “Franchised Business”); (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business; (iv) knowledge of specification for and suppliers of, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business (v) knowledge of the operating results and financial performance of other Franchised Businesses; (vi) client communication and retention programs, along with data used or generated in connection with those programs; (vii) Franchisor’s proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (viii) information regarding the development of Franchisor’s proprietary marks (the “Proprietary Marks”); (ix) information generated by, or used or developed in, an Franchised Business’s

operation, including client names, properties and related rental management agreements or contracts of any kind, addresses, telephone numbers and related information and any other information contained in the Franchised Business's computer system or proprietary software system; (x) Franchisor's proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (xi) former, current and prospective client information, including Client and prospect names and addresses, contracts/agreements (collectively "Client Information"); (xii) sources and pricing matrices of any approved or designated suppliers; and (xiii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential (collectively, "Confidential Information").

You shall not, during the term of the Franchise Agreement or anytime thereafter, for any reason communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information. You also acknowledge and agree that the following also constitutes "Confidential Information" under this Section:

### **ARTICLE III NON-COMPETITION**

You acknowledge that as the Guarantor of a Franchisee operating in Franchisor's System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor, Franchisor's Proprietary Marks, brand reputation the goodwill associated with the System, you covenant as follows:

1. During the term of the Franchise Agreement, Guarantor will not, directly or indirectly, for Guarantor or through, on behalf of, or in conjunction with any other person, partnership, limited liability company or corporation:

1.1 Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money to, lease space or extend credit to (or otherwise have any interest in or involvement with), any other business that: (a) offers, sells or provides any kind of the Approved Products (including spray foam insulation, blown insulation or batten insulation) or the Approved Services (including the installation of any insulation products) that are offered or provided by the Franchised Business and/or other USA Insulation franchises (each, a "Competing Business"), (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business, or (c) offers or grants licenses or franchises, or establishes joint ventures for the ownership or operation of a business, in competition with the type of franchises or business sold or operated by any of Franchisor's affiliate entities. This Section does not apply to: (i) your operation of a USA INSULATION franchise pursuant to a valid franchise agreement with Franchisor, (ii) your operation of a franchise pursuant to a valid franchise agreement with Franchisor's affiliate franchisor entities, or (iii) your ownership of less than two percent (2%) of the interests in a publicly traded company. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it, or its affiliate entities, has offered or sold franchises as of the date the Franchise Agreement is terminated or expires.

1.2 Divert or attempt to divert business or Clients of any Franchisee-owned Franchised Businesses 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 or the System.

2. **After the Term of the Franchise Agreement and this Guaranty.**

2.1 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, Guarantor may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, limited liability company or corporation:

2.1.1 Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business:

- (i) within the Designated Territory;
- (ii) within a sixty (60) mile radius of the Designated Territory;
- (iii) within a sixty (60) mile radius of any Franchised Business that is open or under development as of the date the Franchise Agreement expires and/or is terminated; or
- (iv) within a sixty (60) mile radius of any other designated territory that has been granted by Franchisor or its affiliates in connection with a Franchised Business as of the date the Franchise Agreement expires and/or is terminated, regardless of whether a Franchised Business is open and operating in that designated territory; or

2.1.2 Solicit business from Clients of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose.

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Guaranty be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Guaranty, Franchisor shall be entitled to injunctive relief. You agree that in the event of the actual or threatened breach of this Guaranty, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that you have previously worked or been gainfully employed in other careers and that the non-compete covenants of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of Article II shall be tolled during any default under this Guaranty.

#### **ARTICLE IV DISPUTE RESOLUTION**

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its System.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Ohio.

3. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights

and obligations arising from such agreements, must be submitted first to mediation, in the County of Cuyahoga, Ohio under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator’s fees and costs equally. This agreement to mediate at Franchisor’s option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

3.1. *Excepted Claims.* The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor’s Confidential Information; (iii) the actual or threatened violation of Franchisor’s rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the “Excepted Claims”).

4. **Jurisdiction and Venue.** The parties agree that any action at law or in equity instituted under this Guaranty must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located in the County of Cuyahoga, Ohio or, if appropriate, the United States District Court for the Northern District of Ohio. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

5. **Third Party Beneficiaries.** Franchisor’s officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Guaranty.

6. **Right to Injunctive Relief.** Nothing contained in this Guaranty will prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor’s interest prior to the filing of any proceeding, or pending the trial or handing down of a decision or award pursuant to any proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court’s dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

7. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS GUARANTY, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE’S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN**

**FRANCHISEE, YOU AND FRANCHISOR OR ITS AFFILIATES/ OFFICERS/ EMPLOYEES/ AGENTS/ REPRESENTATIVES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

8. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

9. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against Franchisor, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

10. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

11. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of its right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

12. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions.

13. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities are joint and several. Headings are for reference purposes and do not control interpretation.

14. **Successors.** References to “Franchisor” or “the undersigned”, include the respective parties' heirs, successors, assigns or transferees.

**IN WITNESS WHEREOF**, the Guarantor executed and delivered this Guaranty for the benefit of the Franchisor on the date stated on the first page hereof.

**GUARANTOR:**

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[NAME]  
in [his/her] individual capacity

## EXHIBIT C TO THE FRANCHISE AGREEMENT

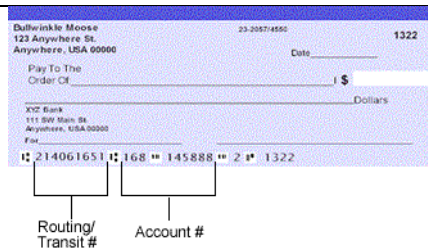
### ELECTRONIC FUNDS TRANSFER (EFT) AUTHORIZATION AGREEMENT

The undersigned ("Franchisee"), hereby authorizes **USA Insulation Franchise, LLC**, an Ohio limited liability company, with principal offices at 17700 Saint Clair Avenue, Cleveland, Ohio 44110 ("USA"), to initiate electronic transfer of funds/direct debits for payment of any and all amounts which Franchisee may owe to USA or its affiliates under the Franchise Agreement, note, security agreement, or other document or agreement between Franchisee and USA or its affiliates (the "Obligations"). All transfer of funds/direct debits shall be made to and out of the bank account (the "Account") identified below at the Financial Institution identified below.

Franchisee acknowledge that the origination of Automated Clearing House (ACH) transactions to the Account must comply with the provisions of the United States law. All costs and expenses, including any resulting from the dishonor by the Financial Institution of any electronic funds transfer/direct debit, shall be Franchisee's sole responsibility. This authorization is irrevocable and shall remain in effect until the termination or expiration of the underlying Franchise Agreement between Franchisee and USA.

Franchisee acknowledges that the Obligations will be debited by USA as they become due, or the closest business day thereafter. Franchisee agrees to keep sufficient funds in the account listed below to pay all Obligations. If Franchisee does not have enough money in the Account to cover the transfer/direct debit, or if the Financial Institution for any other reason refuses to honor a transfer/direct debit, Franchisee will separately pay for the Obligations upon demand.

<b>ACH Information</b>		
Financial Institution:		
Branch:		
City	State:	Zip:
Routing/Transit Number:		
Account/Bank Number:		



ENTITY: \_\_\_\_\_  
Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
(duly authorized, or in their individual capacity)

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
(in their individual capacity)

Day Phone: \_\_\_\_\_ Evening Phone: \_\_\_\_\_

## EXHIBIT D TO THE FRANCHISE AGREEMENT

### CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES

1. \_\_\_\_\_, doing business as Franchised Business (the "Assignor"), in exchange for valuable consideration provided by **USA INSULATION FRANCHISE, LLC** (the "Assignee"), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its USA INSULATION Franchised Business located at \_\_\_\_\_ (collectively, the "Assigned Property"). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_

Facsimile Number(s): \_\_\_\_\_

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): \_\_\_\_\_

2. The conditional assignment will become effective automatically upon termination or expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this assignment, and agrees to fully cooperate with the telephone company and/or domain name registrar as well as the Assignee in effectuating this assignment.

#### **ASSIGNOR:**

\_\_\_\_\_ [enter entity name]

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

#### **ASSIGNEE:**

**USA INSULATION FRANCHISE, LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## EXHIBIT E TO THE FRANCHISE AGREEMENT

### FRANCHISE OPTION AMENDMENT TO FRANCHISE AGREEMENT

**THIS AMENDMENT TO FRANCHISE AGREEMENT** (the "Amendment") is made and entered into as of \_\_\_\_\_, by and between **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal business address at 17700 Saint Clair Avenue, Cleveland, OH 44110 (the "Franchisor"), \_\_\_\_\_ and \_\_\_\_\_, a \_\_\_\_\_ with its \_\_\_\_\_ at \_\_\_\_\_ (hereinafter "Franchisee").

1. [FOR NEW FRANCHISEES]: The Initial Franchise Fee shall be refunded to Franchisee within ten (10) days of the opening of the Franchise, so long as Franchisee has opened the Franchise within the time set forth in the Franchise Agreement, and Franchisee is not otherwise in default of the Franchise Agreement or any other agreement between Franchisee and Franchisor or its affiliates. However, the foregoing does not apply to Franchisee if Franchisee is a resident of or domiciled in or intending to operate the Franchise wholly or partly in, any of the states of Connecticut, Georgia, Louisiana, Maine, North Carolina or South Carolina.

[FOR NEW FRANCHISEES]: Franchisor waives the Initial Franchise Fee stated in Section 4(a)(1) of the Franchise Agreement.

2. Section 4(a)(5) of the Franchise Agreement is amended as follows:

Strike "five percent (5%)" and replace with "nine percent (9%)".

3. If the Franchise Agreement is renewed in accordance with Section 3 thereof, Franchisee and Franchisor agree that the Royalty rates, as amended by Section 2 of this Amendment, shall be applied to the renewal term and that they shall enter into an amendment of the renewal franchise agreement if necessary to apply the foregoing Royalty rate.

4. Except as specifically amended above, all other provisions of the Franchise Agreement remain in full force and effect.

5. If there is a conflict between this Amendment and the Franchise Agreement, this Amendment will prevail.

**IN WITNESS THEREOF**, the parties hereto have executed this Amendment on the day and year first above written.

USA INSULATION FRANCHISE, LLC

By: \_\_\_\_\_

FRANCHISEE

By: \_\_\_\_\_

## EXHIBIT F TO THE FRANCHISE AGREEMENT

### PROMISSORY NOTE

\$ \_\_\_\_\_

Dated: \_\_\_\_\_

**FOR VALUE RECEIVED**, the undersigned, **[FRANCHISEE ENTITY]** a **[STATE]** corporation/limited liability company with a principal place of business at **[ADDRESS]** (collectively referred to as “Maker”) promises to pay to the order of **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, (herein with its successors and/or assigns, “Payee”) having its principal place of business at 17700 Saint Clair Avenue Cleveland, Ohio 44110, or at such other place as the Payee or other holder hereof may direct in writing, the aggregate principal sum of **[AMOUNT] (\$XX,XXX)** together with interest payable as follows:

**1. Interest.** The unpaid principal amount of this Promissory Note (“Note”) from time to time outstanding shall bear interest at the rate of twelve percent (12%) per annum. If Maker fails to pay any installment or make any payment on this Note for ten (10) days after the same shall become due, whether by acceleration or otherwise, Payee may, at its option, impose a late charge on the undersigned in an amount equal to five percent (5%) of such installment or payment. If any payment or installment is not made within thirty (30) days after the same shall become due, Payee may, at its option, impose an additional late charge on the undersigned in an amount equal to five percent (5%) of such installment or payment. Such installment or payment shall be subject to an additional five percent (5%) late charge for each additional period of thirty (30) days thereafter that such installment or payment remains past due. The late charge shall apply individually to all installments and payments past due. This provision shall not be deemed to excuse a late installment or payment or be deemed a waiver of any other rights Payee may have, including, but not limited to, the right to declare the entire unpaid balance due under this Note immediately due and payable. In no event shall the rate of interest payable hereunder at any time exceed the highest rate of interest allowed under applicable usury laws.

**2. Principal and Interest Payments.** This Note shall be due and payable by electronic funds transfer in \_\_\_\_\_ consecutive equal monthly installments of **[AMOUNT] (\$0,000.00)**, with the initial installment being due and payable on **DATE**, and the remaining installments being due and payable on the same day of each consecutive month thereafter. The final installment shall be due and payable on **DATE** and shall consist of the remaining principal balance of this Note, and all unpaid interest, accrued thereon. In the event any payment date shall fall due on a Saturday, Sunday or United States banking holiday, payment shall be made on the next succeeding business day, and interest will continue to accrue on the unpaid amount during the interim. All payments of principal and interest are to be made in lawful money of the United States of America in immediately available funds.

**3. Payment Application.** Payments shall be applied first to expenses, costs, and attorney’s fees which are payable under this Note, secondly to interest and finally to the reduction of principal; provided, such payments may at the option of Payee or other holder hereof, be applied to the payment of delinquent taxes, installments of special assessments, insurance premiums and/or other legal charges.

**4. “Event of Default”.** An “Event of Default” shall be deemed to have occurred in the event that: (a) any amount due hereunder is not paid after becoming due and payable; or (b) any default by Maker occurs in the performance of the covenants, obligations or other provisions under the Franchise Agreements between Maker and Payee (the “Franchise Agreement(s)”), or any other agreement between Maker (or its affiliates) and Payee; or (c) any representation or warranty of the Maker set forth in the Franchise Agreement(s), or any other agreement between Maker and Payee proves to have been incorrect in any material respect; or (d) Maker becomes subject to any bankruptcy, insolvency or debtor relief proceedings;

or (e) Maker fails to comply with or perform any provision of this Note not constituting a default under the previous items of this paragraph and such failure continues for fifteen (15) days after notice thereof to Maker; or (f) a default occurs causing the acceleration of any material obligation of Maker to any other creditors; or (g) any guarantor of the Franchise Agreement(s) revokes or renounces their guaranty; or (h) the Franchise Agreement(s) is terminated by Maker or by Payee or is declared terminated in any judicial proceeding.

**5. Default and Remedies.** Upon the occurrence of an Event of Default as defined herein or at any time thereafter, the entire principal and accrued interest of this Note shall become immediately due and payable, without further notice to Maker, at the option of Payee or other holder hereof. To the extent permitted by applicable law, all benefits, rights and remedies hereunder shall be deemed cumulative and not exclusive of any other benefit, right or remedy herein. The failure of Payee or other holder hereof to exercise any right or remedy hereunder shall not be deemed to be a release or waiver of any obligation or liability of the Maker.

**6. Obligations Absolute.** All obligations of Maker hereunder are absolute and unconditional, irrespective of any offset or counterclaim of Maker against Payee or other holder hereof. Maker hereby waives the right to claim or enforce any right of offset, counterclaim, recoupment or breach in any action brought to enforce the obligations of Maker under this Note.

**7. Waivers.** Maker and any co-makers, sureties, endorsers and guarantors of this Note, hereby jointly and severally waive presentment for payment, notices of non-performance or nonpayment, protest, notice of protest, notice of dishonor, diligence in bringing suit hereon, against any party hereto and notice of acceleration. Payee reserves the right, in its sole and exclusive discretion, to waive the requirement in Section 2 above that all payments hereunder be due by electronic funds transfer.

**8. Collection Costs; Attorney's Fees.** Maker agrees to pay all expenses and costs of collection, including all reasonable attorney's fees and expenses, court costs, costs of sale and costs of maintenance and repair and similar costs incurred by Payee in connection with the enforcement of this Note, the collection of any amounts payable hereunder, whether by acceleration or otherwise, and/or the sale or other disposition of any Collateral.

**9. Prepayment.** Maker may prepay this Note, in whole or in part, at any time without premium or penalty. Any partial payments shall be applied first to accrued interest and then to principal installments in reverse order of maturity.

**10. Severability.** If any term or provision of this Note or application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and shall be valid and enforced to the fullest extent permitted by law.

**11. Limitation on Interest.** All agreements between Maker and Payee, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand or acceleration of the maturity hereof or otherwise, shall the interest contracted for charged, or received by Payee, or any subsequent holder hereof, exceed the maximum amount permissible under applicable law. If any interest in excess of the maximum amount of interest allowable by said applicable laws is inadvertently paid to Payee or the holder hereof, at any time, any such excess interest shall be refunded by the holder to the party or parties entitled to the same after receiving notice of payment of such excess interest. All interest paid or agreed to be paid to Payee shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period until payment in

full of the principal (including the period of any renewal or extension hereof) so that the interest hereon for such full period shall not exceed the maximum amount permitted by applicable law. This paragraph shall control all agreements between Maker and Payee as to the payment of interest.

**12. Jurisdiction and Venue.** It is hereby agreed that any and all claims, disputes or controversies whatsoever arising from or in connection with this Note, shall be commenced, filed and litigated, if at all, in the judicial district in which Cleveland, OH is located, unless the conduct of such litigation is not within the subject matter jurisdiction of the court of such district. The parties waive all questions of personal jurisdiction, convenience of forum and venue for purposes of carrying out this provision.

**13. Jury Trial Waiver. MAKER AND PAYEE IRREVOCABLY WAIVE TRIAL BY JURY, REGARDLESS OF THE FORUM, IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER ARISING FROM, WHETHER DIRECTLY OR INDIRECTLY, THIS NOTE.**

**14. Governing Law.** In order to effect uniform interpretation of this Note, and all disputes or controversies arising or related hereto shall be interpreted and construed under the laws of the State of Ohio.

**15. Amount Owed.** The records of Payee or other holder of this Note shall be prima facie evidence of the amount owing on this Note.

**16. Release.** In consideration of the credit given to the Maker as evidenced by this Note, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned, for himself and his agents, employees, representatives, associates, heirs, successors and assigns (collectively the "Franchisee Entities"), does hereby fully and finally release and forever discharge the Payee, and its officers, shareholders, directors, agents, employees, representatives, associates, successors and assigns (collectively, the "Franchising Entities") of and from any and all actions and causes of action, suits claims, demands, damages, judgments, accounts, agreements, covenants, debts, levys and executions, including without limitation attorneys' fees, whatsoever, whether known or unknown, liquidated or unliquidated, fixed, contingent, direct or indirect, whether at law or in equity, which the Franchisee Entities, or any one or more of them, have had, now have or may in the future, have against the Franchising Entities, or any one or more of them, arising out of, in connection with or relating in any way to that certain franchise agreement between the undersigned and Payee dated \_\_\_\_\_ (the "Franchise Agreement"), or any other agreement between the undersigned and Payee, including but not limited to, any actions for fraud or misrepresentation, violation of any franchise laws, violation of any state or federal antitrust or securities laws, or violation of any common law, from the beginning time to the date of this Note; provided, however, specifically excluded from the release provisions of this Note shall be all obligations of Payee, under the Franchise Agreement first accruing on and after the date hereof. This release does not apply to claims arising under the Washington Franchise Investment Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220(2).

**17. Assignment.** Payee may sell or assign this Note at Payee's sole discretion. If Payee sells or assigns this Note Payee will not remain primarily obligated under the Note. Additionally, Maker will also lose all of its defenses against Payee as they relate to this Note as a result of the sale or assignment.

IN WITNESS WHEREOF, Maker has made, executed and delivered this Note effective as of the date first above written.

**MAKER:**

**[INSERT NAME OF FRANCHISEE ENTITY]**

By: \_\_\_\_\_

[NAME]

Its: [TITLE]

**PAYEE:**

**USA INSULATION FRANCHISE, LLC**

By: \_\_\_\_\_

[NAME]

Its: [TITLE]

## EXHIBIT G TO THE FRANCHISE AGREEMENT

### RENEWAL AMENDMENT

THIS \_\_\_\_\_ AMENDMENT TO FRANCHISE AGREEMENT (the "Amendment") is made and entered into as of \_\_\_\_\_, by and between **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal business address at 17700 Saint Clair Avenue, Cleveland, OH 44110 (hereinafter, "Franchisor"), and \_\_\_\_\_, [an individual] or [a \_\_\_\_\_ corporation/limited liability company with [a primary residence] or [its principal place of business] at \_\_\_\_\_ (hereinafter "Franchisee").

Franchisor and Franchisee entered into a Franchise Agreement dated \_\_\_\_\_ for the operations of a USA Insulation Franchise around the area of \_\_\_\_\_ ("Old Franchise Agreement") and now wish to renew.

Franchisor and Franchisee have entered into a renewal Franchise Agreement dated \_\_\_\_\_ ("Franchise Agreement") and now agree to amend that Franchise Agreement as follows:

1. Notwithstanding anything set forth in the Franchise Agreement to the contrary, this Agreement shall continue for \_\_\_\_\_ (the "Term"), unless terminated earlier as set forth herein.

2. Franchisor hereby acknowledges that Franchisee has completed the selection of the office location as set forth in **Section 6** of the Franchise Agreement.

3. Franchisor waives the initial training program requirement in **Section 5** of the Franchise Agreement.

4. The Initial Franchise Fee stated in **Section 4** of the Franchise Agreement is waived and Franchisee shall not pay to Franchisor the Initial Franchise Fee.

5. Franchisee acknowledges that the Franchise Business is fully operational as of the Effective Date of the Franchise Agreement. Franchisee further acknowledges that Franchisee is responsible for all payments due upon commencement of operations (including minimum royalties) as of the Effective Date of the Franchise Agreement.

6. Franchisor and Franchisee agree that the Local Advertising spending requirement in **Section 9(D)** applicable to the first three (3) months of operation shall not apply.

7. The Parties intend to amend the Franchise Agreement only as stated in this Amendment. All remaining provisions of the Franchise Agreement are unaltered hereby and are in full force and effect. Capitalized terms not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

8. **Release.** In consideration for Franchisor's consent to renewal of the franchise, Franchisee, for itself, its affiliates, and its successors and assigns, hereby remises, releases and forever discharges Franchisor, its affiliates, successors and assigns, as well as the shareholders, members, principals, officers, directors, employees, attorneys, agents, heirs and executors of Franchisor, its affiliates, successors and assigns (collectively, the "Released Parties"), of and from any and all debts, demands, losses, actions, causes of action, suits, accounts, covenants, contracts, warranties, agreements, damages and any and all claims, demands and liabilities whatsoever, of every name and nature, both in law and in equity, including without

limitation causes of action arising out of alleged conspiracy, violations of any contract, express or implied, any covenant of good faith and fair dealing, *quantum meruit*, or any federal, state or municipal statute, regulation or ordinance, that the Franchisee, its affiliates, successors or assigns may now have or ever had against the Released Parties, whether under the old Franchise Agreement, the Franchise Agreement or this Addendum, or any other agreement, transaction, relationship, duty, obligation or in any other form, known and unknown, from the beginning of the world until the date hereof, it being the intent of the Franchisee to grant in favor of the Released Parties hereby a general release. Without otherwise limiting the generality of the foregoing release, the foregoing release will not apply to obligations of Franchisor to Franchisee specifically set forth in this Franchise Agreement or this Addendum.

A. [IF FRANCHISE IS IN MARYLAND] The foregoing release shall not be construed to release any of Franchisees claims or rights to claims under the Maryland Franchise Registration and Disclosure Law, if such release is in contravention of the Maryland Franchise Registration and Disclosure Law.

B. [IF FRANCHISEE IS A CALIFORNIA CORP OR DOMICILED IN CALIFORNIA] The foregoing release is intended as a general release of all claims, demands, actions, causes of action, obligations, damages and liabilities of any kind or nature whatsoever that relate to the matters recited therein, and is intended to encompass all known and unknown, foreseen and unforeseen claims which the releasing party may have against any party being released. Section 1542 of the California Civil Code provides:

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

Franchisee expressly waives the provisions of Section 1542 of the California Civil Code and expressly releases each party to be released from all liability or claims arising out of any matters recited in the release.

C. The general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

9. This Amendment may be signed in counterparts, including in the form of a digital or e-signature, and such counterparts, when taken together, shall represent a full and complete signed document.

**IN WITNESS THEREOF**, the parties hereto have executed this Amendment on the day and year first above written.

*[Signature Page Follows]*

**FRANCHISOR:**  
**USA INSULATION FRANCHISE, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**  
[INSERT NAME OF FRANCHISEE]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT H TO THE FRANCHISE AGREEMENT**  
**MULTI-TERRITORY DEVELOPMENT ADDENDUM**

This Multi-Territory Development Addendum (this “Addendum”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and among **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal business address at 17700 Saint Clair Avenue, Cleveland, OH 44110 (“Franchisor”), [ENTITY], a \_\_\_\_\_ limited liability company/corporation and [ENTITY OR INDIVIDUAL NAME] (“You,” “Your,” or the “Franchisee”). If “You” are a business entity, “You” includes Your owners. Natural persons having an ownership interest in You if You are a business entity, are called an “Owner” and collectively “Owners.”

**INTRODUCTION**

Franchisee and Franchisor have entered into one or more franchise agreements, dated on or about \_\_\_\_ (the “Franchise Agreement(s)”) under which Franchisee shall own and operate a MaidPro® franchise in one or more contiguous territories (each a “Franchised Business”), as further described in the Franchise Agreements. Franchisor has agreed that Franchisee shall be provided extended time to begin operating a Franchised Business in each territory as set forth on the Rider (each a “Territory”) and further that the timing of fee payments under the Franchise Agreement shall be similarly adjusted, all as set forth herein.

In consideration of the foregoing and the mutual covenants and consideration described below, You and Franchisor agree as follows:

1. Franchisee shall begin operating a Franchised Business in each Territory according to the schedule set forth in the Rider to this Addendum.
2. Franchisee has signed a Franchise Agreement for the operation of a Franchised Business in each Territory. Except as stated in this Addendum, the operation of the Franchised Business in each Territory will be subject to the terms of the applicable Franchise Agreement.
3. Franchisee shall pay the Initial Franchise Fee, as provided in the applicable Franchise Agreement, no later than the Effective Date. All such fees are non-refundable.
4. Franchisee shall not be obligated to complete the Initial Training Program prior to commencing operation of the Franchised Business in the second and additional territories identified on the Rider.
5. Franchisee must commence operation of a Franchised Business in each Territory no later than the deadline stated on the Rider. If Franchisee begins servicing customers in the second or any additional Territory at any point, then the date of the first customer service provided in such Territory shall be deemed the commencement of operations in that Territory.
6. If Franchisee does not commence operations in a Territory according to the deadline stated in the Rider, Franchisor shall have the right to immediately terminate the applicable Franchise Agreement and all of Franchisee’s rights to operate the Franchised Business in that Territory and in all other Territories in which Franchisee has not yet commenced operations. A termination under this Section 6 shall not be grounds to terminate the Franchise Agreements applicable to any Territories in which Franchisee has commenced operations.

7. If, for any reason, any Franchise Agreement for a Territory in which Franchisee has commenced operations is terminated prior to Franchisee commencing operations in all Territories, then Franchisor shall have the right to immediately terminate the Franchise Agreements for any Territories in which Franchisee has not yet commenced operations.

8. If Franchisor elects to extend the time for Franchisee to begin operating in a Territory, Franchisee must pay Franchisor the minimum monthly flat fee amount called for by the Royalty Fee calculation in the Franchise Agreement, beginning as of the original commencement date in the Rider. If Franchisee subsequently begins to operate in the Territory, Franchisee's Royalty Fee will be determined based on the complete Royalty Fee calculation in the Franchise Agreement (minimum guarantee with percentage fee).

9. Except as otherwise stated herein, this Addendum shall be made a part of each Franchise Agreement for each of the Territories described on the Rider, and any and all matters under this Addendum shall be governed by the terms of the applicable Franchise Agreement. Any terms not defined herein but used herein shall have the meanings as set forth in the Franchise Agreement.

10. Any disputes arising out of this Addendum shall be governed by the terms of the Franchise Agreements.

11. This Addendum may be executed in one or more counterparts, each of which when executed and delivered shall be an original, and all of which together shall constitute one and the same instrument. An electronic signature (whether digital or encrypted, such as one transmitted via DocuSign) and/or a signature transmitted via electronic means (such as one transmitted via facsimile or in a PDF format via email) shall be effective to bind the party that transmitted the signature to the same extent as would a handwritten signature.

[THIS ADDENDUM CONTINUES WITH A RIDER,  
WHICH IS A PART OF THIS ADDENDUM]

## MULTI-TERRITORY DEVELOPMENT ADDENDUM RIDER

### Development Territories:

Franchise Agreement No.	Territory ID	Zip Codes

**Development Schedule.** Franchisee must commence operations of the Franchised Business in each Territory according to the following schedule:

Franchise Agreement No.	Date by Which Operations must Commence in the Territory
XXX-XXXX	
XXX-XXXX	

**FRANCHISOR:**  
**USA INSULATION FRANCHISE, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**  
[INSERT NAME OF FRANCHISEE]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT I TO THE FRANCHISE AGREEMENT

### NOVATION AGREEMENT

THIS NOVATION AGREEMENT (the “Novation”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_ by and between: (i) **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal business address at 17700 Saint Clair Avenue, Cleveland, OH 44110 (“USA”), [NAME], an individual with a primary address at \_\_\_\_\_, (“Franchisee”), an individual with a primary address at [ADDRESS], and ENTITY, a \_\_\_\_\_ limited liability company with its principal office at \_\_\_\_\_ (“ENTITY”)

### RECITALS

A. Franchisee is a USA Insulation® franchisee under a franchise agreement with USA dated [DATE] (the “Franchise Agreement”); and

B. Franchisee desires to transfer all of its right, title and interest under the Franchise Agreement and ownership of the franchise to [ENTITY]; and

C. Franchisee will enter into USA’s then-current Guaranty Agreement as a condition to USA’s consent to the foregoing transfer; and

D. The parties agree that as and from the date of this Novation (the “Effective Date”), the Franchise Agreement shall be novated from Franchisee to Entity, so that from the Effective Date ENTITY shall be bound by the terms of the Franchise Agreement in place of Franchisee and ENTITY agrees to acknowledge and expressly assume in the name, place and stead of Franchisee all liabilities and obligations of Franchisee under the Franchise Agreement; and

NOW, THEREFORE, in consideration of the mutual covenants contained in this Novation 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:

### AGREEMENT

1. As of the Effective Date, ENTITY agrees and undertakes to perform the obligations of Franchisee under the Franchise Agreement, whether arising prior to, on or subsequent to the Effective Date, and agrees to be bound by the terms and conditions of the Franchise Agreement in every way as if ENTITY were named as a party to the Franchise Agreement in place of Franchisee. ENTITY agrees to perform any and all past, present and future obligations of Franchisee under the Franchise Agreement and all other agreements executed in connection therewith.

2. As of the Effective Date, Franchisee releases USA from the various covenants, undertakings, warranties and other obligations contained in the Franchise Agreement and from all claims and demands whatsoever in respect of the Franchise Agreement whether arising prior to, on or subsequent to the Effective Date.

3. USA consents to the novation of ENTITY for Franchisee described in Section 1.

4. REPRESENTATIONS AND WARRANTIES OF ENTITY AND FRANCHISEE TO USA

(i) ENTITY is a [limited liability company/corporation/partnership] duly constituted and validly existing and is in good standing under the laws of its incorporating jurisdiction and is duly qualified to conduct the business in each jurisdiction where the nature and extent of their business and property require the same.

(ii) ENTITY and Franchisee possess all requisite authority and power to execute, deliver and comply with the terms of this Novation. This Novation has been duly authorized by all necessary action, has been duly executed and delivered by ENTITY and Franchisee and constitutes a valid and binding obligation of ENTITY and Franchisee enforceable in accordance with its terms.

(iii) Franchisee has the right to novate its rights and benefits under the Franchise Agreement to ENTITY, free and clear of any charge, lien, pledge, security interest or direct or indirect participation interest in favor of any other person, and as of the Effective Date, the Franchise Agreement is free and clear of all charges, liens, pledges, security interests or direct or indirect participation interests in favor of any other person.

5. Personal Guaranty. Notwithstanding any terms herein that may be construed to the contrary, Franchisee shall enter into and be bound to the terms of USA's then-current Guaranty Agreement, and that among the obligations guaranteed thereunder are the obligations of ENTITY to perform under the Franchise Agreement and Franchisee shall be personally bound by and personally liable for each and every obligation of ENTITY under the Franchise Agreement.

6. Successors and Assigns. ENTITY may not assign, transfer, convey or otherwise delegate any of its rights, title, interest or obligations under the Franchise Agreement without MaidPro's prior written consent pursuant to the terms of the Franchise Agreement.

7. Governing Law, Venue and Dispute Resolution. This Novation shall be interpreted, construed and governed by and in accordance with the provisions of the Franchise Agreement.

8. Entire Agreement; Liability. This Novation shall constitute the entire integrated assignment 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. The obligations of Franchisee and ENTITY hereunder are joint and several in each and every respect.

9. Right to Review and to Counsel. Each party declares that the terms of this Novation 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.

10. Multiple Counterparts. This Novation may be executed in a number of identical counterparts, each of which, for all purposes, is to be deemed to be an original, and all of which constitute, collectively, one agreement, but in making proof of this Novation, it shall not be necessary to produce or account for more than one such counterpart.

[Remainder of page intentionally blank; signature page follows]

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.

USA INSULATION FRANCHISE, LLC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

[ENTITY]

By: [NAME], [TITLE]

\_\_\_\_\_  
BY: NAME, TITLE

FRANCHISEE:

\_\_\_\_\_  
(in his individual capacity)

**EXHIBIT B**

**OPERATIONS MANUAL TABLE OF CONTENTS**

# Operations Manual

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# Installation Handbook

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# Handling, Use And Safety Manual

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**EXHIBIT C**

**FINANCIAL STATEMENTS/PARENT GUARANTEE**

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# HS Group Holding Company, LLC and Subsidiaries

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**Consolidated Financial Report**  
**December 31, 2024**

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## **Independent Auditor's Report**

To the Board of Directors  
HS Group Holding Company, LLC and Subsidiaries

### **Opinion**

We have audited the consolidated financial statements of HS Group Holding Company, LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024 and the related consolidated statements of operations and comprehensive income, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Emphasis of Matter**

As discussed in Note 9 to the consolidated financial statements, members' equity as of January 1, 2024 has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated financial statements.

To the Board of Directors  
HS Group Holding Company, LLC and Subsidiaries

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 consolidated 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 consolidated 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*Plante & Moran, PLLC*

April 3, 2025

## HS Group Holding Company, LLC and Subsidiaries

### Consolidated Balance Sheet

December 31, 2024

#### Assets

##### Current Assets

Cash	\$ 4,973,924
Accounts receivable:	
Trade - Net of allowance for credit losses	4,622,137
Unbilled	2,384,114
Other	12,786
Inventory	349,518
Prepaid expenses and other current assets:	
Prepaid expenses	763,549
Deferred broker and commission costs	831,913
Other current assets	81,861

Total current assets 14,019,802

**Property and Equipment - Net (Note 4)** 1,495,493

**Operating Lease Right-of-use Assets - Net (Note 7)** 2,886,019

**Goodwill - Net (Note 5)** 53,613,567

**Intangible Assets - Net (Note 5)** 26,034,323

**Deferred Commission Costs - Net of current portion** 3,210,287

**Other Assets** 182,893

Total assets **\$ 101,442,384**

#### Liabilities and Members' Equity

##### Current Liabilities

Accounts payable	\$ 2,133,975
Current portion of long-term debt (Note 6)	30,434,803
Current portion of operating lease liabilities (Note 7)	1,237,822
Deferred franchise fees	1,717,585
Accrued compensation and other current liabilities	1,722,910

Total current liabilities 37,247,095

**Operating Lease Liabilities - Net of current portion (Note 7)** 1,704,010

**Deferred Franchise Fees - Net of current portion** 6,040,806

Total liabilities 44,991,911

**Members' Equity** 56,450,473

Total liabilities and members' equity **\$ 101,442,384**

## HS Group Holding Company, LLC and Subsidiaries

# Consolidated Statement of Operations and Comprehensive Income

Year Ended December 31, 2024

Recurring Revenue	\$ 46,645,188
Franchise Fee Revenue	<u>2,364,383</u>
Total revenue	49,009,571
Operating Expenses	<u>59,247,865</u>
Operating Loss	(10,238,294)
Nonoperating Expense	
Other expense	(37,461)
Interest expense	<u>(3,522,490)</u>
Total nonoperating expense	<u>(3,559,951)</u>
Loss from Continuing Operations	(13,798,245)
Gain from Discontinued Operations (including gain on disposal of \$908,222)	<u>789,142</u>
Consolidated Net Loss	(13,009,103)
Other Comprehensive Income - Foreign currency translation	<u>107,082</u>
Comprehensive Loss	<u><u>\$ (12,902,021)</u></u>

## HS Group Holding Company, LLC and Subsidiaries

### Consolidated Statement of Members' Equity

Year Ended December 31, 2024

<b>Balance</b> - January 1, 2024 (as restated)	\$ 70,797,170
Net loss	(13,009,103)
Issuance of Class A units	37,500
Redemptions	(1,482,176)
Foreign currency translation	107,082
<b>Balance</b> - December 31, 2024	<b>\$ 56,450,473</b>

## HS Group Holding Company, LLC and Subsidiaries

### Consolidated Statement of Cash Flows

Year Ended December 31, 2024

#### Cash Flows from Operating Activities

Net loss	\$ (13,009,103)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation and amortization	12,456,987
Accretion of debt issuance costs	209,633
Noncash lease expense	(19,170)
Credit loss expense	686,358
Gain on sale of subsidiaries	(908,222)
Changes in operating assets and liabilities that provided (used) cash:	
Accounts receivable	164,101
Prepaid expenses and other assets	(477,035)
Inventories	25,423
Deferred commission costs	802,954
Accounts payable and accrued expenses	(2,225,066)
Deferred franchise fees	(1,077,179)
Net cash used in operating activities	(3,370,319)

#### Cash Flows from Investing Activities

Purchase of property and equipment	(163,849)
Proceeds from sale of subsidiaries	81,680
Net cash used in investing activities	(82,169)

#### Cash Flows from Financing Activities

Borrowings on long-term debt	3,300,000
Payments on long-term debt	(1,672,126)
Redemptions	(852,176)
Issuance of Class A units	37,500
Net cash provided by financing activities	813,198

#### Effect of Exchange Rate Changes on Cash

#### Net Decrease in Cash

#### Cash - Beginning of year

#### Cash - End of year

#### Significant Noncash Transactions - Redemption of Class A units in exchange for sale of

Plumbing Heating Paramedics, LLC	\$ 630,000
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# Notes to Consolidated Financial Statements

December 31, 2024

### Note 1 - Nature of Business

HS Group Holding Company, LLC and Subsidiaries (the "Company") includes its wholly owned subsidiaries, Threshold Brands, LLC (TB); MaidPro Franchise, LLC (MaidPro); FlyFoe, LLC (FlyFoe); Men In Kilts US, LLC (MIKU); Men in Kilts Canada, Inc. (MIKCA); Pestmaster Franchise Network, LLC (PFN); Pestmaster Services, L.P. (PSI); Kaigan, LLC (Kaigan); USA Insulation Franchise, LLC (USA); USA Enterprises, LLC (USAE); FDIE, LLC (FDIE); Sir Grout Franchising, LLC (SGF); Sir Grout, LLC (SG); Plumbing Heating Paramedics, LLC (PHP); PHP Franchise, LLC (PHPF); Granite Garage Floors Franchising, LLC (GGFF); Granite Garage Floors Atlanta (GFCC); Mold Medics, LLC (MM); Mold Medics Franchise, LLC (MMFL); and Miracle Method, LLC (MMCS).

MaidPro is a franchisor that provides support, guidance, and training to its franchisees. Its franchisees provide residential and office cleaning services in the United States and Canada. MaidPro began franchising operations in January 1997 and conducts operations from its principal office in Massachusetts.

FlyFoe was established on November 30, 2017. FlyFoe is a franchisor that provides support, guidance, and training to its franchisees. FlyFoe's franchisees provide mosquito and tick control services and other related services in the United States.

MIKU was established on March 29, 2019, and MIKCA was established in 2002. They are each franchisors that provide support, guidance, and training to its franchisees. Their franchisees provide exterior house cleaning services, including window cleaning, gutter cleaning, house washing, and pressure washing, for both residential and commercial properties in the United States and Canada.

PFN operates as a franchisor of pest control services throughout the United States. It provides territorial rights for operation of its businesses, giving initial training and ongoing support for franchisees. The customer base is both residential and commercial. It began operations in 1981. PSI and Kaigan operate certain Pestmaster franchises.

USA was established on March 22, 2006. It is a franchisor that provides support, guidance, and training to its franchisees. Its franchisees provide insulation services for both residential and commercial buildings. USAE operates certain USA franchises. FDIE is an operating company that primarily provides inventory to USA franchises. FDIE manufactures foam insulation and related chemicals and equipment that it sells and ships directly to franchisees.

SGF was established in 2004. It is a franchisor that provides a variety of services across grout and tile restoration (e.g., cleaning, repair, color sealing, and recaulking), stone restoration (e.g., floor and countertop polishing and crack repair), surface coatings (e.g., durability coating and slip-resistance coatings), and sandless hardwood refinishing. SG also acts as a product supplier for franchisees, where supplies are purchased from vendors and directly shipped to the franchisees.

PHP was established in 2011. It provides HVAC and plumbing services to residential customers throughout Indiana. PHP offers HVAC system repairs, HVAC system replacements, plumbing system repairs, and recurring maintenance check-ins. PHP was sold on January 31, 2024. PHPF is a newly established franchisor that sells franchises providing services similar to PHP.

GFCC was established in 1980. The company provides upgrading of concrete surfaces (e.g., garage floors, basements, workshops, unfinished spaces, exterior porches, and patios) with an industrial coating system with finishes appearing like granite, quartz, stone, metallic, or terrazzo. GGFF operates as a franchisor in which its franchisees provide services similar to GFCC. GFCC was sold on December 31, 2023.

MM provides mold remediation, air duct cleaning, and other ancillary services, such as radon testing for residential and commercial customers. MM was sold on April 30, 2024. MMFL operates as a franchisor in which its franchisees provide services similar to MM.

MMCS provides bathroom and kitchen resurfacing services for residential and commercial customers and operates as a franchisor.

## Notes to Consolidated Financial Statements

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**December 31, 2024**

### **Note 2 - Significant Accounting Policies**

#### ***Basis of Accounting***

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company elected to adopt certain accounting alternatives for private companies developed by the Private Company Council, including alternative accounting for goodwill and intangibles.

#### ***Principles of Consolidation***

The financial statements include the accounts of the Company and all of its wholly owned and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

#### ***Accounts Receivable***

Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. At December 31, 2024, the Company had recorded an allowance for credit losses in the amount of \$1,070,050. The Company evaluates the collectibility of its accounts receivable and determines the appropriate allowance for expected credit losses based on a combination of factors, including the aging of the receivables, historical collection trends, and charge-offs, and includes adjustments for current economic conditions and reasonable and supportable forecasts. When the Company is aware of a franchisee or customer's inability to meet its financial obligation, the Company may individually evaluate the related receivable to determine the allowance for expected credit losses. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Net accounts receivable as of January 1, 2024 equaled \$5,220,489.

#### ***Property and Equipment***

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method. Assets are depreciated over their estimated useful lives, which range from 3 to 10 years. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

#### ***Leases***

The Company has operating leases for real estate and vehicles. The Company recognizes expense for operating leases on a straight-line basis over the lease term. The Company made a policy election not to separate lease and nonlease components for all operating leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Company elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for all operating leases.

#### ***Intangible Assets***

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

The Company elected to apply the private company accounting alternative for intangible assets acquired in a business combination developed by the Private Company Council. Under the accounting alternative, certain acquired customer-related intangible assets and noncompetition agreements are not separately recognized apart from goodwill.

**Notes to Consolidated Financial Statements**

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**December 31, 2024**

**Note 2 - Significant Accounting Policies (Continued)**

***Goodwill***

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition.

The Company elected to apply the private company accounting alternative for goodwill developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Additionally, goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Company may be less than its carrying value. The Company elected to test goodwill for impairment at the entitywide level.

No impairment charge was recognized during the year ended December 31, 2024.

***Revenue Recognition***

The Company's franchise agreements include (a) the right to use its symbolic intellectual property over the term of each franchise agreement (typically 10 years), (b) preopening services, such as training, (c) ongoing services, such as management of the national brand fund contributions and support services for the franchisees, and (d) for certain subsidiaries, a license to use the Company's internal-use software, which is hosted on the Company's software service (SaaS) platform. These promises are highly dependent upon and interrelated with the franchise right granted in the franchise agreement, so they are not considered to be individually distinct and, therefore, are accounted for as a single performance obligation. The performance obligation under the franchise agreement is the promise to provide daily access to the symbolic intellectual property over the term of each franchise agreement, which is a series of distinct services that represent a single performance obligation. Although the franchisor's underlying activities associated with the symbolic intellectual property will vary both within a day and day to day, the symbolic intellectual property is accessed over time and the customer (the franchisee) simultaneously receives and consumes the benefit from the franchisor's performance of providing access to the symbolic intellectual property (including other related activities).

The Company also operates franchise locations that perform various repair and maintenance services for residential and commercial buildings. Revenue is recognized over time as the services are rendered. Long-term contracts do not exist for these services, and all work is typically completed within a 24-hour period. Total revenue related to these services was approximately \$8,586,000 during the year ended December 31, 2024. This revenue is included in recurring revenue on the accompanying consolidated statement of operations and comprehensive income.

FDIE manufactures foam insulation and related chemicals and equipment that it sells and ships directly to its customers. Revenue is recognized at a point in time when the customer receives the goods. FDIE does not offer extended warranties that would constitute a separate performance obligation. Product revenue for FDIE was approximately \$5,417,000 during the year ended December 31, 2024. This revenue is included in recurring revenue on the accompanying consolidated statement of operations and comprehensive income. The Company has adopted the policy election to exclude sales taxes from the transaction price.

**Note 2 - Significant Accounting Policies (Continued)**

**Payment Terms**

Initial franchise fees are due and typically paid when a franchise agreement is executed and are nonrefundable. These fees are collected prior to the satisfaction of the Company's performance obligations, resulting in the Company recognizing deferred revenue contract liabilities. The portion of contract liabilities that is expected to be recognized as revenue within one year is classified as current on the consolidated balance sheet. Deferred franchise fees as of January 1, 2024 equaled \$8,835,570. Initial franchise fees are also received pursuant to area development agreements, which grant the right to develop franchised stores in future periods in specific geographic areas. Royalties and advertising fees are paid on a monthly basis based upon a percentage of franchisee gross sales. Technology fees are paid on a monthly basis based upon a fixed amount. Service fees are due 30 days from when the service is performed.

**Allocating the Transaction Price**

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to service customers. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that the agreements will not be canceled, renewed, or modified.

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties and advertising fees, as the transaction price is based on the franchisees' sales. The variable consideration is recognized based on the actual amounts incurred each month.

**Costs to Obtain a Franchise Agreement**

The Company incurs commission costs to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue, which is recognized over time. As a result, the commission costs are capitalized as deferred commission costs and are expensed over the term of the respective franchise agreement.

**Advertising Expense**

In accordance with the Company's franchise agreements, franchisees pay a percentage of monthly sales to an advertising fund to be used for advertising, marketing, and other promotional purposes. Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2024 was \$5,813,677.

**Income Taxes**

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. Members are taxed individually on their pro rata ownership share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement.

**Concentrations of Credit Risk**

The Company maintains cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

**Debt Issuance Costs**

Debt issuance costs are recorded as a reduction in the recorded balance of the outstanding debt. The costs are amortized over the term of the related debt using a method that approximates the effective interest rate method.

**Notes to Consolidated Financial Statements****December 31, 2024****Note 2 - Significant Accounting Policies (Continued)*****Foreign Currency Translation***

The functional currency of the Company's international subsidiary (MIKCA) is the Canadian dollar. Foreign currency denominated assets and liabilities are translated into United States dollars at the rate of exchange in effect at year end. Income and expenses are translated at a weighted-average rate of exchange for the year ended December 31, 2024. The aggregate effect of translating the financial statements of MIKCA is included in other comprehensive income on the accompanying consolidated statement of operations and comprehensive income.

***Use of Estimates***

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

***Subsequent Events***

The consolidated financial statements and related disclosures include evaluation of events up through and including April 3, 2025, which is the date the financial statements were available to be issued.

**Note 3 - Accounts Receivable Credit Loss Allowance**

The activity in the allowance for credit losses is as follows:

Balance - January 1	\$ 812,625
Additions charged to expense	686,358
Deductions/Write-offs	(428,933)
	<hr/>
Balance - December 31	\$ 1,070,050

**Note 4 - Property and Equipment**

Property and equipment are summarized as follows:

Machinery and equipment	\$ 531,978
Vehicles	1,378,226
Furniture and fixtures	80,268
Computer equipment and software	395,258
Leasehold improvements	663,717
	<hr/>
Total cost	3,049,447
	<hr/>
Accumulated depreciation	1,553,954
	<hr/>
Net property and equipment	\$ 1,495,493

Depreciation expense for 2024 was approximately \$418,000.

## HS Group Holding Company, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

December 31, 2024

#### Note 5 - Intangible Assets and Goodwill

Intangible assets and goodwill of the Company at December 31, 2024 are summarized as follows:

	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and goodwill:		
Franchise agreements	\$ 22,957,360	\$ 7,182,241
Trade names	11,151,905	2,266,952
Software	2,755,357	1,381,106
Goodwill	79,759,719	26,146,152
Total amortized intangible assets and goodwill	<u>\$ 116,624,341</u>	<u>\$ 36,976,451</u>

Amortization expense for intangible assets and goodwill totaled approximately \$12,039,000 for the year ended December 31, 2024.

Estimated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2025	\$ 12,038,523
2026	12,038,523
2027	12,038,523
2028	12,038,523
2029	12,038,523
Thereafter	19,455,275
Total	<u>\$ 79,647,890</u>

#### Note 6 - Long-term Debt

In connection with the Company's acquisition of USA on December 23, 2020, the Company entered into a credit agreement with a financial institution. Maximum borrowings under the credit agreement allow for \$2,000,000 of a revolving loan, \$12,500,000 of a senior secured term loan, and \$20,000,000 of additional term loans, which are secured by substantially all of the assets of the Company. The available borrowings on the revolver are limited to a borrowing base, calculated from the adjusted senior debt to earnings before interest, taxes, depreciation and amortization (EBITDA), as further defined in the credit agreement.

In connection with the agreement, the Company incurred debt issuance costs of \$410,323, which are amortized over the term of the credit agreement.

On September 16, 2024, the Company signed the sixth amendment to the loan agreement, which provided a delayed draw A term loan of \$3,300,000. The proceeds of the loan were to be used by the Company to fund the revolver paydown, the Company's working capital needs, transaction costs, fees, and expenses incurred by the Company and to make certain modifications to the loan agreement.

The interest rate is a floating rate equal to the lesser of the Secured Overnight Financing Rate (SOFR) plus the applicable margin, as defined in the credit agreement, which is 10.24 percent as of December 31, 2024. Principal payments are due quarterly on the first day of each quarter in an amount equal to \$71,094 and with a balloon payment on the maturity date, which is December 23, 2025. Management expects to extend the maturity date of the debt and is currently in negotiations with the lender to do so.

The credit agreement includes certain ratios and excess cash flow payments. The credit agreement is collateralized by all business assets of the Company. As of December 31, 2024, the Company was in compliance with its financial debt covenants.

Amortization expense recognized on debt issuance costs was approximately \$210,000 as of December 31, 2024.

## Notes to Consolidated Financial Statements

**December 31, 2024**

### Note 6 - Long-term Debt (Continued)

A summary of debt at December 31, 2024 is as follows:

Term loan	\$ 27,344,436
Delayed draw A term loan	3,300,000
Unamortized debt issuance costs	<u>(209,633)</u>
Long-term debt less unamortized debt issuance costs	30,434,803
Less current portion	<u>30,434,803</u>
Long-term portion	<u>\$ -</u>

### Note 7 - Leases

The Company leases real estate and vehicles under operating lease agreements that have initial terms of 4 to 15 years. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease five times up to a term of 5 years each. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2025	\$ 1,225,158
2026	584,634
2027	324,249
2028	311,964
2029	256,557
Thereafter	<u>313,572</u>
Total	3,016,134
Less amount representing interest	<u>74,302</u>
Present value of net minimum lease payments	2,941,832
Less current obligations	<u>1,237,822</u>
Long-term obligations under leases	<u>\$ 1,704,010</u>

**Notes to Consolidated Financial Statements****December 31, 2024****Note 7 - Leases (Continued)**

Expenses recognized under these leases for the year ended December 31, 2024 consist of the following:

Lease cost:	
Operating lease cost	\$ 1,492,073
Short-term lease cost	<u>12,400</u>
Total lease cost	<u>\$ 1,504,473</u>
Other information:	
Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	\$ 1,225,158
Weighted-average remaining lease term (years) - Operating leases	3.5
Weighted-average discount rate - Operating leases	1.3 %

**Note 8 - Related Party Transactions**

A company related to the Company's majority member charges the Company for financial and management services under a management services agreement for reimbursement of reasonable direct expenses, which is included in operating expenses on the accompanying consolidated statement of operations and comprehensive income. The total expense for the year ended December 31, 2024 is \$691,000.

**Note 9 - Members' Equity**

Class A units have voting rights on all matters requiring the consent, approval, or vote of the members. The Class A units receive preference on distributions. There were 1,000,000 units authorized and 87,829 units issued and outstanding as of December 31, 2024.

Class B units do not have voting rights and are issued to designated management employees of the Company, upon vesting of deferred units, without any corresponding capital contribution. The holders of these units are entitled to share in the appreciation of the Company's assets that occur subsequent to the date of grant. The Class B units are dilutive to the participating preferred units. There were 1,000,000 units authorized and no units issued or outstanding as of December 31, 2024.

As defined in the HS Group Holding Company, LLC Second Amended and Restated Limited Liability Company Agreement, a deferred unit provides the right to be issued a Class B unit prior to a significant sale, assuming the fair market value of the Company exceeds the threshold amount, as defined in the deferred unit agreement. Deferred units vest evenly over seven years, with accelerated vesting upon the occurrence of a significant sale. As of December 31, 2024, there were 11,740 deferred units issued, 5,078 deferred units outstanding, and 1,505 deferred units vested. No compensation expense was recognized during 2024, as the fair value of the units is *de minimis*.

The accompanying consolidated statement of members' equity has been restated to correct an error in which accounts receivable were overstated as of December 31, 2023. Retained earnings as of January 1, 2024 decreased by \$1,895,100.

**Note 10 - Discontinued Operations**

On January 31, 2024, the Company sold PHP in exchange of 300 Class A units of the Company owned by the buyer that were valued at \$630,000, which is included in redemptions on the accompanying consolidated statement of members' equity. In addition, MM was sold on April 30, 2024 in exchange for cash equal to approximately \$82,000.

The sales of PHP and MM are considered to be strategic changes in operations, as they are both nonfranchisors, so the Company can focus on the franchisor side of the business. PHP and MM are, therefore, being accounted for as discontinued operations.

**Notes to Consolidated Financial Statements**

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**December 31, 2024**

**Note 10 - Discontinued Operations (Continued)**

The results of operations of PHP and MM included in gain from discontinued operations in the consolidated statement of operations and comprehensive income for the year ended December 31, 2024 are as follows:

Recurring revenue	\$	870,784
Operating expenses		(951,392)
Interest expense		(38,472)
Gain on sale from discontinued operations		<u>908,222</u>
Net gain	\$	<u><u>789,142</u></u>

# **HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands**

Consolidated Financial Report  
December 31, 2023

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## **Independent Auditor's Report**

RSM US LLP

Board of Directors  
HS Group Holding Company LLC and Subsidiaries d/b/a Threshold Brands

### **Opinion**

We have audited the consolidated financial statements of HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in members' equity and cash flows for the years ended December 31, 2023, 2022, and 2021, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years ended December 31, 2023, 2022, and 2021, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's 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 auditor's 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*RSM US LLP*

Detroit, Michigan  
April 24, 2024

# HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

## Consolidated Balance Sheets December 31, 2023 & 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,292,172	\$ 2,848,939
Accounts receivable, net of allowance for credit losses	7,308,258	2,838,072
Inventory	374,941	626,335
Prepaid expenses and other current assets	3,638,733	2,739,829
Discontinued operations	456,472	691,541
<b>Total current assets</b>	<b>19,070,576</b>	<b>9,744,716</b>
Property and equipment, net	1,750,108	2,053,004
Other assets:		
Goodwill, net	58,322,671	49,421,067
Intangibles, net	28,931,482	20,570,821
Right of use asset - operating leases, net	4,037,117	4,902,678
Capitalized contract costs	4,013,241	3,913,698
Other assets	200,786	366,051
Discontinued operations	5,099,952	5,649,309
<b>Total other assets</b>	<b>100,605,249</b>	<b>84,823,624</b>
<b>Total assets</b>	<b>\$ 121,425,933</b>	<b>\$ 96,621,344</b>
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,331,237	\$ 2,579,019
Accrued expenses	1,736,480	2,289,453
Current portion of long-term debt	409,376	355,469
Operating lease liabilities, current	1,234,334	1,149,172
Current portion of deferred franchise and territory fees	2,596,885	1,703,657
Discontinued operations	1,687,613	1,504,355
<b>Total current liabilities</b>	<b>10,995,925</b>	<b>9,581,125</b>
Long-term debt, net	28,187,920	27,087,563
Deferred franchise and territory fees, net of current portion	6,238,685	6,581,039
Operating lease liabilities noncurrent	2,877,766	3,825,580
Discontinued operations	433,367	357,315
<b>Total liabilities</b>	<b>48,733,663</b>	<b>47,432,622</b>
Members' equity	72,692,270	49,188,722
<b>Total liabilities and members' equity</b>	<b>\$ 121,425,933</b>	<b>\$ 96,621,344</b>

See notes to consolidated financial statements.

# HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

## Consolidated Statements of Operations Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Revenues:			
Recurring revenue	\$ 43,861,005	\$ 42,434,021	\$ 31,818,811
Franchise fee revenue	2,355,244	2,284,333	1,148,834
<b>Total revenues</b>	<b>46,216,249</b>	<b>44,718,354</b>	<b>32,967,645</b>
Operating expenses:			
Cost of services	7,365,194	7,716,433	6,488,425
General and administrative expenses	13,588,879	18,981,922	11,602,742
Payroll and benefits	19,327,071	20,314,913	15,092,714
Depreciation and amortization expenses	9,096,227	8,030,433	6,067,212
Transaction expenses	2,127,651	884,988	2,054,118
<b>Total operating expenses</b>	<b>51,505,022</b>	<b>55,928,689</b>	<b>41,305,211</b>
<b>Loss from operations</b>	<b>(5,288,773)</b>	<b>(11,210,335)</b>	<b>(8,337,566)</b>
Other expense (income):			
Interest expense	3,516,317	2,434,486	1,364,806
Other expense (income)	204,046	(203,807)	(145,135)
<b>Other expense</b>	<b>3,720,363</b>	<b>2,230,679</b>	<b>1,219,671</b>
<b>Loss from continuing operations</b>	<b>(9,009,136)</b>	<b>(13,441,014)</b>	<b>(9,557,237)</b>
Loss from discontinued operations (including gain on disposal of \$9,972 for the year ended December 31, 2023)	(1,459,871)	(831,424)	(830,729)
<b>Net loss</b>	<b>\$ (10,469,007)</b>	<b>\$ (14,272,438)</b>	<b>\$ (10,387,966)</b>

See notes to consolidated financial statements.

**HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands**

**Consolidated Statements of Changes in Members' Equity**  
**Years Ended December 31, 2023, 2022, and 2021**

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Balance, December 31, 2020	\$ 50,386,426
Issuance of Class A units	1,150,000
Contributed capital related to acquisitions	5,150,000
Foreign currency translation	(32,060)
Net loss	(10,387,966)
Balance, December 31, 2021	<u>46,266,400</u>
Issuance of Class A units	774,578
Contributed capital related to acquisitions	16,500,000
Foreign currency translation	(79,818)
Net loss	(14,272,438)
Balance, December 31, 2022	<u>49,188,722</u>
Issuance of Class A units	7,705,254
Contributed capital related to acquisitions	26,315,146
Distributions	(221,436)
Foreign currency translation	173,591
Net loss	(10,469,007)
<b>Balance at December 31, 2023</b>	<b><u><u>\$ 72,692,270</u></u></b>

See notes to consolidated financial statements.

# HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

## Consolidated Statements of Cash Flows Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Cash flows from operating activities:			
Net loss from continuing operations	\$ (9,009,136)	\$ (13,441,014)	\$ (9,557,237)
Net loss from discontinued operations	(1,459,871)	(831,424)	(830,729)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:			
Depreciation and amortization	9,096,227	8,030,433	6,067,212
Accretion of debt issuance costs	209,733	209,532	122,886
Loss (gain) on sale of fixed assets	151,375	(24,018)	-
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(3,892,055)	352,313	(744,466)
Prepaid expenses and other current assets	(655,452)	(1,916,684)	387,382
Inventories	251,394	(51,635)	(407,450)
Capitalized contract costs	(99,543)	(1,084,997)	(1,228,179)
Other assets	221,947	(195,350)	162,394
Accounts payable and accrued expenses	(314,296)	2,088,873	896,771
Deferred franchise and territory fees	(425,333)	1,098,016	1,002,758
Other liabilities	-	(210,500)	210,500
Operating lease assets and liabilities	2,909	72,074	-
<b>Net cash used in operating activities—continuing operations</b>	<b>(4,462,230)</b>	<b>(5,072,957)</b>	<b>(3,087,429)</b>
<b>Net cash used in operating activities—discontinuing operations</b>	<b>(404,355)</b>	<b>(186,428)</b>	<b>(554,662)</b>
<b>Net cash used in operating activities</b>	<b>(4,866,585)</b>	<b>(5,259,385)</b>	<b>(3,642,091)</b>
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(22,648,233)	(13,632,318)	(11,864,149)
Purchase of property and equipment	(179,453)	(479,941)	(871,412)
Proceeds from sales of equipment	24,119	192,627	208,379
<b>Net cash used in investing activities—continuing operations</b>	<b>(22,803,567)</b>	<b>(13,919,632)</b>	<b>(12,527,182)</b>
<b>Net cash used in investing activities—discontinuing operations</b>	<b>(202,807)</b>	<b>(290,871)</b>	<b>(1,897,023)</b>
<b>Net cash used in investing activities</b>	<b>(23,006,374)</b>	<b>(14,210,503)</b>	<b>(14,424,205)</b>
Cash flows from financing activities:			
Borrowings on long-term debt	1,300,000	-	16,000,000
Payment of debt issuance costs	-	-	(551,094)
Distributions to members	(221,436)	-	-
Payments on long-term debt	(355,469)	(284,375)	(143,594)
Proceeds from capital contributions	31,220,400	15,774,578	1,150,000
<b>Net cash provided by financing activities—continuing operations</b>	<b>31,943,495</b>	<b>15,490,203</b>	<b>16,455,312</b>
<b>Net cash provided by financing activities—discontinuing operations</b>	<b>113,078</b>	<b>79,560</b>	<b>-</b>
<b>Net cash provided by financing activities</b>	<b>32,056,573</b>	<b>15,569,763</b>	<b>16,455,312</b>
Effect of exchange rate changes on cash	181,670	(140,104)	(123,805)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,365,284</b>	<b>(4,040,229)</b>	<b>(1,734,789)</b>
Cash and cash equivalents, beginning	3,140,848	7,181,077	8,915,866
Cash and cash equivalents, ending	\$ 7,506,132	\$ 3,140,848	\$ 7,181,077

(Continued)

**HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands**

**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2023, 2022, and 2021**

	2023	2022	2021
Supplemental disclosures of cash flow information:			
Interest paid	<u>\$ 3,083,356</u>	<u>\$ 1,077,276</u>	<u>\$ -</u>
Supplemental schedule of noncash operating, investing and financing activities:			
Acquisition of businesses:			
Assets acquired	\$ 12,410,853	\$ 3,070,399	\$ 3,926,223
Liabilities assumed	(1,489,748)	(333,510)	(658,342)
<b>Net identifiable assets acquired</b>	<u>10,921,105</u>	<u>2,736,889</u>	<u>3,267,881</u>
Goodwill	15,202,529	12,428,214	10,880,109
<b>Net assets acquired</b>	<u>26,123,634</u>	<u>15,165,103</u>	<u>14,147,990</u>
Less cash acquired	(675,401)	(32,785)	(133,841)
Less units issued as consideration	(2,800,000)	(1,500,000)	(2,150,000)
<b>Cash purchase price</b>	<u>\$ 22,648,233</u>	<u>\$ 13,632,318</u>	<u>\$ 11,864,149</u>

See notes to consolidated financial statements.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Nature of business:** HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands (collectively, the Company) through its wholly owned subsidiaries including Threshold Brands LLC, MaidPro Franchise, LLC (MaidPro), FlyFoe, LLC (FlyFoe), Men In Kilts US, LLC (Men in Kilts), Men in Kilts Canada Inc. (MIKC), Pestmaster Franchise Network, LLC (PFN), Pestmaster Services, L.P. (PSI), Kaigan LLC (Kaigan), USA Insulation Franchise, LLC (USA), USA Enterprises, LLC (USAE), FDIE, LLC (FDIE), Sir Grout Franchising, LLC (SGF), Sir Grout, LLC (SG), Plumbing Heating Paramedics LLC (PHP), PHP Franchise LLC (PHPF), Granite Garage Floors Franchising, LLLC (GGFF), Granite Garage Floors Atlanta (GGFA), Mold Medics LLC (MM), Mold Medics Franchise, LLC (MMF), Miracle Methods LLC (MMCS) and Miracle Methods Franchise, LLC (MMUS) is in the business of selling franchises as well as operating certain franchises and supply companies.

MaidPro is a franchisor that provides support, guidance, and training to its franchisees. Its franchisees provide residential and office cleaning services in the United States and Canada. MaidPro began franchising operations in January 1997 and conducts operations from its principal office in Massachusetts.

FlyFoe was established on November 30, 2017. FlyFoe is a franchisor that provides support, guidance, and training to its franchisees. FlyFoe's franchisees provide mosquito and tick control services and other related services in the United States.

Men in Kilts was established on March 29, 2019, and MIKC was established in 2002. They are each franchisors that provides support, guidance, and training to its franchisees. Their franchisees provide exterior house cleaning services, including window cleaning, gutter cleaning, house washing, and pressure washing for both residential and commercial properties in the United States and Canada.

PFN operates as a franchisor of pest control services throughout the United States. It provides territorial rights for operation of their businesses, giving initial training and ongoing support for franchisees. The customer base is both residential and commercial. It began operations in 1981. PSI and Kaigan operate certain Pestmaster franchises.

USA was established on March 22, 2006. It is a franchisor that provides support, guidance, and training to its franchisees. Its franchisees provide insulation services for both residential and commercial buildings. USAE operates certain USA franchises. FDIE is an operating company that primarily provides inventory to USA franchises. FDIE manufactures foam insulation and related chemicals and equipment that it sells and ships directly to franchisees.

SGF was established in 2004. It is a franchisor that provides a variety of services across grout and tile restoration (e.g., cleaning, repair, color sealing, re-caulking), stone restoration (e.g., floor and countertop polishing, crack repair), surface coatings (e.g., durability coating, slip-resistance coatings), and sandless hardwood refinishing. SG also acts as a product supplier for franchisees, where supplies are purchased from vendors and directly shipped to the franchisees.

PHP was established in 2011. It provides HVAC and plumbing services to residential customers throughout Indiana. PHP offers HVAC system repairs, HVAC system replacements, plumbing system repairs, and recurring maintenance check-ins. PHP was sold on January 31, 2024 and is included in discontinued operations (see Note 9). PHPF is a newly established franchisor that sells franchises providing services similar to PHP.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

GGFA was established in 1980. The company provides upgrading of concrete surfaces (garage floors, basements, workshops, unfinished spaces, exterior porches, and patios) with an industrial coating system with finishes appearing like Granite, Quartz, Stone, Metallic or Terrazzo. GGFF operates as a franchisor in which their franchisees provide services similar to GGFA. GGFA was sold on December 31, 2023 and is included in discontinued operations (see Note 9).

MM provides mold remediation, air duct cleaning, and other ancillary services such as radon testing for residential and commercial customers. MM is expected to be sold in the next year and is included in discontinued operations (see Note 9). MMF operates as a franchisor in which their franchisees provide services similar to MM.

MMCS provides bathroom and kitchen resurfacing services for residential and commercial customers. MMUS operates as a franchisor in which their franchisees provide services similar to MMC.

**Basis of presentation:** The consolidated balance sheets are presented as of December 31, 2023 and 2022. The consolidated statements of operations, changes in members' equity, and cash flows are presented for the years ended December 31, 2022, 2021, and 2021. The accompanying consolidated financial statements of the Company include its wholly owned subsidiaries.

All intercompany transactions have been eliminated. The accompanying consolidated financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Company follows to ensure its financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these notes to the consolidated financial statements are to the FASB Accounting Standards Codification (ASC).

**Revenue recognition policy:** The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows: identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when or as performance obligations are satisfied.

#### Significant accounting policies:

##### Nature of services

The Company's franchise agreements include (a) the right to use its symbolic intellectual property over the term of each franchise agreement, (b) preopening services, such as training, (c) ongoing services, such as management of the advertising fund contributions and support services for the franchisees, and (d) a license to use the Company's internal-use software which is hosted on the Company's software as a service (SaaS) platform. These promises are highly dependent upon and interrelated with the franchise right granted in the franchise agreement, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation. The performance obligation under the franchise agreement is the promise to provide daily access to the symbolic intellectual property over the term of each franchise agreement, which is a series of distinct services that represents a single performance obligation. Although the franchisor's underlying activities associated with the symbolic intellectual property will vary both within a day and day-to-day, the symbolic intellectual property is accessed over time and the customer (the franchisee) simultaneously receives and consumes the benefit from the franchisor's performance of providing access to the symbolic intellectual property (including other related activities). Revenue earned from providing these services is collectively referred to as franchise revenue.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

The Company's revenue consists primarily of recurring revenue, which includes franchise royalties, advertising fund contributions, and support services performed for franchisees. Franchise revenue (Initial franchise fees) is based on the market type selected and are paid at the time an individual franchise agreement is signed. Territory fees are for the purchase of additional territory over and above the minimum qualified households allowable based on the market type selected and are also paid at the time an individual franchise agreement is signed.

The Company also operates certain franchise locations. The revenue for these consists of revenue recognized at a point in time as the service is completed.

#### Payment terms

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Agreements may include initial and renewal franchise fees, sales-based royalties, and fees for administrative services performed for the franchisee.

The Company believes its franchising agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the Company and (b) the sales-based royalty is variable and based on factors outside the Company or the franchisee's control.

#### Revenue recognition

Initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement beginning when the agreement is signed. Franchise agreements typically have a term of five to ten years with the option to renew for an additional years if the franchisee is in compliance with the terms of the franchise agreement.

Continuing royalties are calculated as a percentage of franchisees' reported sales that are related entirely to the Company's performance obligation under the franchise agreement. These royalties are considered variable consideration, but because they relate to a license of intellectual property, they are not included in the transaction price. Instead, royalty revenue is recognized as franchisee sales occur. Advertising contributions received from the Company's franchisees are recorded as a component of franchise royalties and fees in the consolidated statements of operations.

#### Contract balances

The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred franchise and territory fees) also is recorded.

#### Commission costs

The Company defers those direct and incremental costs associated with the sale of franchises. Deferred costs are charged to earnings when the related deferred franchise and territory fees are recognized as revenue over the term of the respective agreement. The Company has determined the period of benefit for direct and incremental costs associated with the sale of franchises to be the initial term of the franchise agreement. Amortization is recognized on a straight-line basis commensurate with the pattern of revenue recognition.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Advertising funds

The Company collects funds from its franchisees for advertising pursuant to the Company's franchise agreements at a percentage of franchisee sales. These advertising services are not considered distinct because they are highly dependent and interrelated to the franchise right. Advertising contributions are considered part of the transaction price for the franchise right and recognized as revenue as the underlying sales occur. The advertising costs incurred for franchisees will be expensed in accordance with the Company's normal policy.

**Cash and cash equivalents:** The Company considers all short-term, highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. Cash equivalents consist of money market accounts.

The following table provides a reconciliation of cash and cash equivalents reported in the consolidated balance sheets for continuing operations that sums to the total of the amounts shown in the consolidated statements of cash flows for the years ended December 31:

	2023	2022	2021
Cash - continuing operations	\$7,292,172	\$2,848,939	\$6,701,825
Cash reclassified to discontinued operations	213,960	291,909	479,252
	<u>\$7,506,132</u>	<u>\$3,140,848</u>	<u>\$7,181,077</u>

**Accounts receivable:** Accounts receivable are recorded at transaction price. The allowance for credit losses on accounts receivable represents the Company's estimate of expected credit losses over the lifetime of the receivables. This estimation process is based on historical experience, current conditions, asset-specific risk characteristics and reasonable and supportable forecasts about future economic and market conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance for credit loss was approximately \$813,000 and \$542,000 for the years ended December 31, 2023 and 2022, respectively. The Company will continue to monitor and evaluate the adequacy of the allowance for credit losses on accounts receivable on a regular basis and make adjustments as necessary in response to changes in economic conditions and credit quality indicators.

The Company adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326), on January 1, 2023. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instruments which would include accounts receivables. Prior to the adoption of this accounting standard, the Company recorded incurred loss reserves against account receivable balances based on current and historical information. The adoption of this ASU did not have a material effect on the Company's financial statements.

**Concentration of credit risk:** The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company grants credit to its franchisees and customers. Consequently, the Company's ability to collect the amounts due from franchisees and customers is affected by economic fluctuations. The Company routinely assesses the financial strength of its franchisees and customers and believes that its accounts receivable credit risk exposure is limited.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Franchisor advertising:** Advertising costs of the franchisor are charged against income during the period the advertising is displayed. Advertising costs are expensed as incurred and totaled approximately \$938,000, \$1,863,000, and \$2,148,000 for the years ended December 31, 2023, 2022, and 2021 respectively.

**Software development costs:** Costs for software developed for internal use are accounted for in accordance with ASC 350, Intangibles – Goodwill and Other - Internal-Use Software. ASC 350 requires the capitalization of certain costs incurred in connection with developing or obtaining internal-use software. In accordance with ASC 350, the Company expenses costs incurred in the preliminary project stage of developing or acquiring internal use software, such as research and feasibility studies, as well as costs incurred in the post-implementation/operational stage, such as maintenance and training. Capitalization of software development costs occurs only after the preliminary project stage is complete,

management authorizes the project, and it is probable that the project will be completed and the software will be used for the function intended. Costs associated with the purchase and development of computer software are capitalized and amortized on a straight-line basis over the estimated useful life of the related asset. Software development costs are recorded in property and equipment in the accompanying consolidated balance sheets. The Company capitalized software development costs. There were approximately \$72,000 and \$0 of capitalized costs for the year ended December 31, 2023 and 2022, respectively.

**Property and equipment:** Property and equipment is stated at cost, net of accumulated depreciation and amortization. Expenditures for additions and improvements are capitalized while maintenance and repair expenditures are charged to operations as incurred. When assets are sold or otherwise retired from service, their cost and related accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in the results of operations. Depreciation and amortization is computed using the straight-line method based on the following estimated useful lives:

	Years
Equipment	5-10
Vehicles	5-10
Furniture and fixtures	3-5
Leasehold improvements	Lesser of useful life or lease term
Software development costs	3-7

**Goodwill and intangibles:** Goodwill is recognized for the excess of the fair value of an acquired business over the fair value of the identifiable net assets acquired. Under FASB ASC Topic 350, Intangibles—Goodwill and Other, the Company elected the accounting alternative to amortize goodwill on a straight-line basis over 10 years.

The Company has elected the provisions of FASB ASU 2014-18, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination*. ASU 2014-18 specifies that a private company that elects the accounting alternative to recognize or otherwise consider the fair value of intangible assets as a result of any in-scope transactions should no longer recognize separately from goodwill: (1) customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business and (2) noncompetition agreements.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The Company tests its recorded goodwill for impairment upon a triggering event. Factors that could trigger an impairment test include, but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the overall business, significant negative industry or economic trends and a sustained period where market capitalization, plus an appropriate control premium, is less than member's equity. Goodwill is tested using a fair-value approach at the entity level. No impairment expense was recognized for the years ended December 31, 2023, 2022 and 2021.

Intangible assets include franchise agreements, trade names, trade secrets and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range between 7 to 25 years.

**Long-lived assets:** Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If impairment is considered, recoverability of these assets is measured by a comparison of the carrying amount of the asset to estimated future undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount of which the carrying amount of the asset exceeds the fair value of the asset. No impairment expense was recognized for the years ended December 31, 2023, 2022 and 2021.

**Fair value measurements:** The Company uses the fair value measurement and disclosure guidance for all assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that management believes market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

**Level 2:** Inputs to the valuation methodology include quoted prices in markets that are not active or quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

**Level 3:** Inputs to the valuation methodology are unobservable, reflecting the entity's own assumptions about assumptions market participants would use in pricing the asset or liability.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Leases:** In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, Leases.

The Company elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Company does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon the adoption of Topic 842 on January 1, 2022.

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its various asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's operating leases of approximately \$6.67 million and \$6.71 million, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact consolidated net earnings or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Income taxes:** As a limited liability company, the Company is treated as a partnership for federal and state income tax purposes. As such, the taxable income of the Company is allocated in the tax returns of its members for federal and state tax purposes in accordance with their respective percentage ownership. Accordingly, no provision for federal income taxes is included in the consolidated financial statements. Entity-level, composite state and local income taxes (benefits) are accrued at the applicable rates, if any, and are included in the consolidated statements of operations.

The FASB provides guidance for how uncertain tax provisions should be recognized, measured, disclosed, and presented in the consolidated financial statements. The Company identifies its tax positions taken or expected to be taken in the course of preparing its tax returns and determines whether any tax positions are more likely than not of being sustained when challenged or when examined by the applicable tax authority. Management has determined that there are no uncertain tax positions at December 31, 2023, 2022, and 2021.

**Debt issuance costs:** Debt issuance costs are carried at cost less accumulated amortization as a direct deduction from the carrying amount of the related loan. The costs are amortized over the term of the related loan using a method that approximates the effective interest rate method. Amortization expense is classified in interest expense in the accompanying consolidated statements of operations.

**Foreign currency translation:** The functional currency of the Company's international subsidiary is the Canadian dollar. Foreign currency denominated assets and liabilities are translated into United States dollars at the rate of exchange in effect at year-end. Income and expenses are translated at a weighted average rate of exchange for the years ended December 31, 2023, 2022 and 2021. The aggregate effect of translating the consolidated financial statements is included in foreign currency translation in the consolidated statements of changes in members' equity.

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

**Subsequent events:** On January 31, 2024, the Company sold PHP in exchange of 300 Class A units owned by the buyer that were valued at \$630,000 (see Note 9).

The Company evaluated subsequent events for potential required disclosure through April 24, 2024, which is the date the consolidated financial statements were available to be issued.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition of Businesses

**Men in Kilts Canada:** On February 8, 2021, the Company acquired 100% of the assets in MIKC for total consideration of \$1,450,854.

The acquisition was funded through equity contributions and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. Goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and assets acquired, and liabilities assumed recognized at the preliminary fair value at the date of acquisition:

Consideration:

Cash	\$ 1,300,854
150 Class A Units of HS Group Holding Company, LLC	150,000
Total invested capital	<u>\$ 1,450,854</u>

Recognized amount of net assets of the Company:

Other current assets	\$ 34,500
Intangible assets	927,000
Accrued expenses and other liabilities	<u>(69,593)</u>
Total identifiable net assets acquired	891,907
Goodwill	558,947
	<u>\$ 1,450,854</u>

The fair value of the 150 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred \$252,478 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

Of the \$927,000 of identified intangible assets, \$829,000 was assigned to franchise agreements (10-year life) and \$98,000 was assigned to trade names (20-year life).

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition of Businesses (Continued)

**Plumbing Heating Paramedics:** Effective May 7, 2021, the Company acquired 100% of the membership interest in PHP for total consideration of \$5,380,087.

The acquisition was funded through equity contributions, draw down of debt and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and assets acquired, and liabilities assumed recognized at the preliminary fair value at the date of acquisition:

Consideration:

Cash	\$ 2,436,860
Due to seller	(56,773)
3,000 Class A Units of HS Group Holding Company, LLC	3,000,000
Total invested capital	<u>\$ 5,380,087</u>

Recognized amount of net assets of the Company:

Cash	\$ 783,815
Receivables	265,090
Prepaid expenses and other assets	20,621
Fixed assets	195,658
Intangible assets	905,000
Accounts payable	(11,857)
Accrued expenses and other liabilities	(630,062)
Deferred service contract	(130,955)
Notes Payable	(132,500)
Extended warranties	(541,548)
Total identifiable net assets acquired	<u>723,262</u>
Goodwill	<u>4,656,825</u>
	<u>\$ 5,380,087</u>

The fair value of the 3,000 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred \$669,400 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

The \$905,000 of identified intangible assets were assigned to trade names (20-year life).

Certain current and prior year amounts were reclassified to discontinued operations as of December 31, 2023 and 2022.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition of Businesses (Continued)

**Sir Grout:** Effective September 13, 2021, the Company acquired 100% of the membership interest in SGF and SG for total consideration of \$12,697,136.

The acquisition was funded through equity contributions, draw down of debt and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and the assets acquired, and liabilities assumed recognized at preliminary fair value at the date of acquisition:

Consideration:

Cash	\$ 10,697,136
1,354 Class A Units of HS Group Holding Company, LLC	2,000,000
Total invested capital	<u>\$ 12,697,136</u>

Recognized amount of net assets of the Company:

Cash	\$ 133,841
Receivables	152,790
Other assets	66,092
Intangible assets	2,612,000
Accounts payable	(5,338)
Accrued expenses and other liabilities	(128,159)
Deferred revenue	<u>(455,252)</u>
Total identifiable net assets acquired	2,375,974
Goodwill	<u>10,321,162</u>
	<u>\$ 12,697,136</u>

The fair value of the 1,354 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred \$697,658 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

Of the \$2,612,000 of identified intangible assets, \$2,029,000 was assigned to franchise agreements (10-year life) and \$583,000 was assigned to trade names (20-year life).

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition of Businesses (Continued)

**Granite Garage:** Effective May 13, 2022, the Company acquired 100% of the membership interest in GGFF and GGFA for total consideration of \$15,488,411.

The acquisition was funded through equity contributions, and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and the assets acquired, and liabilities assumed recognized at preliminary fair value at the date of acquisition:

Consideration:

Cash	\$ 13,970,942
Due to seller	17,469
835 Class A Units of HS Group Holding Company, LLC	1,500,000
Total invested capital	<u>\$ 15,488,411</u>

Recognized amount of net assets of the Company:

Cash	\$ 129,606
Receivables	227,163
Inventory	92,885
Other current assets	154,809
Contract assets	31,395
Fixed assets	23,852
Right-of-use asset	43,701
Tradenname	1,038,000
Franchise agreements	1,797,000
Accounts payable and accruals	(101,868)
Lease liability	(45,540)
Deferred revenue	(330,806)
Total identifiable net assets acquired	<u>3,060,197</u>
Goodwill	<u>12,428,214</u>
	<u>\$ 15,488,411</u>

The fair value of the 835 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred \$884,988 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

Of the \$2,830,000 of identified intangible assets, \$1,792,000 was assigned to franchise agreements (10-year life) and \$1,038,000 was assigned to trade names (20-year life).

Certain current and prior year amounts were reclassified to discontinued operations as of December 31, 2023 and 2022.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition of Businesses (Continued)

**Mold Medics:** Effective May 3, 2023, the Company acquired 100% of the membership interest in Mold Medics for total consideration of \$3,505,567.

The acquisition was funded through equity contributions and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce subsumed into goodwill, the Company's presence in the marketplace and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and the amounts of the assets acquired, and liabilities assumed at the date of acquisition:

Consideration:

Cash	\$ 1,684,344
810 Class A Units of HS Group Holding Company, LLC	1,800,000
Due to seller	21,223
Total invested capital	<u>\$ 3,505,567</u>

Recognized amount of net assets of the Company:

Cash	\$ 111,888
Receivables	113,800
Fixed assets	16,082
Tradename	290,000
Accounts payable and accruals	(83,162)
Other liability	<u>(35,000)</u>
Total identifiable net assets acquired	413,608
Goodwill	<u>3,091,959</u>
	<u>\$ 3,505,567</u>

The fair value of the 810 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred \$853,553 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

Identified intangible assets included \$290,000 which was assigned to trade names (20-year life).

Certain current and prior year amounts were reclassified to discontinued operations as of December 31, 2023.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition of Businesses (Continued)

**Miracle Methods:** Effective November 22, 2023, the Company acquired 100% of the membership interest in Miracle Methods for total consideration of \$22,638,133.

The acquisition was funded through equity contributions and the issuance of member units to the sellers. The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce subsumed into goodwill, the Company's presence in the marketplace and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and the amounts of the assets acquired, and liabilities assumed at the date of acquisition:

Consideration:

Cash	\$ 21,830,802
476 Class A Units of HS Group Holding Company, LLC	1,000,000
Due to seller	(192,669)
Total invested capital	<u>\$ 22,638,133</u>

Recognized amount of net assets of the Company:

Cash	\$ 613,988
Receivables	574,979
Prepaid and other assets	243,452
Fixed assets	97,187
Other assets - noncurrent	56,682
Intangible assets	10,470,000
Accounts payable and accruals	(468,693)
Deferred revenue	(976,207)
Total identifiable net assets acquired	<u>10,611,388</u>
Goodwill	<u>12,026,745</u>
	<u>\$ 22,638,133</u>

The fair value of the 476 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred \$1,274,098 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

Of the \$10,470,000 of identified intangible assets, \$7,595,000 was assigned to franchise agreements (5-year life), \$1,958,000 was assigned to trade names (20-year life), and \$917,000 was assigned to software (5-year life).

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

#### Note 3. Property and Equipment

Property and equipment consisted of the following at December 31:

	2023	2022
Equipment	\$ 486,658	\$ 569,313
Vehicles	2,155,872	1,343,729
Furniture and fixtures	72,192	80,268
Leasehold improvements	93,224	604,580
Work in process	62,630	68,915
Software development costs	72,357	133,357
Total property and equipment	2,942,933	2,800,162
Less accumulated depreciation and amortization	(1,192,825)	(747,158)
Property and equipment, net	\$ 1,750,108	\$ 2,053,004

Depreciation expense for the years ended December 31, 2023, 2022, and 2021 was approximately \$352,000, \$436,000 and \$316,000, respectively.

Certain current and prior year amounts were reclassified to discontinued operations as of December 31, 2023 and 2022.

#### Note 4. Intangible Assets and Goodwill

Following is a summary of intangible assets:

		December 31, 2023		
	Weighted-Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Franchise agreements	6.33	\$ 22,963,548	\$ 4,744,640	\$ 18,218,908
Trade names	17.72	8,966,637	1,000,436	7,966,201
Software	4.07	2,683,000	886,959	1,796,041
Trade secrets	21.98	1,081,000	130,668	950,332
		<u>\$ 35,694,185</u>	<u>\$ 6,762,703</u>	<u>\$ 28,931,482</u>
Goodwill	7.74	\$ 75,107,177	\$ 16,784,506	\$ 58,322,671

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

#### Note 4. Intangible Assets and Goodwill (Continued)

	Weighted-Average Remaining Useful Life	December 31, 2022		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Franchise agreements	8.04	\$ 15,351,284	\$ 3,023,790	\$ 12,327,494
Trade names	18.12	6,716,407	643,944	6,072,463
Software	4.62	1,776,300	599,008	1,177,292
Trade secrets	22.98	1,081,000	87,428	993,572
		<u>\$ 24,924,991</u>	<u>\$ 4,354,170</u>	<u>\$ 20,570,821</u>
Goodwill	8.26	<u>\$ 59,870,481</u>	<u>\$ 10,449,414</u>	<u>\$ 49,421,067</u>

Certain current and prior year amounts were reclassified to discontinued operations as of December 31, 2023 and 2022.

The change in the carrying value of goodwill for the years ended December 31, 2023 and 2022, is as follows:

Balance at December 31, 2021	\$ 42,520,675
Additions of goodwill	12,438,859
Amortization expense	<u>(5,538,467)</u>
Balance at December 31, 2022	49,421,067
Additions of goodwill	15,223,753
Amortization expense	<u>(6,322,149)</u>
Balance at December 31, 2023	<u>\$ 58,322,671</u>

Amortization expense recognized on intangible assets and goodwill as of December 31, 2023, 2022, and 2021 totaled approximately \$8,744,000, \$7,594,000, and \$5,751,000, respectively.

The future estimated aggregate amortization expense for intangibles and goodwill as of December 31, 2023, is as follows:

	Goodwill	Intangibles
Years ending December 31:		
2024	\$ 7,500,213	\$ 2,436,746
2025	7,500,213	2,436,746
2026	7,500,213	2,436,746
2027	7,500,213	2,347,857
2028	7,500,213	2,189,890

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 5. Long-Term Debt

In connection with the Company's acquisition of USA on December 23, 2020, the Company entered into a credit agreement with a financial institution. Maximum borrowings under the credit agreement allow for \$2,000,000 of a revolving loan, \$12,500,000 of a senior secured term loan and \$20,000,000 of additional term loans, which are secured by substantially all of the assets of the Company. The available borrowings on the revolver are limited to a borrowing base, calculated from the adjusted senior debt to earnings before interest, taxes, depreciation and amortization (EBITDA) as further defined in the credit agreement. In connection with the agreement, the Company incurred debt issuance costs of \$410,323, which are amortized over the term of the credit agreement.

In connection with the Company's Acquisition of PHP on May 7, 2021, the Company signed the First Amendment to the Loan Agreement (the First Amendment) which provided an additional term loan of \$4,000,000. The Company incurred debt issuance costs of \$100,000, which are amortized over the term of the credit agreement.

On September 13, 2021, the Company signed the Second Amendment to the Loan Agreement (the Second Amendment), which granted approval for the acquisition of Sir Grout, LLC, and provided an additional term loan of \$12,000,000. The Company incurred debt issuance costs of \$451,094, which are amortized over the term of the credit agreement.

The interest rate is a floating rate equal to the lesser of Secured Overnight Financing Rate (SOFR) plus the applicable margin as defined in the credit agreement, which is 11.04% as of December 31, 2023. Principal payments are due quarterly on the first day of each quarter in an amount equal to \$102,344 and with a balloon payment on December 23, 2025. There is \$27,716,562 outstanding on the senior secured term loan at December 31, 2023, and \$1,300,000 drawn down on the revolving loan and nothing drawn down on the additional term loans.

The credit agreement includes certain ratios and excess cash flow payments. The credit agreement is collateralized by all business assets of the Company. As of December 31, 2023, the Company was in compliance with its debt covenants.

Amortization expense recognized on debt issuance costs was approximately \$210,000, \$210,000, and \$123,000 as of December 31, 2023, 2022, and 2021, respectively.

A summary of long-term debt is as follows as of December 31, 2023:

	2023	2022
Term loan	\$ 27,716,562	\$ 28,072,031
Revolver	1,300,000	-
Less unamortized debt issuance costs	(419,266)	(628,999)
Less current portion	(409,376)	(355,469)
	<u>\$ 28,187,920</u>	<u>\$ 27,087,563</u>

Future maturities of long-term debt are as follows:

2024	\$ 409,375
2025	28,607,187
	<u>\$ 29,016,562</u>

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

#### Note 6. Leases

**Operating lease:** The Company leases real estate and vehicles, under operating lease agreements that have initial term of four to 15 years. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease five times up to a term of five years each. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The components of lease expense are as follows for the years ended December 31:

	2023	2022
Operating lease cost	\$ 1,246,219	\$ 1,426,819
Short-term lease cost	12,400	-
Total lease cost	<u>\$ 1,258,619</u>	<u>\$ 1,426,819</u>

Supplemental cash flow information related to leases is as follows for the year ended December 31:

	2023	2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 1,235,137	\$ 1,379,117
Right-of-use assets in exchange for new lease obligations:		
Operating leases	\$ 322,159	\$ 6,670,560
Weighted-average remaining lease term:		
Operating leases	4.5	5.4
Weighted-average discount rate:		
Operating leases	1.4%	1.0%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2023:

	Operating Leases
Years ending December 31:	
2024	\$ 1,294,982
2025	1,225,158
2026	584,634
2027	324,249
2028	311,964
Thereafter	570,128
Total lease payments	<u>4,311,115</u>
Less imputed interest	199,015
Total present value of lease liabilities	<u>\$ 4,112,100</u>

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

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#### Note 7. Commitments and Contingencies

Legal matters: From time to time, the Company may be involved in legal actions arising in the ordinary course of business or, conditions may exist that may result in a loss but will only be resolved when one or more future events occur or fail to occur. Each of these actions or matters is assessed by the Company's management and legal counsel to evaluate the perceived merits of any proceeding or claim, as well as any relief sought or expected to be sought. Such assessment involves the exercise of judgment. The Company establishes accruals for losses that management deems to be probable and subject to reasonable estimate. If the assessment indicates that a potentially material loss contingency is not probable but reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

**Related-party transaction:** A company related to the Company's majority member charges the Company for financial and management services under a management services agreement for reimbursement of reasonable direct expenses, which is included in general and administrative expense on the accompanying consolidated statements of operations. The total expense for the years ended December 31, 2023, 2022, and 2021, is approximately \$530,000, \$295,000, and \$294,000, respectively.

#### Note 8. Members' Equity

Members' equity consisted of the following membership units:

	2023	
	Units Authorized	Units Outstanding
Class A Units	1,000,000	88,117
Class B Units	11,431	5,250
	2022	
	Units Authorized	Units Outstanding
Class A Units	1,000,000	72,224
Class B Units	7,524	4,184

Class A Units have voting rights on all matters requiring the consent, approval or vote of the Members. The Class A Units receive preference on distributions.

Class B Units are profit interests that do not have voting rights and have been issued to designated management employees of the Company without any corresponding capital contribution. The holders of these units are entitled to share in the appreciation of the Company's assets that occur subsequent to the date of grant. The Class B Units are dilutive to the participating preferred units.

## **HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands**

### **Notes to Consolidated Financial Statements**

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#### **Note 8. Members' Equity (Continued)**

The Company has issued 11,431, 8,415, and 6,452 units to certain management employees as of December 31, 2023, 2022, and 2021, respectively. The units substantially vest upon a change in control of the Company, if still employed. The fair value of the awards at the date of grant is estimated using option pricing models. The expected terms assumption reflects the period for which the Company believes the awards will remain outstanding and is based on the expected behavior of the award holders. The Company determined the volatility of the fair value of its units through comparison to similar entities considering such characteristics as industry, stage of life cycle, size, and financial leverage. The risk free rate reflects the U.S. Treasury yield curve for similar expected life instruments in effect at the time of grant. During the years ended December 31, 2023 and 2022, and 2021 there were 6,181, 4,231, and 1,314 cumulative units forfeited, respectively. Class B units have no compensation expense recorded as their vesting condition is not considered probable until a change in control occurs.

#### **Note 9. Discontinued Operations**

GGFA was sold by the Company on December 31, 2023, in exchange of 300 Class A units owned by the buyer that were valued at \$221,000. This entity operated as a separate business. In addition, on January 31, 2024, the Company sold PHP in exchange of 300 Class A units owned by the buyer that were valued at \$630,000. Finally, MM is being marketed for sale and it is probable that a transaction will occur in the next year. PHP and MM are classified as held-for-sale.

The sale of GGFA, subsequent sale of PHP and the anticipated sale of MM businesses are considered to be a strategic change in operations as they are all non-franchisors so the Company can focus on the franchisor business. GGFA, PHP, and MM are therefore being accounted for as discontinued operations. The results of the operations and sale GGFA business are being presented as loss from discontinued operations in the accompanying consolidated statements of operations for the years ended December 31, 2023, 2022, and 2021.

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

#### Note 9. Discontinued Operations (Continued)

The results of operation of GGFA, PHP, and MM included in loss from discontinued operations in the consolidated statements of operations for the years ended December 31, 2023, 2022, and 2021, is as follows:

	2023	2022	2021
Revenues:			
Recurring revenue	\$ 8,798,202	\$ 7,518,439	\$ 3,914,103
<b>Total revenues</b>	<b>8,798,202</b>	<b>7,518,439</b>	<b>3,914,103</b>
Operating expenses:			
Cost of services	3,131,846	2,654,396	938,042
General and administrative expenses	2,039,743	1,558,587	1,915,405
Payroll and benefits	4,519,254	3,545,276	1,496,810
Depreciation and amortization expenses	610,410	598,952	384,722
<b>Total operating expenses</b>	<b>10,301,253</b>	<b>8,357,211</b>	<b>4,734,979</b>
<b>Loss from operations</b>	<b>(1,503,051)</b>	<b>(838,772)</b>	<b>(820,876)</b>
Other expense (income):			
Interest expense	896	-	-
Other expense (income)	(34,104)	(7,348)	9,853
<b>Other expense</b>	<b>(33,208)</b>	<b>(7,348)</b>	<b>9,853</b>
<b>Loss from discontinuing operations</b>	<b>(1,469,843)</b>	<b>(831,424)</b>	<b>(830,729)</b>
Gain on sale from discontinued operations	9,972	-	-
<b>Net loss</b>	<b>\$ (1,459,871)</b>	<b>\$ (831,424)</b>	<b>\$ (830,729)</b>

## HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

### Notes to Consolidated Financial Statements

#### Note 9. Discontinued Operations (Continued)

The balance sheets of GGFA, PHP, and MM included in loss from discontinued operations in the consolidated balance sheets for the year ended December 31, 2023 and 2022, are summarized as follows:

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 213,960	\$ 291,909
Accounts receivable, net of allowance for credit losses	133,321	121,528
Inventory	80,754	188,288
Prepaid expenses and other current assets	28,437	89,816
<b>Total current assets</b>	<b>456,472</b>	<b>691,541</b>
Property and equipment, net	434,145	269,191
Other assets:		
Goodwill, net	3,316,651	3,880,688
Intangibles, net	957,667	1,012,917
Right of use asset - operating leases, net	391,489	484,613
Other assets	-	1,900
<b>Total other assets</b>	<b>4,665,807</b>	<b>5,380,118</b>
<b>Total assets</b>	<b>\$ 5,556,424</b>	<b>\$ 6,340,850</b>
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Accounts payable	\$ 428,289	\$ 163,164
Accrued expenses	1,097,308	1,118,275
Other liabilities	59,154	77,727
Operating lease liabilities, current	102,862	145,189
<b>Total current liabilities</b>	<b>1,687,613</b>	<b>1,504,355</b>
Other long-term liabilities	133,484	1,833
Operating lease liabilities noncurrent	299,883	355,482
<b>Total liabilities</b>	<b>2,120,980</b>	<b>1,861,670</b>
Members' equity	3,435,444	4,479,180
<b>Total liabilities and members' equity</b>	<b>\$ 5,556,424</b>	<b>\$ 6,340,850</b>

THE FINANCIAL STATEMENTS AS OF, AND FOR THE PERIOD ENDED, MARCH 31, 2025 ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THE CONTENT OR FORM.

# HS Group Holding Company, LLC (Consolidated)

## Balance Sheet As of March 31, 2025

Financial Row	Amount
<b>ASSETS</b>	
<b>Current Assets</b>	
Bank	
10000 - Cash & Cash Equivalents	\$3,462,801.25
Total Bank	\$3,462,801.25
Accounts Receivable	
11000 - Accounts Receivable	\$4,581,135.64
Total Accounts Receivable	\$4,581,135.64
Unbilled Receivable	\$2,528,179.61
Other Current Asset	\$2,542,242.99
Total Current Assets	\$13,114,359.48
<b>Fixed Assets</b>	
15000 - Fixed Assets	\$1,442,621.57
Total Fixed Assets	\$1,442,621.57
<b>Other Assets</b>	
16000 - Intangible Assets	\$77,411,167.94
17000 - Other Assets	\$8,339,151.73
Total Other Assets	\$85,750,319.67
Total ASSETS	\$100,307,300.72
<b>Liabilities &amp; Equity</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$2,617,718.10
Credit Card	(\$186,285.94)
Other Current Liability	\$4,782,962.35
Total Current Liabilities	\$7,214,394.51
<b>Long Term Liabilities</b>	
26000 - Deferred Revenue - Long Term	\$6,489,826.05
27000 - Long Term Liabilities	\$31,902,762.46
Total Long Term Liabilities	\$38,392,588.52
Equity	\$54,700,317.69
Total Liabilities & Equity	\$100,307,300.72

## HS Group Holding Company (Consolidated)

### Income Statement - Jan. to Mar. 2025

Financial Row	Amount
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Franchise Royalties	\$4,547,623.62
Franchise Fees	\$384,646.88
Service Revenue	\$1,432,913.80
Company Store Revenue	\$2,032,980.10
Products, Parts, & Service Revenue	\$1,488,150.73
Other Revenue	\$1,473,966.23
<b>Total Income</b>	<b>\$11,360,281.36</b>
<b>Cost Of Sales</b>	
Labor	\$769,019.82
Freight	\$64,091.88
Product & Materials	\$787,898.48
Vehicle	\$147,896.91
Miscellaneous	\$415,066.02
<b>Total - Cost Of Sales</b>	<b>\$2,183,973.11</b>
<b>Gross Profit</b>	<b>\$9,176,308.25</b>
<b>Expense</b>	
Compensation & Benefits	\$4,540,762.62
Rent & Utilities	\$433,283.27
Information Technology	\$723,664.35
Professional Services	\$1,045,534.04
Marketing & Advertising	\$1,437,040.58
Travel & Entertainment	\$249,326.76
Vehicle	\$15,478.07
Office & Administrative	\$345,759.04
<b>Total - Expense</b>	<b>\$8,790,848.73</b>
<b>Net Ordinary Income</b>	<b>\$385,459.52</b>
<b>Other Income and Expenses</b>	
<b>Other Income</b>	<b>\$441.06</b>
<b>Other Expense</b>	
Depreciation & Amortization Expense	\$2,264,200.27
Taxes	(\$5,407.22)
Other Expense	\$1,159,948.36
Rounding Gain/Loss	(\$0.02)
Realized Gain/Loss	\$1,028.90
Unrealized Gain/Loss	(\$2,820.51)
<b>Total - Other Expense</b>	<b>\$3,416,949.79</b>
<b>Net Other Income</b>	<b>(\$3,416,508.73)</b>
<b>Net Income</b>	<b>(\$3,031,049.20)</b>

## GUARANTEE OF PERFORMANCE

For value received, **HS GROUP HOLDING COMPANY, LLC**, a Delaware limited liability company (the “Guarantor”), located at Rockefeller Center, 630 Fifth Avenue, Suite 400, New York, New York 10111, absolutely and unconditionally guarantees to assume the duties and obligations of **USA INSULATION FRANCHISE, LLC**, located at 17700 Saint Clair Avenue, Cleveland, Ohio 44110 (the “Franchisor”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Frisco, Texas on the 24 day of April, 2025

GUARANTOR:

HS GROUP HOLDING COMPANY, LLC

By: 

Name: Theodore DeMarino

Its: Chief Executive Officer

## EXHIBIT D

### LIST OF STATE ADMINISTRATORS

California Dept. of Financial Protection & Innovation 651 Bannon Street, Suite 300 Sacramento, CA 95811 (866) 275-2677 (toll free)	Office of the Attorney General Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7786
Florida Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 245-6000	Michigan Dept. of the Attorney General Consumer Protection Division Antitrust and Franchise Unit Mennen Williams Building, 1st Floor 525 W. Ottawa Street Lansing, MI 48909 (517) 373-7117
Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2744	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 296-6328
Franchise Division Illinois Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Nebraska Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, NE 68508 P.O. Box 95006 Lincoln, NE 68509-5006 (402) 471-2171
Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	New York State Dept of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8222
Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankford, KY 40602 (502) 696-5389	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-2910
Oregon Dept. of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 (503) 378-4387	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 (801) 530-6601

<p>Rhode Island Dept. of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920 (401) 222-3048</p>	<p>Virginia State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051</p>
<p>South Dakota Dept. of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563</p>	<p>Washington Dept. of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760</p>
<p>Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 (512) 475-1769</p>	<p>Wisconsin Dept. of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-8557</p>

## EXHIBIT E

### LIST OF AGENTS FOR SERVICE OF PROCESS

Our registered agent in the State of Ohio:

C T Corporation System  
4400 Easton Commons Way, Suite 125  
Columbus, Ohio 43219

California Commissioner of Financial Protection and Innovation 651 Bannon Street, Suite 300 Sacramento, CA 95811 1-(866) 275-2677 (toll free)	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600
Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813	New York Secretary of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231 (212) 416-8236
Franchise Division Illinois Office of the Attorney General 500 South Second Street Springfield, IL 62706	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol – Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510
Indiana Secretary of State 200 West Washington Street Indianapolis, IN 46204	Director Rhode Island Dept. of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	South Dakota Dept. of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501
Michigan Dept. of Commerce Corporations and Securities Bureau Mennen Williams Building, 1st Floor 525 W. Ottawa Street Lansing, MI 48909	Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219
Director Washington Dept. of Financial Institutions Securities Division 150 Israel Road, S.W. Tumwater, WA 98501	Wisconsin Administrator of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT F**  
**STATE SPECIFIC ADDENDA**

**ADDENDUM TO USA INSULATION FRANCHISE, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATES OF**  
**CONNECTICUT, GEORGIA, LOUISIANA,**  
**MAINE, NORTH CAROLINA AND SOUTH CAROLINA**

Notwithstanding anything to the contrary set forth in the USA INSULATION FRANCHISE, LLC Franchise Disclosure Document, the following provision shall supersede and apply to all USA Insulation franchises offered and sold in the states of Connecticut, Georgia, Louisiana, Maine, North Carolina and South Carolina:

The Franchise Option Program disclosed in Item 5 will not apply to you if you reside in or are domiciled in, or your Franchised Business is, or will be, located wholly or partly in, any of Connecticut, Georgia, Louisiana, Maine, North Carolina or South Carolina. However, you may otherwise participate in the Franchise Option Program and we will waive the Initial Franchise Fee.

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF ILLINOIS**

The conditions under which the Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Illinois law (815 ILCS 705/19 and 705/20).

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.

For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, Illinois law governs.

Although the Franchise Agreement requires litigation to be instituted in a court in Ohio, all litigation must be instituted in a court of competent jurisdiction located in the State of Illinois, subject to the internal dispute and mediation provisions of the Franchise Agreement.

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

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF INDIANA**

Neither USA Insulation Franchise, LLC nor any person identified in Item 2 has any material arbitration proceeding pending or has during the ten (10) year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MARYLAND**

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by a franchisee shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement.

With respect to Item 17, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise. Additionally, any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

With respect to Item 17, under certain circumstances, the Franchise Agreement requires you to submit to a court proceeding in the State of Ohio. These provisions may run contrary to the Maryland Franchise Registration and Disclosure Law. Therefore, nothing will preclude you from being able to enter into litigation with us in Maryland, as long as the nature of the litigation is not the type of dispute, controversy, claim, action, or proceeding which would be subject to litigation under the Franchise Agreement.

With respect to Item 17's discussion of our right to terminate you upon your bankruptcy, this provision in the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

Maryland law applies to claims arising under the Maryland Franchise Registration and Disclosure Law.

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

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MINNESOTA**

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14 subdivisions 3, 4 and 5 which require, except in certain specific cases, that you be given ninety (90) days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400(J), prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

We will protect franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minn. Rule Part 2869.4400(D) prohibits us from requiring that you assent to a general release as set forth in Item 17, Provision (m) of this Disclosure Document.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J).

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

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

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF NEW YORK**

All references to “Disclosure Document” shall be deemed to include the term “Disclosure Document” as used under New York law.

The State Cover Page is amended to include the following additional Risk Factors:

4. **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 THE PROSPECTUS.**

5. **AFTER YOUR FRANCHISED BUSINESS HAS BEEN OPEN FOR A PERIOD OF SIX (6) MONTHS, FRANCHISEE MUST GENERATE A CERTAIN AMOUNT IN GROSS SALES ON A MONTHLY BASIS IN ORDER TO MAINTAIN FRANCHISEE’S EXCLUSIVE RIGHTS TO THE PROTECTED TERRITORY (THE “MINIMUM PRODUCTIVITY LEVEL”). IF YOU FAIL TO ACHIEVE YOUR MINIMUM PRODUCTIVITY LEVELS FOR A PERIOD OF THREE (3) CONSECUTIVE MONTHS, WE MAY REDUCE THE SIZE OF YOUR PROTECTED TERRITORY AND ALLOW OR OPERATE (OR LICENSE OTHERS TO OWN AND OPERATE) ADDITIONAL USA INSULATION BUSINESSES IN YOUR PROTECTED TERRITORY, AS DEEMED NECESSARY IN OUR SOLE DISCRETION, AS AN ALTERNATIVE TO TERMINATING YOUR FRANCHISE AGREEMENT.**

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 D OR YOUR PUBLIC LIBRARY FOR SERVICES OR 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 THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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. Item 3 of this Disclosure Document is supplemented with the following: “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 ten-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. Item 5 shall be supplemented with the following: “The franchisor may use the Initial Franchise Fee for any purpose, including to defray its costs of offering franchises and assisting franchisees to start business.”
4. 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.
5. 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.
6. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), title “**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.
7. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor,

franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE NORTH DAKOTA**

1. The Summary column of Item 17 paragraph (c) of this Disclosure Document is modified to read as follows:

“Give us at least 90 days’ notice of your intention to renew, sign our current form of franchise agreement renewable and ancillary agreements, sign a release (except for matters coming under the North Dakota Franchise Investment Law (the “North Dakota Law”).”

2. The Summary column of Item 17 Paragraph (i) of this Disclosure Document is modified by adding the following at the end of the sentence:

“Consent to termination or liquidated damages are generally unenforceable in the State of North Dakota.”

3. The Summary column of Item 17 Paragraph (r) of this Disclosure Document is modified by adding the following at the end of the sentence:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”

4. The Summary column of Item 17 paragraph (u) of this Disclosure Document is amended by adding the following at the end of the paragraph:

“Except that matters coming under the North Dakota Law will be submitted to mediation in a mutually agreeable location.”

5. The Summary column of Item 17 paragraph (v) of this Disclosure Document is amended to read as follows:

6. “Except for matters coming under the North Dakota Law, litigation must be in the State in which our principal place of business is located, which is currently Ohio.”

7. The Summary column of Item 17 paragraph (w) of this Disclosure Document is amended to read as follows: The law of North Dakota governs.

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

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for USA Insulation Franchise, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17, Provision (h):

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 ground 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.

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

**WASHINGTON ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**STATE SPECIFIC ADDENDUM TO THE**  
**USA INSULATION FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**

**ADDENDUM TO USA INSULATION FRANCHISE, LLC FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for USA Insulation Franchise, LLC is amended as follows:

Section 25 of the Franchise Agreement shall be supplemented by the addition of the following new Section 25(L):

L. Receipt and Documentation. Franchisee acknowledges that Franchisor is relying upon any acknowledgments of receipt for Franchisor's Franchise Disclosure Document for the State of Illinois and for the completed original of this Agreement executed by Franchisee as to the actual dates and fact of receipt for such documents. Franchisee acknowledges that it has had ample opportunity to consult with its counsel and representatives regarding the content of this Agreement and the Franchisor's Franchise Disclosure Document. FRANCHISEE HAS ATTACHED HERETO ANY WRITTEN STATEMENT, REPRESENTATION, WARRANTY OR INFORMATION, FURNISHED BY FRANCHISOR, OTHER THAN THAT INCLUDED IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, IF ANY, REGARDING THE POTENTIAL VOLUME, PROFITS OR EXPENSES OF A USA INSULATION FRANCHISE AUTHORIZED UNDER THIS AGREEMENT UPON WHICH FRANCHISEE IS RELYING IN MAKING ITS DECISION TO ENTER INTO THIS AGREEMENT.

Notwithstanding Sections 3 and 15 of the Franchise Agreement, the conditions under which the Franchise Agreement can be terminated and the parties' rights upon non-renewal may be affected by Illinois law, (815 ILCS 705/19 and 705/20).

Section 25 of the Franchise Agreement is hereby modified by adding the following text as the last sentence:

The parties expressly confirm that there are no other oral or written agreements, "side-deals", arrangements or understandings between them except as set forth herein and in Franchisor's applicable Franchise Disclosure Document.

Notwithstanding anything to the contrary set forth in Section 21 of the Franchise Agreement, Illinois law shall govern this Agreement and all actions arising under or related to the Franchise Agreement may be brought in a court of competent jurisdiction in Illinois.

Nothing in the Franchise Agreement shall limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under the Illinois Franchise Disclosure Act of 1987, as amended.

Any condition, stipulation or provision of the Franchise Agreement purporting to bind Franchisee to a waiver of compliance with the Illinois Franchise Disclosure Act of 1987, as amended, is void.

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

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF INDIANA**

Section 21(D) of the Franchise Agreement is hereby modified by deleting the words “. . . are likely to cause” in the third sentence thereof and replacing them with “may”. Additionally, the words “. . . to a preliminary and/or permanent injunction and to a decree of specific performance of the terms of this Section 21 without the necessity of showing actual or a threatened damage” in the fourth sentence of Section 21(D) is hereby deleted in its entirety and replaced with “. . . to seek to obtain a preliminary and/or permanent injunction and to a decree of specific performance of the terms of this Section 21.”

Section 13(E)(7) of the Franchise Agreement is hereby deleted in its entirety.

Section 15 of the Franchise Agreement, under the heading “Termination”, shall be supplemented by the addition of the following Section 15(F) and Section 6.3, respectively:

Indiana Law. The conditions under which this Agreement can be terminated may be affected by Indiana law [IC Stat. Sec. 23-2-2.5 and 23-2-2.7] which provides Franchisee with certain termination rights.

Section 21(I) of the Franchise Agreement is hereby modified by deleting the language of this provision after the words “commenced against Franchisor or its Affiliate within” and replacing the deleted portion with “two (2) years after the violation of IC Stat. 23-2 and, with respect to other claims, three (3) years after discovery by the Franchisee of the facts constituting the violation.”

Any covenant not to compete in the Franchise Agreement which extends beyond the termination of the Franchise Agreement may not be enforceable under Indiana law.

Notwithstanding anything to the contrary in Section 21(I) of the Franchise Agreement, the laws of the State of Indiana shall govern the construction and enforcement of the Franchise Agreement.

Section 21 of the Franchise Agreement is hereby modified by adding the following text as the last sentence of the first paragraph:

This provision shall not in any way abrogate or reduce any rights of Franchisee as provided for under Indiana law including, but not limited to, the right to submit matters to the jurisdiction of the courts of Indiana.

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND**

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by a franchisee shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement.

Subsection (C) of Section 25 of the Franchise Agreement is deleted in its entirety and replaced with "[Intentionally Deleted]".

Subsections (A), (D), (E) and (H) of Section 25 of the Franchise Agreement are deleted in their entirety and replaced with "[Intentionally Deleted]".

Section 21(I) of the Franchise Agreement is hereby modified by adding the following at the end of the first paragraph thereof: ". . . , provided, however, that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise."

With respect to franchisor's right to terminate you upon your bankruptcy as set forth in Section 15(B) of the Franchise Agreement, termination of the Franchise Agreement for this reason may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

Any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Notwithstanding anything to the contrary in the first paragraph of Section 21(I) of the Franchise Agreement, the Maryland Franchise Registration and Disclosure Law prohibits the Franchisor from precluding the Franchisee from initiating litigation against the Franchisor in Maryland. Accordingly, Section 21(I) of the Franchise Agreement is hereby modified to provide that the Franchisee may initiate litigation or sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA**

Sections 3(D) and 13(E)(3) of the Franchise Agreement regarding your obligation to execution of a general release upon assignment or renewal are deleted in their entirety in accordance with Minnesota Rule Part 2860.4400(D).

Section 12 of the Franchise Agreement is hereby modified by adding a new Section 12(D) as follows:

Franchisor agrees to indemnify Franchisee from and against any losses, liabilities and damages for which Franchisee is held liable by a court of competent jurisdiction in any proceeding arising out of Franchisee's use of the marks "USA Insulation" and all other trademarks, service marks and associated marks and symbols utilized by Franchisee pursuant to this Agreement, provided such use is in accordance with and pursuant to the provisions of this Agreement. The foregoing indemnification is conditioned upon the following: Franchisee must (i) provide written notice to Franchisor of any claims subject to indemnification hereunder within twenty (20) days of Franchisee's receipt of any written information pertaining to such claims, (ii) tender the defense of the claims to Franchisor if Franchisor so desires, and (iii) permit Franchisor to have sole control of the defense and settlement of any such claim.

Section 21 of the Franchise Agreement is hereby modified by adding a new Section 21(I) as follows:

Minnesota Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Minnesota law which provides Franchisee with certain termination and non-renewal rights. Minnesota Statute Section 80C.14, subdivisions 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Development Agreement.

Section 21 of the Franchise Agreement is hereby modified by adding a new Section 21(K), as follows:

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400(J), prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Nothing in the Franchise Agreement is intended to abrogate or reduce any rights of the Franchisee as provided in for Minnesota Statutes, Chapter 80C.

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF NEW YORK**

Notwithstanding any provision of the Franchise Agreement, 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 the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

Section 12(C) of the Franchise Agreement is hereby modified by adding the following sentence after the last sentence thereof: “However, the Franchisee shall not be required to indemnify for any claims arising out of a breach of the Agreement or other civil wrong of the Franchisor.”

Notwithstanding any provision of the Franchise Agreement to the contrary, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor’s obligations under the Franchise Agreement, in Franchisor’s good faith judgment, so long as it remains subject to Article 33 of the General Business Law of the State of New York.

Notwithstanding Sections 21(D) and 21(I) of the Franchise Agreement the choice of law and venue provisions of the Franchise Agreement should not be construed as a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF NORTH DAKOTA**

1. The Summary column of Item 17 paragraph (c) of this Disclosure Document is modified to read as follows:

“Give us at least 90 days’ notice of your intention to renew, sign our current form of franchise agreement renewable and ancillary agreements, sign a release (except for matters coming under the North Dakota Franchise Investment Law (the “North Dakota Law”).”

2. The Summary column of Item 17 Paragraph (i) of this Disclosure Document is modified by adding the following at the end of the sentence:

“Consent to termination or liquidated damages are generally unenforceable in the State of North Dakota.”

3. The Summary column of Item 17 Paragraph (r) of this Disclosure Document is modified by adding the following at the end of the sentence:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”

4. The Summary column of Item 17 paragraph (u) of this Disclosure Document is amended by adding the following at the end of the paragraph:

“Except that matters coming under the North Dakota Law will be submitted to mediation in a mutually agreeable location.”

5. The Summary column of Item 17 paragraph (v) of this Disclosure Document is amended to read as follows:

6. “Except for matters coming under the North Dakota Law, litigation must be in the State in which our principal place of business is located, which is currently Ohio.”

7. The Summary column of Item 17 paragraph (w) of this Disclosure Document is amended to read as follows: The law of North Dakota governs.

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

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF VIRGINIA**

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

## WASHINGTON ADDENDUM TO USA INSULATION FRANCHISE, LLC FRANCHISE AGREEMENT AND RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Subsection (C) of Section 24 of the Franchise Agreement is deleted in its entirety and replaced with “[Intentionally Deleted]”.

20. Subsections (A), (D), (E) and (H) of Section 25 of the Franchise Agreement are deleted in their entirety and replaced with “[Intentionally Deleted]”.

**ADDENDUM TO USA INSULATION FRANCHISE, LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF WISCONSIN**

Section 15 of the Franchise Agreement is hereby modified by adding a new Section 15(F) as follows:

Wisconsin Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Wisconsin law, Chapter 135, Wisc. Stats., the Wisconsin Fair Dealership Law.

Section 23 of the Franchise Agreement is hereby modified by adding the following to the first paragraph thereof:

“The Wisconsin Fair Dealership Law supersedes any provision of this Agreement which is inconsistent with that law.”

**FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM**

Notwithstanding Section 21 of the Franchise Agreement, to the contrary, as applicable, this Addendum shall not be merged with or into, or superseded by, the Franchise Agreement. In the event of any conflict between the Franchise Agreement and this Addendum, this Addendum shall be controlling. Except as otherwise expressly set forth herein, no other amendments or modifications of the Franchise Agreement are intended or made by the parties.

**APPLICABLE STATE:** \_\_\_\_\_

**FRANCHISOR:**

**USA INSULATION FRANCHISE, LLC**

\_\_\_\_\_  
By:

Its:

**FRANCHISEE: (IF AN INDIVIDUAL)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**OR (IF FRANCHISEE IS A BUSINESS ENTITY)**

\_\_\_\_\_  
**NAME OF FRANCHISEE ENTITY**

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Title: \_\_\_\_\_

**EXHIBIT G****LIST OF CURRENT FRANCHISEES (AS OF DECEMBER 31, 2024)****LIST OF CURRENT FRANCHISEES**

<b>NAME</b>	<b>TERRITORY CITY</b>	<b>BUSINESS ADDRESS</b>	<b>STATE</b>	<b>PHONE NUMBER</b>	<b># OF TERRITORIES</b>
<b>ARIZONA</b>					
Christopher Reap and Cory Parker	Phoenix	1428 North Horne Street, Suite 6, Gilbert, AZ 85233	AZ	480-766-9981; 480-620-5890	1
Christopher Reap and Cory Parker	Phoenix	1428 North Horne Street, Suite 6, Gilbert, AZ 85233	AZ	480-766-9981; 480-620-5890	1
Christopher Reap and Cory Parker	Phoenix	1428 North Horne Street, Suite 6, Gilbert, AZ 85233	AZ	480-766-9981; 480-620-5890	1
<b>CONNECTICUT</b>					
Matt Lambert	Eastern Connecticut	840 Cumberland Hill Road Unit 113 Woonsocket, RI 02895	CT	401-257-7000	1
Matt Lambert	Fairfield North	840 Cumberland Hill Road Unit 113 Woonsocket, RI 02895	CT	401-257-7000	1
Matt Lambert	Fairfield South	840 Cumberland Hill Road Unit 113 Woonsocket, RI 02895	CT	401-257-7000	1
Matt Lambert	Hartford	840 Cumberland Hill Road Unit 113 Woonsocket, RI 02895	CT	401-257-7000	1
Matt Lambert	Middletown	840 Cumberland Hill Road Unit 113 Woonsocket, RI 02895	CT	401-257-7000	1
Matt Lambert	Litchfield	840 Cumberland Hill Road Unit 113 Woonsocket, RI 02895	CT	401-257-7000	1
Matt Lambert	New Haven	840 Cumberland Hill Road Unit 113 Woonsocket, RI 02895	CT	401-257-7000	1
<b>COLORADO</b>					
Kelly Hart	Arvada	7387 Orion St Arvada, CO 80007	CO	720-244-4784	1
Andrea Hovanetz and Spencer C. Hovanetz	Colorado Springs	1997 Bellavista St. Castle Rock, CO 80109	CO	713-539-6665	1
<b>FLORIDA</b>					
Leo Fernandez	Jacksonville	151 Levy Road Atlantic Beach, FL 32233	FL	904-717-1000	1
Vincent & Andrea Adejumo	Orlando West	974 Explorer Cove Suite 132 Altamonte Springs, FL 32701	FL	407-813-2644	1
Vincent & Andrea Adejumo	Orlando East	974 Explorer Cove Suite 132 Altamonte Springs, FL 32701	FL	407-813-2644	1

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
Neal Weldon	Tampa	3525 Albritton Street, New Port Richey, FL 34655	FL	(727) 543-3333	4
<b>GEORGIA</b>					
Ryan Zondervan	Atlanta	639 Cordell Dr. Ste. C College Park, GA 30349	GA	678- 647-1414	3
<b>IDAHO</b>					
Daryl and Kirsten Delaney	Boise	609 S. Riverside Harbor Dr. Post Falls, ID 83854	ID	303- 906-8417	1
<b>ILLINOIS</b>					
Beau Bartlett	Chicago	335 W. Laura Dr. Addison, IL 60101	IL	630- 628-6800	1
Beau Bartlett	North/South Elgin	335 W. Laura Dr. Addison, IL 60101	IL	630- 628-6800	2
<b>INDIANA</b>					
David Potts	Northern Indiana	1590 Albion, #2, Holland, OH 43528	IN	260-999-5639	2
Beau Bartlett	Dyer	2023 Clark Rd., Unit E Dyer, IN 46311	IN	219- 200-0280	1
Tim Logue	Indianapolis	2101 West U.S. 40 Greenfield, IN 46250	IN	317- 577-9999	1
Tim Logue	Indianapolis West	2101 West U.S. 40 Greenfield, IN 46250	IN	317-577-9999	1
<b>KENTUCKY</b>					
Michael Kegley	Louisville	4112 Massie Ave., Apartment 8 Louisville, KY 40207	KY	502-551-1165	1
<b>MARYLAND</b>					
Chris Paxson	Central Maryland	7389 Washington Blvd #106 Elkridge, MD 21075	MD	304-839-2560	1
Chris Paxson	Rockville	7554 Rickenbacker Drive Gaithersburg, MD 20879	MD	304-839-2560	1
<b>MICHIGAN</b>					
Chris Holmes	Flint	1780 Opkyke Ct. Auburn Hills, MI 48326	MI	248- 618-3922	1
Chris Holmes	Oakland Co., Northville North/Detroit West, Detroit East & Mount Clemens	1780 Opkyke Ct. Auburn Hills, MI 48326	MI	248-618-3922	4
Chris Holmes	Mid-Michigan	2285 North Opdyke Road, Auburn Hills, MI 48326	MI	248.618.3922	4
Chris Holmes	Grand Rapids	4515 Patterson Ave., SE, Grand Rapids, MI 49512	MI	616-808-7800	2
David Potts	Jackson	230 Airport Industrial Dr. Ypsilanti, MI 48198	MI	734-221-3011	1
David Potts	Kalamazoo	2306 Winters Drive, Portage, MI 49024	MI	269-256-6555	2

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
Chris Holmes	Lansing	1095 Mak Tech Dr. Lansing, MI 48906	MI	517-969-5220	1
David Potts	Dearborn/SE Michigan & Northville South/Monroe	230 Airport Industrial Dr. Ypsilanti, MI 48198	MI	734-366-1366	2
<b>MINNESOTA</b>					
Matthew J. Miller	Minneapolis	12809 45 <sup>th</sup> Circle, NE, St. Michael, MN 55376	MN	763-458-5710	3
<b>NEW HAMPSHIRE</b>					
Matt Lambert	Southern New Hampshire	20 Colby Rd. Litchfield, NH 03052	NH	603-931-1111	1
<b>NEW YORK</b>					
Mark Klinger and Brian Cohen	Buffalo North	3576 S. Benzing Road Orchard Park, NY 14127	NY	716-431-4500	1
Mark Klinger and Brian Cohen	Buffalo South	3576 S. Benzing Road Orchard Park, NY 14127	NY	716-431-4500	1
Mark Klinger and Brian Cohen	Rochester	170 Bennington Drive, Rochester, NY 14616	NY	716-431-4500	1
Andy and Jillian Fiorini	Syracuse	18 Corporate Circle, Ste 2E Syracuse, NY 13057	NY	315-214-4000	1
<b>NORTH CAROLINA</b>					
Christine and Michael Catoe	Charlotte	3122 Chapman Circle Rock Hill, SC 29732	NC	803-417-0572	1
David McAlister	Greenboro	7111 Laurel Point Dr Gibsonville, NC 27249	NC	336-509-9813	1
Ryo Stone and Jackie Banks	Raleigh	3621 Bastion Lane Raleigh, NC 27604	NC	919-899-2887	1
Ryo Stone and Jackie Banks	Raleigh	3621 Bastion Lane Raleigh, NC 27604	NC	919-899-2887	1
<b>OHIO</b>					
Mike & Matt Carey	Akron/Canton & Youngstown	466 Commerce St Tallmadge, OH 44278	OH	330-922-5588	1
Steve Cikach	Cincinnati	Business Address: 1 Louise Court Ludlow, KY 41016	OH	513-381-3626	1
Steve Cikach	Columbus	5411 Franklin Street Hilliard, OH 43026	OH	614-529-2440	1
Steve Cikach	Dayton	1116 W. Stewart Street Dayton, OH 45408	OH	888-894-1024	1
David Potts	NW OH & Toledo	381 Osage Dr. Maumee, OH 43537	OH	419-299-4799	2
<b>OKLAHOMA</b>					
Zach Neher	Oklahoma City	2364 NW 220th Terrace Edmond, OK 73025	OK	405-623-1202	2
Zach Neher	Tulsa	2364 NW 220th Terrace Edmond, OK 73025	OK	405-623-1202	1

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
<b>PENNSYLVANIA</b>					
Steve and Suzanne Nerone	Lehigh Valley	115 Oxford Drive Easton, PA 18045	PA	484-903-6822	1
Steve and Suzanne Nerone	Philadelphia	115 Oxford Drive Easton, PA 18045	PA	888-872-0630	5
Mike Madden	Pittsburgh	3445 Harts Run Road Glenshaw, PA 15116	PA	412-492-7283	3
Steve and Suzanne Nerone	Scranton	115 Oxford Drive Easton, PA 18045	PA	484-903-6822	1
<b>RHODE ISLAND</b>					
Matt Lambert	Providence	840 Cumberland Hill Road Unit 113 Woonsocket, RI	RI	401-257-7000	2
<b>TENNESSEE</b>					
Ryan Zondervan	Chattanooga	437 Valleybrook Road, Chattanooga, TN 3734	TN	423-503-5791	1
Carrie Griggs	Knoxville	3222 NW Park Drive Knoxville, TN 37921	TN	865-412-4877	1
<b>TEXAS</b>					
CJ Sulik / Jason Ehrenberg	Austin	1501 Panther Loop Building, 5A Pflugerville, TX 78660	TX	512-855-4747	2
Christie Clinger	Carrollton	12909 Valley Branch Lane Farmers Branch, TX 75234	TX	214-556-8828	3
Adnan Multanwala, Rehan Ejaz, Hussain Multanwala & Idrees Multanwala	Houston	3321 Westside Drive, B103, Pasadena, TX 77504	TX	409-996-4620	1
Christie Clinger	N. Houston / SW Houston	4750 FM 2920 #403 Spring, TX 77388	TX	346-297-2800	3
<b>UTAH</b>					
Nathan and Cameron Rigby	Salt Lake City	1731 S. 1700 E. Salt Lake City, UT 84108	UT	435-760-5071	3
<b>VIRGINIA</b>					
Chris Paxson	Tyson's Corner/Fairfax	7554 Rickenbacker Drive Gaithersburg, MD 20879	VA	304-839-2560	1
<b>WASHINGTON</b>					
Max Loosen	North Puget Sound	20503 63rd Place West, Lynnwood, WA 98036	WA	206-369-4146	3
Daryl and Kirsten Delaney	Spokane-CDA	1527 E. Lyons Spokane, WA 99217	WA	509-862-5655	1
<b>WEST VIRGINIA</b>					
Chris Paxson	Tri-State	151 Business Park Drive Unit 5 Inwood, WV 25428	WV	304-901-4134	1

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
<b>WISCONSIN</b>					
Nick and Tom Bates	Green Bay – Fox Valley	W5145 Kennedy Drive Fond Du Lac, WI 54935	WI	920-979-7708	1
Jeff Behr	Madison	4709 Triangle Street McFarland, WI 53558	WI	608-590-2733	3
Jeff Behr	Waukesha	4709 Triangle Street, McFarland, WI 53558	WI	262-333-2634	1

**LIST OF FRANCHISEES WITH FRANCHISE AGREEMENT SIGNED BUT OUTLET NOT  
OPENED AS OF DECEMBER 31, 2024**

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
<b>COLORADO</b>					
Andrea Hovanetz and Spencer C. Hovanetz	Colorado Springs	1997 Bellavista St. Castle Rock, CO 80109	CO	713-539-6665	1
Andrea Hovanetz and Spencer C. Hovanetz	Colorado Springs	1997 Bellavista St. Castle Rock, CO 80109	CO	713-539-6665	1
<b>MINNESOTA</b>					
Matthew J. Miller Tiffany Miller	Minneapolis	8055 Ranchers Road NE, Minneapolis, MN 55432	MN	612-7673030	2
<b>SOUTH CAROLINA</b>					
Chris Holmes	Charleston	2285 North Opdyke Road Auburn Hills, MI 48326	SC	248-618-3922	1
<b>TEXAS</b>					
Jason Ehrenberg, Chris Sulik and Josh Zarlenga	San Antonio	1501 Panther Loop, Bldg 5A Pflugerville, TX 78660	TX	512-952-5394; 330-519-5394	1
Jason Ehrenberg, Chris Sulik and Josh Zarlenga	San Antonio	1501 Panther Loop, Bldg 5A Pflugerville, TX 78660	TX	512-952-5394; 330-519-5394	1
Jason Ehrenberg, Chris Sulik and Josh Zarlenga	San Antonio	1501 Panther Loop, Bldg 5A Pflugerville, TX 78660	TX	512-952-5394; 330-519-5394	1

## EXHIBIT H

### LIST OF FORMER FRANCHISEES

The following is a list of former franchisees that have ceased to do business under the franchise agreement or had an outlet terminated, transferred, canceled, not renewed, within the last fiscal year or who has not communicated with the franchisor within 10 weeks of the issuance date.

NAME	CITY	STATE	PHONE NUMBER	REASON
Mark and Kristy Owens	North Elgin	IL	574-201-0360	Termination
Mark and Kristy Owens	South Elgin	IL	574-201-0360	Termination
Mark and Kristy Owens	North Central Indiana	IN	574-201-0014	Termination
Mark and Kristy Owens	Ft. Wayne	IN	574-201-0360	Termination
Chris Hamburger	Louisville	KY	502-815-5000	Termination
Joshua Riebold **	St. Louis Downtown / West / South	MO	314-570-0209	Termination
Joseph Bass	Chattanooga	TN	423-503-5791	Transfer
Olunifemi (Nifemi) Idowu	Garland	TX	214-974-4695	Termination
Marius Cuzmin	Houston/ Galveston	TX	409-996-4620	Transfer
Ethan and Inna Wickersham *	North Puget Sound	WA	206-369-4146	Transfer
Alex Wilson	Waukesha	WI	414-640-4566	Transfer

\* This Franchisee represents 3 transferred territories

\*\* This Franchisee represents 4 terminated territories

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**EXHIBIT I**

**LIST OF FRANCHISEE ORGANIZATIONS CREATED, SPONSORED, OR ENDORSED**

*None*

## **EXHIBIT J**

### **CONVERSION FRANCHISE ADDENDUM**

This Conversion Franchise Addendum (the "Addendum") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal place of business at 17700 Saint Clair Avenue, Cleveland, OH 44110 (hereinafter, "Franchisor"), and \_\_\_\_\_, whose principal address is \_\_\_\_\_, an individual/business entity organized in the State of \_\_\_\_\_ (hereinafter, "Conversion Franchisee")

### **RECITALS**

**WHEREAS**, Franchisor and Conversion Franchisee have simultaneously herewith entered into a Franchise Agreement whereby Conversion Franchisee is granted a franchise to operate an USA Insulation Franchised Business, to use Franchisor's Marks, and to utilize Franchisor's System in connection therewith (the "Franchise Agreement");

**WHEREAS**, Conversion Franchisee has submitted an application to Franchisor seeking permission to become a Conversion Franchisee of Franchisor, and Franchisor has approved such application;

**WHEREAS**, Conversion Franchisee presently owns and operates a business providing various types of insulation-related products and services and other energy efficient products and the corresponding installation services to existing residential homes similar, if not identical, to those offered by USA Insulation Franchised Businesses from a location approved by Franchisor, and has done so for a period of not less than six (6) continuous months; and further, Conversion Franchisee represents and acknowledges that it has met Franchisor's standards and qualifications to be classified as a "Conversion", and upon reliance on Conversion Franchisee's representation to Franchisor of such, Franchisor approves of such conversion classification;

**WHEREAS**, Conversion Franchisee represents and acknowledges that during the immediately preceding six (6) months of business operations, its business has generated in excess of Five Hundred Thousand Dollars (\$500,000) in sales;

**WHEREAS**, Conversion Franchisee has represented and acknowledged that it does not operate under a franchise agreement, licensing agreement, or a prescribed marketing plan or system of another company, and is not subject to any agreements limiting or restricting Conversion Franchisee's ability to conduct said business;

**WHEREAS**, Conversion Franchisee acknowledges that by becoming a franchisee of Franchisor it will be subject to covenants against competition, confidentiality agreements and standards of performance and quality, which otherwise would not attach to its business operations; and

**WHEREAS**, Franchisor desires to grant to Conversion Franchisee, a franchise upon the terms and subject to the conditions hereof, and subject to the terms and conditions of the Franchise Agreement executed simultaneously herewith.

**NOW, THEREFORE**, THE PARTIES, IN CONSIDERATION OF THE UNDERTAKINGS AND COMMITMENTS OF EACH PARTY TO THE OTHER SET FORTH IN THIS ADDENDUM, HEREBY AGREE AS FOLLOWS:

1. RECITALS

The Recitals set forth above are incorporated herein by reference.

2. AMENDMENT OF TERMS OF FRANCHISE AGREEMENT

- A. This Addendum shall amend and supplement the Franchise Agreement. The terms, covenants, and conditions of this Addendum are incorporated into the Franchise Agreement, and with respect to any conflict between the two (2) agreements, the terms of this Addendum shall be controlling with respect to the subject matter hereof.
- B. Except as expressly set forth in this Addendum, the rights, duties and obligations of the parties with respect to the USA Insulation Franchised Business shall be the same as the rights, duties, and obligations of the parties with respect to the Franchised Business described in the Franchise Agreement.

3. INITIAL FRANCHISE FEE

In consideration for the franchise granted herein, Franchisor shall waive the Initial Franchise Fee.

4. ROYALTY FEE

For the first 24 months of the Franchise Agreement only, Conversion Franchisee will have a discounted monthly Royalty Fee equal to two percent (2%) of the prior month's Gross Sales or a minimum royalty of One Thousand Dollars (\$1,000) each month, whichever is greater.

5. CONVERSION OF FRANCHISEE'S BUSINESS TO THE USA INSULATION SYSTEM

- A. Prior to the execution of the Franchise Agreement and this Addendum, Conversion Franchisee shall have furnished to Franchisor, in conjunction with its application to be accepted as an USA Insulation Conversion Franchisee, information pertaining to the existing site of Conversion Franchisee's business. Such information includes, but is not limited to, a map and written description of the existing site; demographic and population information relating to the local market; photographs and architectural plans of the existing location; the lease for the location; and, such other information as Franchisor in its sole discretion deems appropriate.
- B. Prior to the commencement of operation of the Franchised Business, Conversion Franchisee must remove all materials, furniture, fixtures, signs and equipment which do not conform with the USA Insulation System; are not approved by Franchisor; and, which do not meet the standards and specifications prescribed in Franchisor's Manuals (as amended from time to time).
- C. Conversion Franchisee understands and hereby acknowledges that every component of the USA Insulation System is vital to Franchisor, to other USA Insulation franchisees and to the operation of the business franchised hereby, and that compliance with the System is of the essence of this Addendum. Conversion Franchisee shall, at all times, conduct the Franchised Business hereunder in compliance with the USA Insulation System and cease rendering services or using equipment, materials, furniture, fixtures or signs which are not designated by Franchisor to be components of the USA Insulation System.

- D. As of the date on which Conversion Franchisee commences operating its business as an USA Insulation Franchised Business, Conversion Franchisee shall identify and represent its business as an USA Insulation business through the use and display of Franchisor's proprietary marks. During a period of one (1) year from the commencement of business as an USA Insulation franchisee, Conversion Franchisee may display, with Franchisor's prior written approval, secondary signage of such size, content and style as is prescribed by Franchisor in its Confidential Manuals, for the purpose of advising the public of the former trade name under which Conversion Franchisee had previously conducted its business. However, on the first anniversary of the commencement of operations as an USA Insulation franchisee, or at such later date as the parties may agree, Conversion Franchisee, at its sole cost and expense, shall cease using all references to its prior trade name and carry out its business activities only as an USA Insulation franchisee and only under the USA Insulation Marks.
- E. As of the date on which Conversion Franchisee commences operating its business as a USA Insulation Franchised Business, Conversion Franchisee shall convert all of its books, accounts, ledgers, customer lists, bookkeeping systems, etc. so as to comply with the standards and specifications of the USA Insulation System, as is more fully set forth in Franchisor's Confidential Manuals, as amended from time to time.
- F. Unless otherwise approved in writing by Franchisor, Conversion Franchisee shall complete to Franchisor's satisfaction, Franchisor's required training program; complete all construction, renovations, or refurbishing, required by Franchisor; comply with all of Franchisor's standards and specifications with respect to goods, materials, equipment and services; and commence operation of the Franchised Business within sixty (60) days after the execution of the Franchise Agreement and this Addendum.

## 6. CONFIDENTIAL INFORMATION AND RESTRICTIVE COVENANTS

- A. Conversion Franchisee acknowledges that notwithstanding the fact that it has operated a business or has been employed in a business providing various types of insulation-related products and services and other energy efficient products and the corresponding installation services to existing residential homes similar to those offered under the USA Insulation System, it covenants and agrees to be bound by the restrictions on the use of confidential information set forth in the Franchise Agreement. Conversion Franchisee further acknowledges that all information pertaining to customers of Conversion Franchisee prior to the execution of the Franchise Agreement shall be deemed to be "confidential information" as that term is used in the Franchise Agreement.
- B. Conversion Franchisee expressly acknowledges that despite the fact that it had been in the business or has been employed in the business of providing various types of insulation-related products and services and other energy efficient products and the corresponding installation services to existing residential homes prior to becoming an USA Insulation franchisee, Conversion Franchisee shall be bound by the in-term and post-term covenants not to compete set forth in the Franchise Agreement and all other applicable post-termination obligations of the Franchise Agreement.

## 7. ACKNOWLEDGMENTS

Conversion Franchisee acknowledges, warrants and represents to Franchisor that:

- A. It has, for at least six (6) continuous months, owned and operated a business of providing various types of insulation-related products and services and other energy efficient products and the corresponding installation services to existing residential homes similar to those offered through the franchised System.
- B. During the immediately preceding six (6) months of business operations, Conversion Franchisee's business has generated in excess of Five Hundred Thousand Dollars (\$500,000) in sales.
- C. Conversion Franchisee's business does not operate under either a franchise agreement, licensing agreement, or pursuant to any form of commercial arrangement whereby a third party prescribes a particular marketing plan or system upon its business operations. Furthermore, Conversion Franchisee is not subject to any covenant against competition.
- D. No other person, firm, corporation, or other entity has any right, title or interest in or to Conversion Franchisee's business; Conversion Franchisee's business has not been mortgaged, pledged, or assigned; and, there are no judgments, liens, executions or proceedings pending which may alter, decrease or remove Conversion Franchisee's interest in said business.
- E. Conversion Franchisee acknowledges that the information submitted and the representations made to Franchisor as an inducement for Franchisor to enter into this Addendum are accurate and truthful.
- F. Conversion Franchisee acknowledges that by virtue of the terms and conditions of the Franchise Agreement and this Addendum the manner and operation of its business must be in strict compliance with Franchisor's standards and specifications and further acknowledges that its ability to directly or indirectly engage in any other business which offers or sells services or products which comprise or may in the future comprise a part of the USA Insulation System is expressly limited.
- G. Furthermore, Conversion Franchisee expressly acknowledges and understands that this Addendum amends and supplements the Franchise Agreement, and that the terms and conditions of this Addendum, are incorporated into the Franchise Agreement, as though set forth in full therein.
- H. Nothing in this Conversion Addendum, or any related agreement, is intended to disclaim any representations of Franchisor in the Franchise Disclosure Document.

***/SIGNATURES ON FOLLOWING PAGE/***

**IN WITNESS WHEREOF**, the parties hereunder have duly executed, sealed and delivered this Addendum on the day and year first set forth above.

**FRANCHISOR:**

USA INSULATION FRANCHISE, LLC

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By:

Its:

**CONVERSION FRANCHISEE:**

[INSERT NAME OF FRANCHISEE]

---

Name:

Title:

---

Name:

Title:

## **EXHIBIT K**

### **SPOUSAL NON-DISCLOSURE AND NON-COMPETITION AGREEMENT**

This Agreement is made and entered into \_\_\_\_\_, 20\_\_\_\_, between **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal place of business at 17700 Saint Clair Avenue, Cleveland, OH (“Franchisor”) and \_\_\_\_\_, a/an \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_, the spouse or domestic partner of an owner of Franchisee (“Signer”) with a primary residence at \_\_\_\_\_.

### **RECITALS**

**WHEREAS**, Franchisor has developed, is using and is the owner of all rights in a unique system (hereinafter “USA INSULATION SYSTEM”) for the development and operation of a business which provides various types of insulation-related products and services including proprietary injection foam, polyurethane spray foam, blown fiberglass insulation, rolled/batten fiberglass insulation and other energy efficient products and the corresponding installation services to existing residential homes under the trade name and mark USA INSULATION (hereinafter “USA”);

**WHEREAS**, USA SYSTEM includes but is not limited to certain trade names, trademarks, trade dress and logos including, but not limited to, the mark USA INSULATION, service marks, trade symbols, trade dress, signs, slogans, associated logos, designs, emblems, URLs, domain names, email addresses, digital cellular addresses, website addresses and the like and copyrights and such other trade names and trademarks as Franchisor may develop in the future for the purposes of identifying USA SYSTEM, and such other distinguishing characteristics of USA SYSTEM including, without limitation, distinctive sales and marketing procedures; knowledge and procedures for providing various types of insulation-related products and services including proprietary injection foam, polyurethane spray foam, blown fiberglass insulation, rolled/batten fiberglass insulation and other energy efficient products and the corresponding installation services to existing residential homes; management and financial control methods; and training and assistance, all of which may be changed, improved and further developed by Franchisor from time to time (“Trade Secrets”);

**WHEREAS**, Franchisor’s Trade Secrets provide economic advantages to Franchisor and are not generally known to or readily ascertainable by proper means by Franchisor’s competitors who could obtain economic value from knowledge and use of Franchisor’s Trade Secrets;

**WHEREAS**, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of Franchisor’s Trade Secrets;

**WHEREAS**, Franchisor and Franchisee desire to enter into a Franchise Agreement which will grant Franchisee a limited right to operate a Franchised Business (as defined in the Franchise Agreement) within a territory using USA SYSTEM and Franchisor’s Trade Secrets for a period defined in the Franchise Agreement (“Franchise Agreement”);

**WHEREAS**, Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of USA SYSTEM of restricting use, access and dissemination of Franchisor’s Trade Secrets; and

**WHEREAS**, it is anticipated that Signer may have access to learn Franchisor’s Trade Secrets as Franchisee develops and maintains Franchisee’s Business using USA SYSTEM.

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

1. Franchisee may disclose to Signer some or all of Franchisor's Trade Secrets relating to USA SYSTEM.

2. Signer shall receive Franchisor's Trade Secrets in confidence, maintain them in confidence, and shall use them only in connection with the development and/or maintenance by Franchisee of the Franchised Business using USA SYSTEM for so long as Franchisee is licensed by Franchisor to use USA SYSTEM.

3. Signer shall not at any time make copies of any documents or compilations containing some or all of Franchisor's Trade Secrets without the express written permission of Franchisor.

4. Signer shall not disclose or permit the disclosure of Franchisor's Trade Secrets to anyone.

5. That all information and materials, including without limitation, specifications, techniques and compilations of data which Franchisor shall designate as confidential shall be deemed Franchisor's Trade Secrets for the purposes of this Agreement.

6. Signer shall not, directly or indirectly, do any act or omit to do any act, which would or would likely to be injurious or prejudicial to the goodwill associated with USA SYSTEM.

7. In order to protect the goodwill and unique qualities of USA SYSTEM and the confidentiality and value of Franchisor's Trade Secrets, and in consideration for the disclosure to Signer of Franchisor's Trade Secrets, Signer further undertakes and covenants that, during the time Franchisee is a franchisee of Franchisor and for the two (2) years following the termination or expiration of Franchisee's Franchise Agreement, Signer will not:

(a) Directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any person, partnership or business entity, engage in or acquire any financial or beneficial interest in (including interest in business entities, partnerships, trusts, unincorporated associations or joint ventures), advise, help or make loans to any entity involved in a business which is the same as or similar to that conducted by USA which business is, or is intended to be located, within the United States; or

(b) Divert or attempt to divert, directly or indirectly, any business, business opportunity or client of Franchisee's Franchised Business(s) to any competitor.

8. Franchisee undertakes to use Franchisee's best efforts to ensure that Signer acts as required by this Agreement.

9. Signer agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement against Franchisee and Signer, and may seek, in addition to any other remedies which are made available to it at law or in equity, including the right to terminate the Franchise Agreement, a temporary and /or permanent injunction and a decree for the specific performance of the terms of this Agreement, without being required to furnish a bond or other security.

10. Signer agrees that the period during which the post-termination/expiration restrictions above apply shall be extended uninterrupted by the length of any period of time during which Signer was in violation of such restrictions.

11. This Agreement shall be governed by and construed under the laws of the State of Ohio.

12. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be unenforceable as written, its provisions shall be determined to be withheld, modified or limited to such extent or in such manner as is necessary for it to be valid and enforceable to the greatest extent possible.

**IN WITNESS WHEREOF**, the undersigned have entered into this Agreement as witnessed by their signatures below.

**FRANCHISEE:**

\_\_\_\_\_  
By:

Its:

Date:\_\_\_\_\_

**FRANCHISOR:**

\_\_\_\_\_  
By:

Its:

Date:\_\_\_\_\_

**SIGNER:**

\_\_\_\_\_  
By:

Date:\_\_\_\_\_

## EXHIBIT L

### CONDITIONAL CONSENT TO TRANSFER AGREEMENT

**THIS CONDITIONAL CONSENT TO TRANSFER AGREEMENT** (the “Agreement”) is made and entered into on this \_\_\_\_ day of \_\_\_\_\_ (the “Effective Date”), by and between **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal business address at 17700 Saint Clair Avenue, Cleveland, OH 44110 (“Franchisor”), and \_\_\_\_\_ (“Franchisee”), and \_\_\_\_\_, both individuals OR CORPORATION OR LLC with a primary residence or principal place of business at \_\_\_\_\_ (“Transferee”) (each a “Party” and collectively, the “Parties”).

#### WITNESSETH:

**WHEREAS**, a Franchise Agreement dated \_\_\_\_\_ (the “Existing Franchise Agreement”), was executed by and between Franchisee and Franchisor for the operation of a franchise location known as \_\_\_\_\_ (the “Franchise”); and

**WHEREAS**, each owner of Franchisee has entered into a Guaranty whereby they have personally guaranteed the performance of Franchisee’s obligations under the Franchise Agreement; and

**WHEREAS**, Franchisee wishes to sell, assign and transfer, and Transferee wishes to buy, assume and receive, all of Franchisee’s rights, obligations and assets relating to the Existing Franchise Agreement and the Franchise (collectively, the “Transfer”), as set forth in that Agreement between Franchisee and Transferee with effect as of the Transfer Date (the “Purchase Agreement”); and

**WHEREAS**, Franchisor has been notified of Franchisee’s desire to sell the Franchise to Transferee and Franchisee has requested that Franchisor consent to the Transfer under Section \_\_\_\_\_ of said Existing Franchise Agreement, or exercise its right of first refusal; and

**WHEREAS**, as a condition to the Transfer, Transferee will execute Franchisor’s then-current Franchise Agreement for a Franchise (collectively, the “New Franchise Agreement”), and the Existing Franchise Agreement will be terminated in accordance herewith; and

**WHEREAS**, Franchisor is willing to grant its consent to the proposed sale and transfer, subject to the terms and conditions in this Agreement.

#### AGREEMENT:

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

1. Condition Precedent. It is a necessary condition precedent to the performance of all obligations of all parties to this Agreement, specifically the grant of Franchisor’s consent, that the Transferee and Franchisee enter into the Purchase Agreement and that they complete the Transfer on the Transfer Date. If the Transfer is not completed on the Transfer Date, or on such alternate date as agreed upon by all parties in writing, this Agreement is void and Franchisor’s consent is revoked.

2. Conditions of Transfer. As a condition of Franchisor's consent, Transferee and Franchisee collectively represent and warrant the following regarding the performance of the Transfer:

A. On the Transfer Date, Franchisee will transfer either all of the stock, shares, interests or other form of equity in Franchisee ("Franchisee Equity"), or substantially all Franchisee's assets related to the operation of the Franchise, including but not limited to vehicles, facilities, equipment, inventory, uniforms, marketing materials, social media accounts, contracts, accounts receivable/payable, and client data (the "Franchise Assets") to Transferee. As of the Transfer Date, Transferee shall either have all right, title to and interest in the Franchise Assets, or control of the Franchisee Equity.

B. [Transferee / Franchisee] shall pay to the Franchisor the Transfer Fee of [AMOUNT] on the Transfer Date.

C. [OPTIONAL CLAUSE] No later than [DATE], the [Transferee / Franchisee] will make improvements to the Franchise Assets as directed by Franchisor to meet Franchisor's prevailing design and branding criteria and will pay all costs, fees and expenses related to or arising out of the improvements.

D. Franchisee and Transferee acknowledge and agree that they have negotiated the Transfer without involvement by Franchisor and that, except for the preparation and execution of this Agreement for the purpose of exercising Franchisor's right to consent, Franchisor has not participated in the transaction between them and, therefore, has no knowledge of, and does not attest to, and has no obligations for, the accuracy of any representations or warranties made by or between Franchisee and Transferee in connection with this transfer.

3. Obligations and Representations. As a further condition of Franchisor's consent, Franchisee and Transferee separately represent and warrant the following:

A. Transferee Obligations and Representations. Transferee represents and warrants that:

i. Transferee has received disclosure of all franchise documents, including the New Franchise Agreement and Franchisor's FDD, and that it has reviewed and acknowledged disclosure and receipt of the same.

ii. Transferee, not later than the Transfer Date, will execute Franchisor's New Franchise Agreement and all related and ancillary documents.

iii. Transferee has complied, and will continue to comply, with all requirements of the Franchisor, including participation in training, purchasing inventory and equipment, updating fixtures and other preparations for operating the Franchise beginning on the Transfer Date, or at such other time as Transferee and Franchisor may agree.

iv. If necessary for the continued operation of the Franchise, Transferee has entered into a lease or taken assignment of an existing lease or entered into a sublease for or purchased the premises of the Franchise, effective as of the Transfer Date, and has provided evidence of such lease, sublease, assignment or purchase to the Franchisor in a form satisfactory to Franchisor. It is not the expectation of the Parties that Transferee will take possession of Franchisee's personal residence, if such residence is used as the premises of the Franchise, but rather that Transferee shall be obligated to find a new premises for the continued operation of the Franchise no later than the Transfer Date.

B. Franchisee Obligations and Representations. Franchisee represents and warrants that:

i. Franchisee agrees that the Existing Franchise Agreement will terminate as of the Transfer Date. All post-termination obligations under the Existing Franchise Agreement, and all obligations of the Guarantors under their individual Guaranty, shall remain in full force and effect after the Transfer Date, until they expire according to their terms.

ii. Franchisee has complied, and will continue to comply, with all obligations under the Existing Franchise Agreement, including but not limited to payment of all amounts due and owing to the Franchisor, whether under the Existing Franchise Agreement or any other agreement, and, where necessary, the return of client data and trademarked and proprietary materials to Franchisor.

iii. Franchisee is not in default of the Existing Franchise Agreement, or, to the extent Franchisee is in default, Franchisor and Franchisee have agreed in a separate writing on the resolution of such default.

iv. Franchisee has no right or title to the Trademark Assets and has not represented to Transferee or any other person, natural or fictitious, that it has right or title to the Trademark Assets. Franchisee has not entered into any agreement to sell or transfer the Trademark Assets. As of the Transfer Date, Franchisee will cease to identify itself or any other business it operates (excluding other USA Insulation franchises owned by the Franchisee) as a current or former USA Insulation franchise and will cease to use any Trademark Asset, including any USA Insulation trademark, trade name or trade dress, or any colorable imitation of the same, or other indicia of a USA Insulation franchise in any manner or purpose. "Trademark Assets" means all trade names, trademarks and trade dress of the USA Insulation system, including the name USA Insulation and any forms, slogans, signs, symbols, devices or other materials bearing the name "USA Insulation."

This representation shall not apply to any franchise locations operated by Franchisee after the Transfer Date under the terms of other, active franchise agreements with Franchisor.

v. Franchisee will continue to operate the Franchise until the Transfer Date. Franchisee shall remain obligated to pay Franchisor any amounts due and owing under the Franchise Agreement that arise on or before the Transfer Date.

vi. As of the Transfer Date, Franchisee has no security interest in the Franchise Assets or any assets related to the business of the Franchise that are the subject of the Transfer, and no such security interest in the same will exist at any time after the Transfer Date. Franchisee waives any rights it has, had or ever will have to foreclose on, levy upon or repossess the Franchise Assets or any assets related to the business of the franchise that are the subject of the Transfer.

vii. Franchisee, its officers, directors, members, principals, employees, representatives, successors and assigns, will not make any disparaging, derogatory or negative comments, statements or other communications, orally, in writing, or in any medium, to any person or organization about Franchisor or the USA Insulation system or any parties or persons associated therewith, nor take any action that could have the effect of damaging the reputation of Franchisor, the USA Insulation system or any parties or persons associated therewith.

4. Release. In consideration for Franchisor's consent, Franchisee, for itself, its affiliates, and its successors and assigns, hereby remises, releases and forever discharges Franchisor, its affiliates, successors and assigns, as well as the shareholders, members, principals, officers, directors, employees, attorneys, agents, heirs and executors of Franchisor, its affiliates, successors and assigns (collectively, the "Released Parties"), of and from any and all debts, demands, losses, actions, causes of action, suits, accounts,

covenants, contracts, warranties, agreements, damages and any and all claims, demands and liabilities whatsoever, of every name and nature, both in law and in equity, including without limitation causes of action arising out of alleged conspiracy, violations of any contract, express or implied, any covenant of good faith and fair dealing, *quantum meruit*, or any federal, state or municipal statute, regulation or ordinance, that the Franchisee, its affiliates, successors or assigns may now have or ever had against the Released Parties, whether under this Agreement, the Existing Franchise Agreement, or any other agreement, transaction, relationship, duty, obligation or in any other form, known and unknown, from the beginning of the world until the Transfer Date, it being the intent of the Franchisee to grant in favor of the Released Parties hereby a general release. Without otherwise limiting the generality of the foregoing release, the foregoing release will not apply to obligations of Franchisor to Franchisee specifically set forth in this Agreement.

A. [IF FRANCHISE IS IN MARYLAND] The foregoing release shall not be construed to release any of Franchisees claims or rights to claims under the Maryland Franchise Registration and Disclosure Law, if such release is in contravention of the Maryland Franchise Registration and Disclosure Law.

B. [IF FRANCHISEE IS A CALIFORNIA CORP OR DOMICILED IN CALIFORNIA] The foregoing release is intended as a general release of all claims, demands, actions, causes of action, obligations, damages and liabilities of any kind or nature whatsoever that relate to the matters recited therein, and is intended to encompass all known and unknown, foreseen and unforeseen claims which the releasing party may have against any party being released. Section 1542 of the California Civil Code provides:

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

Franchisee expressly waives the provisions of Section 1542 of the California Civil Code and expressly releases each party to be released from all liability or claims arising out of any matters recited in the release.

C. The general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

5. Franchisor Consent and Representations. Under Section \_\_\_\_ of the Existing Franchise Agreement, the Transfer cannot take place without the consent of Franchisor. Contingent upon Franchisee's and Transferee's compliance with the terms and conditions of this Agreement, on or before 12:01 am of \_\_\_\_\_ (the "Transfer Date"), Franchisor consents, represents and warrants as follows:

A. Franchisor consents to the Transfer.

B. Franchisor waives its right of first refusal under Section \_\_\_\_ of the Existing Franchise Agreement.

C. Franchisor has reviewed the suitability of Transferee as a franchisee and Transferee has demonstrated to the sole satisfaction of Franchisor that the Transferee has the financial resources, character and ability to operate the Franchise.

D. Franchisor directs Franchisee to deliver to Transferee at the Transfer Date, for Transferee's use in accordance with the terms of the New Franchise Agreement, any and all physical Trademark Assets in the possession of Franchisee.

6. Singular Consent. Franchisee and Transferee acknowledge and agree that Franchisor's execution of this Agreement is not intended to provide, and will not be construed as providing, Franchisor's consent with regard to a transfer of any right or interest under any other agreement not specifically identified herein. Such consent must be separately obtained.

7. Changed Circumstances. Franchisee and Transferee understand and acknowledge that Franchisor may, in the future, approve transfers under different terms, conditions and policies than those stated in this Agreement. Franchisor's consent and waivers of the right of first refusal under this Agreement will not be relied upon in future transactions as indicative of Franchisor's position or the conditions which might be attached to future consents or waivers of its right of first refusal.

8. Indemnification.

A. Franchisee agrees to indemnify, defend and hold harmless Franchisor, its officers, directors, principals, employees and representatives from and against any claims, losses, liabilities, costs or damages arising out of or related to a breach of any representation or warranty in this Agreement, or a breach of any obligations or provisions of this Agreement, by Franchisee, its officers, directors, members, principals, employees, representatives, successors and assigns. Without limiting the generality of the foregoing, Franchisee, jointly and severally with Transferee, agrees to indemnify, defend and hold Franchisor, its officers, directors, principals, employees, attorneys and representatives from and against any claims, losses, liabilities or damages arising out of or related to (a) the Transfer or (b) any dispute between Franchisee and Transferee regarding the Transfer.

B. Transferee agrees to indemnify, defend and hold harmless Franchisor, its officers, directors, principals, employees and representatives from and against any claims, losses, liabilities, costs or damages arising out of or related to a breach of any representation or warranty in this Agreement, or a breach of any obligations or provisions of this Agreement, by Transferee, its officers, directors, members, principals, employees, representatives, successors and assigns. Without limiting the generality of the foregoing, Transferee, jointly and severally with Franchisee, agrees to indemnify, defend and hold Franchisor, its officers, directors, principals, employees, attorneys and representatives from and against any claims, losses, liabilities or damages arising out of or related to (a) the Transfer or (b) any dispute between Transferee and Franchisee regarding the Transfer.

9. Non-Disclosure. Franchisor, Franchisee and Transferee agree to treat the existence and terms of this Agreement, the transactions contemplated hereby, and any communications, documents or agreements in connection herewith as "Confidential Information" as defined in the Existing Franchise Agreement and New Franchise Agreement, respectively, and to abide by the obligations contained in the Existing Franchise Agreement and New Franchise Agreement with respect thereto.

10. Additional Representations and Warranties. Franchisor, Franchisee and Transferee, separately and for themselves individually, represent and warrants that as of the Transfer Date: (i) it is a legal entity duly organized and validly existing under the laws of its state and/or country of incorporation, as applicable; (ii) it has the power and authority to enter into and accept the terms and conditions of this Agreement, (iii) as a corporation or limited liability company it has duly authorized its representative and that each such representative has the right and authority to enter into and to accept the terms and conditions of this Agreement on behalf of the corporation or limited liability company; and (iv) the execution, delivery and performance by it of this Agreement and its compliance with the terms and provisions hereof does not and will not conflict with or result in a breach of any other agreement or relationship by a party with any other party.

11. Severability. If any provision of this Agreement will be declared illegal or unenforceable, in whole or in part, for any reason whatsoever, the remaining provisions are nevertheless deemed valid and binding.
12. Waiver. The waiver by any Party of any breach or violation of any provision of this Agreement will not operate or be construed as a waiver of any other or subsequent breach or violation hereof.
13. Entire Understanding. This Agreement sets forth the entire understanding of the Parties for the subject matter hereof and may be amended only by a writing signed by all Parties hereto. This Agreement will be binding upon each signatory, and their respective heirs, executors, successors and assigns.
14. Governing Law; Jurisdiction. This Agreement will be governed by the laws of the State of Ohio without application of the principles of conflicts of law. Each of the Parties hereto irrevocably consents to the personal jurisdiction of the Federal and state courts of the State of Ohio, County of Cuyahoga for any matter arising out of or relating to this Agreement, except that in any action seeking to enforce any order or judgment of such courts such personal jurisdiction will be non-exclusive.
15. Counterparts. This Agreement may be executed in one or more counterparts, including digital signatures, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the Parties have duly executed this Agreement as of the Effective Date.

**FRANCHISOR:**

**USA Insulation Franchise, LLC**

By:

Its:

**FRANCHISEE:**

\_\_\_\_\_ *[enter name of corporate entity]*

By:

Its:

**TRANSFeree:**

\_\_\_\_\_ *[enter name of corporate entity]*

By:

Its:

### **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:

<b>State</b>	<b>Effective Date</b>
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## **RECEIPT (OUR COPY)**

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 USA Insulation Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If USA Insulation 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit D.

The franchisor is USA Insulation Franchise, LLC, located at 17700 Saint Clair Avenue, Cleveland, OH 44110. Its telephone number is (440) 951-6800.

Issuance date: April 29, 2025.

The franchise seller for this offering is \_\_\_\_\_, USA Insulation Franchise, LLC, 17700 Saint Clair Avenue, Cleveland, OH 44110, (440) 951-6800.

Franchise Seller: \_\_\_\_\_  
Name/Address/Telephone Number

USA Insulation Franchise, LLC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular states.

I received a disclosure document dated April 29, 2025, that included the following Exhibits:

A: Franchise Agreement and Exhibits	G: List of Franchises
B: Operations Manual Table of Contents	H: List of Former Franchisees
C: Financial Statements/Parent Guarantee	I: List of Franchise Organizations Created, Sponsored or Endorsed
D: List of State Administrators	J: Conversion Franchise Addendum
E: List of Agents for Service of Process	K: Spousal Non-Disclosure and Non-Competition Agreement
F: State Specific Addenda	L: Conditional Consent to Transfer Agreement

Date: \_\_\_\_\_  
(Do not leave blank)

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Name of Entity: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**Please sign, date, and return receipt to: USA Insulation Franchise, LLC, 17700 Saint Clair Ave., Cleveland, OH 44110.**

## **RECEIPT (YOUR COPY)**

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 USA Insulation Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

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If USA Insulation 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit D.

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E: List of Agents for Service of Process	K: Spousal Non-Disclosure and Non-Competition Agreement
F: State Specific Addenda	L: Conditional Consent to Transfer Agreement

Date: \_\_\_\_\_  
(Do not leave blank)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_

Name of Entity: \_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**Please sign and date this receipt. You may keep this copy for your records.**