

HFB IP HoldCo, LLC is a Delaware limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28028 formed on April 23, 2025. HFB Franchisor Holdings, LLC will be the parent and own 100% of HFB IP HoldCo, LLC as part of a consolidation transaction scheduled to close in May 2025. HFB IP HoldCo will be assigned and thereafter own all of the trademarks and certain other intellectual property of HFB Franchisor HoldCo, LLC and its subsidiaries. HFB IP HoldCo, LLC will license the right to use trademarks and other intellectual property to HFB Franchisor HoldCo, LLC's subsidiaries, including Franchisor. HFB IP HoldCo, LLC does not, and has not, offered or sold franchises in any line of business.

Our affiliate National Account Services Company, LLC is a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28028. National Account Services Company, LLC provides national account marketing and support services for affiliated franchisor companies. The support services provided to affiliate franchisor companies include interaction with and support services to franchisees to coordinate lead flows and compliance with National Account service level requirements required of service providers for those accounts. National Account Services Company, LLC does not, and has not, offered or sold franchises in any line of business.

Our affiliate Bold Future Payment Services, LLC is a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28028. Bold Future Payment Services, LLC provides payment card processing services to franchisees of affiliate franchisors. Bold Future Payment Services, LLC does not, and has not, offered or sold franchises in any line of business.

Except as stated above, we do not have any parents, predecessors or affiliates that: (a) offer or operate franchises in any line of business; or (b) are otherwise involved in any other business activity.

#### Market and Competition

The market for temporary wall businesses is growing and can be competitive in certain locations. Your primary target for customers will be local contractors, hospitals, airports, transportation centers, government and large office buildings. Other target industries include laboratories and clean rooms; telecom and data centers; restaurants and other retail; and academia, such as universities.

Your competitors will include other companies involved in the sale and/or installation of modular, rollable, foldable, and similar containment and dust-free barrier systems. There are companies that offer similar services which may have more resources and a larger advertising budget than us. While we are unaware of any franchised modular wall containment units and related services agencies with a national presence in the industry, there are businesses which have a local, regional and national presence that offer similar services as your Franchised Business. Our vendors may provide similar products to other local and regional companies offering similar services. ~~We recommend that you investigate the competition in your locality with a business advisor before you decide to purchase a Franchised Business.~~

#### Industry Specific Regulations

Your Franchised Business will be subject to laws and regulations in your state, county or municipality regarding the operation of an establishment that offers and sells products and services which are the same or similar to our Approved Products and/or Approved Services. The Franchised Business will be subject to federal, state and local regulations, and you must strictly comply with such regulations. There are specific regulations pertaining to this industry and you must comply with all local, state and federal codes and regulations and all Occupational Safety and Health Administration (OSHA) and other safety

			<p>services, including development costs of software, mobile applications, websites, costs of software, subscriptions, and related services, and any other products or services added to the technology stack- <u>provided that the total cost will be no more than our cost plus 15% for administrative and other burdens.</u> The first month will be assessed pro rata from the date on which you begin offering Approved Products and/or Approved Services.</p> <p>Provided, however, that where a group of Designated Territories are under a single Multi-Unit Addendum, you will be required to pay one Technology Fee for all Designated Territories under that one Multi-Unit Addendum. If you have more than one Multi-Unit Addendum, you will pay one Technology Fee for each such Multi-Unit Addendum.</p>
Technology Onboarding Fee	Then-current fee \$1,000.	Same as Royalty Fee.	The Technology Onboarding Fee includes costs paid to third parties for the onboarding and integration of a customer and sales management system with our operating system.
Online Local Presence Fee	\$249/month	Same as Royalty Fee.	The Online Local Presence Fee currently includes the following: website management, development, updating, maintenance, enhancement, and brand reputation management.

Temporary Management	The then-current fee charged by us during the period of management, plus any direct out-of-pocket costs and expenses. We reserve the right to charge up to 10% of the Gross Revenue generated during the time period that we provide temporary management.	Within 14 days of receipt of an invoice.	Payable in the event of your death.
Annual Conference Fee	We host an annual conference (the “Annual Conference”) and charge you the then-current Annual Conference fee. The Annual Conference fee is currently \$2,000 for up to 2 people to attend. We may charge our then-current fee for additional attendees (currently, \$1,000 per additional <del>attendee</del> <u>and attendee and</u> \$700 per person for social registration). We may offer <del>ediscoun</del> <u>ts</u> discounts based on early booking, number of room-nights booked, or other factors. We also may offer the opportunity to pay <del>th</del> <u>the</u> Annual Conference fee in advance, in periodic installments. We reserve the right to host up to 2 Annual Conferences per year.	Prior to attending the event.	Payable for you and your employee(s) who attend the Annual Conference that we host. You are responsible for the travel and living expenses of you and your employees. If you do not attend the Annual Conference(s), you must still pay us the Annual Conference Fee, regardless of the cause for non-attendance, unless you receive our advance written approval for such absence. This fee is charged on a per franchisee basis. This fee may change upon notice to you annually depending on the anticipated cost of the Annual Conference. We do not expect this fee to exceed \$3,000 for up to 2 people to attend (and \$1,500 for each additional attendee, and \$1,050 per person for social registration); <del>however, there</del> . <u>There</u> is no cap on the amount the Annual Conference fee may be increased; <del>however, the</del> <u>increase will not be more than the total estimated cost plus 20% spread out over the number of franchisees required to attend</u> . An increase will be based on the following: cost of inflation, destination/venue costs, entertainment costs, travel costs, size of event, length of event.

manufacturers, and/or subject to our specifications. We reserve the right for us or our Affiliates to become an approved supplier or manufacturer. A list of tools is available upon request.

10. Business Management and Technology System. You must purchase the business management and technology system comprised of the computer hardware and software we designate for use in connection with your Franchised Business (“Business Management and Technology System”) prior to commencing operations. You must purchase the components of the Business Management and Technology System from third parties or Approved Suppliers. The Business Management and Technology System may include, but is not limited to: (i) a business-class laptop computer with performance capabilities sufficient to run all of the software required to operate your Franchised Business; (ii) a laser printer meeting our standards and specifications; (iii) updated versions of QuickBooks, Microsoft Office, and antivirus software; and (iv) a tablet with Internet access and a smartphone. This includes setup fees and licensing fees for the first three months of operation. The Business Management and Technology System includes software and related services that include fees that are paid through the Technology Fee (i.e., our digital platform system, for example). The low end of this estimate assumes that you already have some or all of the required hardware or software. The high end assumes that you will need to purchase all of the components. The estimated amount for this section does not include the Technology Fee, which is set forth separately in the Item 7 table.
11. Technology Onboarding Fee. You will be required to pay a fee of \$1,000 to us or our vendor for the onboarding and integration of a customer and sales management system that you will use in your business with our operating system.
12. Initial Inventory. You will be required to obtain an initial inventory of modular wall materials (“Initial Inventory”) to meet the demand in your Designated Territory. The low end of this estimate represents the minimum amount of inventory that you are required to purchase, while the high end of the estimate represents the largest amount of inventory that we recommend you purchase. We recommend \$100,000 in Initial Inventory per territory. ~~Prices may be impacted by supply chain events such as large scale events (hurricanes) or tariffs, that are not predictable and can significantly increase the cost of inventory for a short term or long term period.~~
13. Technology Fee (3 Months). The Technology Fee currently includes fees related to your access to and usage of our reservation system, intranet, any mobile applications we develop, and the System website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. There is no cap on the amount the Technology Fee may be increased. The first month will be assessed pro rata from the date on which you begin offering Approved Products and/or Approved Services (typically the date you complete Initial Training Program, but could be earlier, which date may or may not be within 3 months of the date you sign a franchise agreement) and collected on the 10th of the following month and paid to us.
14. Online Local Presence Fee. The Online Local Presence Fee currently includes the following: website management, development, updating, maintenance, enhancement, and brand reputation management. The first month will be assessed for the month you begin offering Approved Products and/or Approved Services (typically the date you complete Initial Training Program, but could be earlier, which date may or may not be within 3 months of the date you sign a franchise agreement) and collected on the 10th of the following month and paid to us.
15. Marketing Management Fee. The Marketing Management Fee currently includes the following localized marketing support: email marketing, social media, promotions and offers, creative

support, public relations management, tradeshow support, and paid media support. The first month will be assessed for the month you begin offering Approved Products and/or Approved Services (typically the date you complete Initial Training Program, but could be earlier, which date may or may not be within 3 months of the date you sign a franchise agreement) and collected on the 10th of the following month and paid to us.

16. Industry Certifications, Licenses, and Training. You must acquire any third-party certifications required by us, including, but not limited to, the OSHA 10-hour Construction Safety certification. You must acquire a general business license, any specialty licenses required by your state or federal agency. If your jurisdiction has additional licensing laws or other laws or regulations that require additional instruction or supervised inspections or other criteria, such as examinations or peer review, that require individualized effort in order to comply with the laws or regulations and we or our affiliate cannot provide such instruction/services to you, you must retain a third-party licensing compliance service provider to assist you in navigating the required criteria. Some franchisees voluntarily choose to join local associations or unions that require additional fees ranging \$750 - \$1,000. In some jurisdictions, industry certifications, licensing, and/or training may not be required, in which case your cost would be \$0. You must acquire a general business license and any specialty licenses required by your state or federal agency. In some jurisdictions, industry certifications, licensing, and/or training may not be required, in which case your cost would be \$0.
17. Professional Fees. This estimate is based on the fees necessary to create a franchisee entity and retain legal counsel and accountants to do initial corporate filings and set up bookkeeping and bank accounts.
18. Insurance Deposit and Initial Premiums. We estimate that your initial insurance deposit and initial premiums will be approximately \$2,000 to \$5,000. We assume that you will pay monthly or quarterly. The average annual cost is approximately 7,000 to 10,500. You should check with your local agent for actual premium quotes and costs, as well as the actual cost of the deposit. ~~The cost of coverage will vary based upon the area in which your Franchised Business will be located, your experience with the insurance carrier, your loss experience, your level of sales and other factors beyond our control.~~ In some states the cost could be higher depending on availability, competition and broker coverage. You should also check with your insurance agent or broker regarding any additional insurance that you may want to carry beyond what we require you to obtain.
19. Grand Opening Marketing. In connection with the opening of the Franchised Business, you must spend a minimum of \$10,000 for grand opening advertising and promotion in the 30 days prior to opening the Franchised Business and the 60 days after opening the Franchised Business in accordance with a plan that you must submit to us. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations or other advertising firm to assist with your grand opening. No amount paid by you for your grand opening will be credited toward your Local Advertising Requirement. You must provide us with supporting documentation evidencing these expenditures upon request. If you enter into a Multi-Unit Addendum with us, you will only be required to spend \$10,000 in total for Grand Opening Advertising for all Franchised Businesses so long as they are located in contiguous Designated Territories. We reserve the right to increase the required spend to \$16,000 as we deem necessary.
20. Additional Funds (3 Months). The estimate of additional funds between \$15,000 and \$30,000 is for a period of at least 3 months and is based on our experience in offering and selling franchisees, as well as estimates we have received from third party vendors, and information from existing franchisees, for an owner-operated business and does not include any allowance for an owner's draw or salary. This estimate includes ongoing fees that you will be required to pay throughout

color and label requirements), which we will establish and modify at our discretion. You may incur an increased cost to comply with such changes at your own expense.

You must offer for sale all Approved Products and Approved Services that we may later designate, and only those products and services which we prescribe. You may not offer any other products or services for sale without having received our prior written authorization. You must at all times maintain sufficient levels of inventory as specified in the Operations Manual to adequately satisfy consumer demand. You must offer, use and sell all private label products which we may now or in the future designate for sale by System franchisees. Private label products, to the extent required, are included in the Initial Inventory expense set forth in the Item 7 table.

Some suppliers may provide us with test equipment for use in our training center, advertise in our newsletters, and may also sponsor events and/or rent booth space at our Annual Conference or regional meetings.

#### Approved Suppliers

Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of our trade dress, we approve or designate suppliers (which may be us or an affiliate of ours) from time to time in the Operations Manual and otherwise in writing (each an “Approved Supplier”). You must purchase your initial inventory, Business Management and Technology System, branded items, signage and marketing materials, marketing services (of which we are an Approved Supplier), computer equipment and software, insurance, grand opening marketing, and other ongoing marketing from one of our Approved Suppliers or in accordance with our standards and specifications. We are not currently the only Approved Supplier of any item.

#### Ownership Interest in a Supplier / Revenue Derived from Regional Franchise Purchases and Leases

Except where we are the approved supplier for items you must purchase, none of our officers own any interest in any supplier with whom you are required or recommended to do business. Franchisor is an approved supplier of marketing services but is not the exclusive approved provider of marketing services.

We may derive income in the form of rebates or marketing allowances paid to us by Approved Suppliers that we require you to use. During our last fiscal year ended December 31, 2024, Franchisor received rebates of \$314,527 and Franchisor derived revenue from franchisees’ required purchases of Call Center Services and Marketing Fees of \$86,580. During the fiscal year ended December 31, 2024, our affiliates did not derive any revenue from our franchisees’ required purchases. The total revenue of \$401,107 represents ~~5.8.9%~~ of Franchisor’s total revenue of \$4,503,950.

Your obligations to purchase certain products or services from us or our Approved Suppliers, and to purchase products, services, supplies, fixtures, equipment, computer hardware and software, training and real estate that meet our specifications, are considered “Required Purchases.” We estimate that your Required Purchases will account for approximately 45% to 70% of your total purchases and leases incurred in establishing your Franchised Business, and approximately 10% to 40% of your total ongoing purchases and leases to operate the Franchised Business after the initial start-up phase.

#### Alternative Product or Supplier Approval

If you wish to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, you must provide us the name, address and telephone number of the proposed

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer for sale all products and services which we prescribe and only those products and services which we prescribe. You may not offer any other products or services for sale without having received our prior written authorization. You must at all times maintain sufficient levels of inventory, as specified in the Operations Manual, to adequately satisfy consumer demand. You must offer, use and sell all private label products which we may now or in the future designate for sale by System franchisees.

All products and services you use or offer for sale from your Franchised Business must comply with our standards and specifications. Our standards and specifications are set forth in the Operations Manual, which is revised from time to time. You are responsible for ensuring that your Franchised Business meets these standards at all times. We have the right to inspect your Franchised Business or attend a project site for quality control purposes. We have the right to change our System from time to time.

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

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	2.1	10 years, which will commence on the Effective Date.
b. Renewal or extension of term	2.2 to 2.3	1 successive 10-year term. If the Franchise Agreement expires without you properly exercising your renewal right and you continue to accept the benefits of the Franchise Agreement thereafter, then, at our option, we may treat the Franchise Agreement either as (i) expired as of the date of expiration, with you then illegally operating a franchise in violation of our rights; or (ii) continued on a month-to-month basis (the "Holdover Period") until you and we agree to enter into our then-current form of franchise agreement for a renewal term or until you or we provide the other with written notice of termination, in which case the Holdover Period will terminate 30 days after receipt of the notice of termination. In the latter case, all of your obligations shall remain in full force and effect during the Holdover Period as if the Franchise Agreement had not expired, except that the franchise fee during the Holdover Period will be increased to 10% of Gross Revenue for all types of products/services and without any reductions. All obligations and restrictions imposed on you upon expiration of the Franchise Agreement shall take effect upon termination of the Holdover Period.
c. Requirements for franchisee to renew or extend	2.2.1 to 2.2.9	<del>You must</del> <u>Renewal is an option to enter into a new franchise agreement at the end of the current term subject to the following terms and conditions:</u> (i) provide notice of your renewal no fewer than 12 months and no greater than 18 months prior to the end of the term; (ii) demonstrate to our satisfaction that you have the right to operate the Franchised Business at the Approved Location for the duration of the

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

This Financial Performance Representation discloses the historical financial information ~~regarding two franchised Temporary Wall Systems locations that have operated for at least 24 months for 60 franchisees who were operational and all 12 months of 2024. There is one additional franchisee that began operations reported an accepted proposal in 2022 and was technically “open” but opted to enter our Optional Resale Program and did not conduct operations during 2024. The financial information provided to us by the franchise locations is for~~ the period January 1, 2024, through December 31, 2024 (the “2024 Measurement Period”).

Part I of this Item discloses the High, Low, Median and Average job size of all accepted proposals for the 60 Temporary Wall Systems franchisees that were operational and reported and accepted ~~proposal~~ proposals during the 2024 Measurement Period.

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

Please note that the information for Part I was taken from our Business Management and Technology System. We have not audited the amounts set forth in this item below. When reviewing this Financial Performance Representation, it is important that you review the notes following the Parts below.

**Only our Affiliate-Owned locations have sold this much. Your individual results may differ. There is no assurance that you will sell as much.**

PART I  
~~JOB~~ACCEPTED PROPOSAL SIZE STATISTICS  
OVER THE 2024 MEASUREMENT PERIOD

Part <del>H</del> <del>JOB</del> I: <del>Accepted Proposal</del> Size Statistics Temporary Wall Systems Franchise System				
	High	Low	Median	Average
<del>Average Ticket</del> Accepted Proposal Size	\$153,724.00	\$300.00	\$7,859.90	\$12,180.90

Notes to Part ~~H~~I:

- The following table presents ~~JOB~~Accepted Proposal Size information realized by certain Temporary Wall Systems franchisees during the 2024 Measurement Period. The information provided in the table above was compiled from 60 Temporary Wall Systems franchisees ~~(operating in 206 territories)~~ that were operational and reported an Accepted Proposal during the 2024 Measurement Period. ~~Of the 60 franchisees with Accepted Proposals, the average ticket for 41 franchisees was higher than the system average Accepted Proposal Size. There were 3,007 Proposal-Proposals in the system by all franchisees during the 2024 Measurement Period by the Reporting Franchisees with and 993 Accepted Proposals of those were Accepted Proposals. Accepted Proposal means a proposal that was accepted by a client and resulted in a job. Of the 993 Accepted Proposals 265 were higher than the average Accepted Proposal size. There were 79 franchisees with 261 territories during the 2024 Measurement Period. There were 73 franchisees with 245 territories open during the 2024 Measurement Period. There were 13 franchisees with 39 territories that were open and did not report any accepted proposals in the 2024 Measurement Period. Six franchisees with 16 territories were sold but not open.~~ The Statistics are based on the accepted proposals.



There are no trademark-specific organizations formed by our franchisees that are associated with our System. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached as Exhibit ~~4J~~ to this Franchise Disclosure Document are our audited financial statements as of December 31, 2024. We have been in business for three years or more but changed audit firms this year and do not have comparisons to 2022 or 2023- (also included in Exhibit J). Our fiscal year end is December 31<sup>st</sup>.

**ITEM 22**  
**CONTRACTS**

Attached to this Franchise Disclosure Document are the following contracts and their attachments:

Exhibit B	Franchise Agreement and Schedules
Exhibit C	Statement of Ownership
Exhibit D	Confidentiality and Restrictive Covenant
Exhibit E	Electronic Funds Withdrawal Authorization
Exhibit F	Multi-Unit Addendum
Exhibit G	Sample Assignment and Assumption Agreement
Exhibit H	Sample General Release
Exhibit I	State Specific Addenda
Exhibit M	Diligence Review of Franchisee Sales Process

**ITEM 23**  
**RECEIPTS**

Exhibit O of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to Temp Walls Franchise Management, LLC, 107 Parr Drive, Huntersville, North Carolina 28078.

**MARYLAND ADDENDUM**  
**TO FRANCHISE AGREEMENT AND MULTI-UNIT ADDENDUM**

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, or Multi-Unit Addendum (if applicable), to the extent that the Franchise Agreement or Multi-Unit Addendum contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

b. Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

c. Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

d. The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

2. 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.

3. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the multi-unit addendum is open.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*(Signature Page Follows)*

**Temp Walls Franchise Management, LLC**

Audited Financial Statements

For the Years Ended December 31, 2023 and 2022



**Davies, Goldstein  
& Associates CPA's PLLC**  
**Certified Public Accountants**

**Independent Auditors' Report**

To the Management of Temp Walls Franchise Management, LLC  
Charlotte, North Carolina

**Opinion**

We have audited the accompanying financial statements of Temp Walls Franchise Management, LLC which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of income, changes in members' equity and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Temp Walls Franchise Management, LLC as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Temp Walls Franchise Management, LLC 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Temp Walls Franchise Management, LLC's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Temp Walls Franchise Management, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Temp Walls Franchise Management, LLC's ability to continue as a going concern for a reasonable period of time.

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

*Jones, Goldstein & Associates, CPA's PLLC*

Matthews, North Carolina  
April 17, 2024

**Temp Walls Franchise Management, LLC**  
**Balance Sheets**  
**December 31, 2023 and 2022**

**ASSETS**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 65,688	\$ 1,665,284
Accounts Receivable, net	539,663	100,506
Other Current Assets	67,497	35,083
<b>Total Current Assets</b>	<u>672,848</u>	<u>1,800,873</u>
<b>Long-Term Assets:</b>		
Fixed Assets, net	83,301	-
Accounts Receivable, net of current portion	-	16,633
Intangible Assets, net	106,991	-
<b>Total Long-Term Assets</b>	<u>190,292</u>	<u>16,633</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 863,140</u></u>	<u><u>\$ 1,817,506</u></u>

**LIABILITIES & MEMBERS' EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	173,798	413,672
Accrued Expenses	823,339	257,563
Line of Credit	825,000	625,000
Contract Liabilities	331,853	118,243
<b>Total Current Liabilities</b>	<u>2,153,990</u>	<u>1,414,478</u>
Contract Liabilities, net of current portion	158,122	280,382
Line of Credit	535,000	-
<b>TOTAL LIABILITIES</b>	<u>2,847,112</u>	<u>1,694,860</u>

<b>MEMBERS' EQUITY</b>	(1,983,972)	122,646
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<u><u>\$ 863,140</u></u>	<u><u>\$ 1,817,506</u></u>

The accompanying notes are an integral part of the financial statements.

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**Temp Walls Franchise Management, LLC**  
**Income Statements and Statements of Members' Equity**  
**For the Years Ended December 31, 2023 and 2022**

Revenue	2023	2022
Initial Franchise Fees, net of deferrals (Note 2)	\$ 5,057,000	\$ 434,875
Less: Related Commissions and Fees	(3,568,709)	(382,630)
Net Initial Franchise Fees	1,488,291	52,245
Royalty and Other Fees	403,659	6,187
Total Revenue	1,891,950	58,432
Expenses		
General & Administrative	1,146,403	896,528
Franchise Development	915,863	130,912
Marketing	445,098	30,864
Operations	658,704	39,436
Depreciation and Amortization	10,024	-
Total Expenses	3,176,092	1,097,740
Operating Loss	(1,284,142)	(1,039,308)
Interest Expense	72,476	23,076
Net Loss	<u>\$ (1,356,618)</u>	<u>\$ (1,062,384)</u>
Members' Equity, January 1st	\$ 122,646	\$ -
Members' (Distributions) Contributions, net	(750,000)	1,185,030
Net Loss	(1,356,618)	(1,062,384)
Members' Equity, December 31	<u>\$ (1,983,972)</u>	<u>\$ 122,646</u>

The accompanying notes are an integral part of the financial statements.

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**Temp Walls Franchise Management, LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>Cash flows from operating activities:</b>		
Net Loss	\$ (1,356,618)	\$ (1,062,384)
Depreciation and Amortization	10,024	
Adjustments to reconcile net income to net cash used in operating activities:		
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(422,524)	(117,139)
(Increase) in other current assets	(32,414)	(35,083)
(Decrease) Increase in accounts payable	(239,874)	413,672
Increase in accrued expenses	565,776	257,563
Increase in contract liabilities	91,350	398,625
Net cash used in operating activities	<u>(1,384,280)</u>	<u>(144,746)</u>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(88,326)	-
Purchase of website and other intangibles	<u>(111,990)</u>	<u>-</u>
Net cash used in investing activities	(200,316)	-
<b>Cash flows from financing activities:</b>		
Proceeds from Line of Credit	735,000	625,000
Distribution for Canadian Tax	-	(39,970)
Members' (Distributions) Contributions	<u>(750,000)</u>	<u>1,225,000</u>
Net cash (used in) provided by financing activities	(15,000)	1,810,030
<b>Net change in cash and cash equivalents</b>	<u>(1,599,596)</u>	<u>1,665,284</u>
<b>Cash and Cash Equivalents, January 1st</b>	<u>1,665,284</u>	<u>-</u>
<b>Cash and Cash Equivalents, December 31st</b>	<u><u>\$ 65,688</u></u>	<u><u>\$ 1,665,284</u></u>
 <b>Supplemental Cash Flow Information:</b>		
Cash paid for Interest	<u><u>\$ 15,000</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

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**Temp Walls Franchise Management, LLC**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 1 - Organization and Business**

Temp Walls Franchise Management, LLC (the Company) is a North Carolina limited liability corporation formed in 2022 for the purpose of conducting franchise operations. The Company sells franchise rights to own and operate Temporary Wall Systems franchises which offer the rental of containment solutions for various applications including worksites, hospitals, labs and schools. In addition, the Company provides support services to franchisees. There were 160 franchise territories sold as of December 31, 2023, 108 of which were operational.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in bank deposit accounts. The carrying amount approximates fair value due to the nature of the instruments. At December 31, 2023 the Company's cash balances did not exceed Federal Deposit Insurance Corporation limits of \$250,000 per depositor per bank.

**Revenue Recognition**

The Company recognizes revenue in accordance with FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). ASC 606, as amended, is based on the principle that revenue is recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services utilizing a five-step revenue recognition model, which includes (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when or as the entity satisfies the performance obligation.

The Company's revenues consist primarily of initial franchise fees charged to franchisees in exchange for the right to own and operate franchises within a certain territory. Once operational, the Company will also receive monthly royalties and other fees from franchisees. ASC 606 did not impact the timing of revenue recognition for the royalties and other fees which are recognized monthly as a percentage of revenue collected by the franchisees.

In applying ASC 606 to initial franchise fees, the Company adopted Accounting Standards Update 2021-02, *Franchisors – Revenue from Contracts with Customers: Practical Expedient*. The amendments allow a practical expedient that simplifies the application of the guidance regarding identification of performance obligations. Franchisors that are not public business entities may account for pre-opening services provided to a franchisee as distinct from the franchise license (if the services are consistent with those included in a predefined list within the guidance) and can be recognized as a single performance obligation.

Lump sum payments are typically due upon execution of a franchise agreement or renewal. The Company recognizes the revenue related to pre-opening services as a single performance obligation in accordance with the guidance. In addition, the Company identified the completion of training as a performance obligation and recognizes revenue related to this upon completion. The remaining initial fee is related to the license to utilize the Company's brand for a specified period of time which is satisfied equally over the life of the agreement. This deferred revenue is recorded as a contract liability and amortized on a straight-line basis over the life of the agreement.

**Temp Walls Franchise Management, LLC**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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Revenue Recognition (continued)

Franchisees are required to pay a royalty fee of 8% of the monthly gross receipts of the franchised business. Gross receipts are reported by the franchisee a month in arrears. The Company also charges a marketing fee or brand fund fee in addition to a technology fee for each franchisee.

Accounts Receivable

Accounts receivable at December 31, 2023 represent initial franchise fees due at the signing of the franchise agreement which have not yet been collected and royalties and fees owed by the franchisees not yet remitted. The Company recorded accounts receivable of \$415,238 and \$74,800 as of December 31, 2023 and 2022, respectively. Management reviewed all outstanding fees and determined an allowance for doubtful accounts was not necessary as of December 31, 2023 and 2022.

Fixed Assets

In 2023, fixed assets were purchased with useful lives of 3 to 5 years consisting of software, website, and operation manuals. Depreciation and amortization expense of \$10,024 is included in the accompanying financial statements for the year ended December 31, 2023.

Use of Estimates

The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

**Note 3 – Income Taxes**

The Company is a limited liability company which is treated as a partnership for tax purposes. As such, the members report and pay income taxes through their personal tax returns. The Company generally does not pay income taxes. As a result, no provision for income taxes has been included in these financial statements.

The Company follows the guidance in ASC 740-10 as it relates to uncertain tax positions as of December 31, 2023 and has evaluated its tax positions taken for filings with the Internal Revenue Service and the state jurisdiction of North Carolina where it operates. The Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

**Note 4 – Line of Credit**

The Company has drawn \$825,000 (2022 - \$625,000) on a line of credit with a private trust of \$825,000 as of December 31, 2023. The line bears interest of 9% and expired on December 31, 2023. Interest payments continue to be made monthly until the principal is fully repaid.

In August 2023, the Company entered into a new line of credit with a private entity of \$1,000,000 and has drawn \$535,000 as of December 31, 2023. The line bears interest of 9% and matures in December 2025. Only interest payments are required prior to the maturity date.

**Temp Walls Franchise Management, LLC**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 5 – Related Party Transactions**

The lenders of the lines of credit are both private entities and related parties.

All management, research, supervision, financial, accounting, investment, procurement, human resources, legal services, information systems, communications and other required services are provided by DDL Investments, Inc. (DDL), a related party. As of December 31, 2023 there are no employees of the Company as all operational support is provided by DDL or their delegates. Substantially all of the operating expenses of the Company are paid through DDL as part of the management agreement. Approximately \$570K (2022 - \$520K) is due to DDL as of December 31, 2023 included in accounts payable and accrued expenses.

Guaranteed payments of \$114,000 and \$24,000 made to 2 of the members of the Company are included in general and administrative expenses as of December 31, 2023 and 2022, respectively. The 5 operating territories in 2022 belong to these members and were not subject to royalty fees during 2022.

**Note 6 – Fixed Assets and Intangible Assets**

Fixed assets and intangible assets at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Software	\$88,325	\$ -
Less: Accumulated Amortization	<u>(5,024)</u>	<u>-</u>
	\$83,301	-
Website and Manuals	118,770	-
Less: Accumulated Depreciation	<u>(11,779)</u>	<u>-</u>
Fixed Assets, net	\$106,991	\$ -

**Note 7 - Subsequent Events**

In preparing these financial statements in accordance with Accounting Standards Codification No. 855 – Subsequent Events, the Company has evaluated events and transactions for potential recognition or disclosure April 17, 2024, the date the financial statements were available to be issued. The Company has no knowledge of significant subsequent events as of this date that would require adjustment to or disclosure in the financial statements.



**Temp Walls Franchise Management, LLC**  
**Current Franchisees as of December 31, 2024:**

Territory	Name	Entity	Address	City	State	Terr. State	Zip Code	Phone	E-mail
TWS0147*	Nicholas Lundquist	Space Containment Solutions, LLC	104 Jarrah Place	Greenville	SC	SC	29607	(530) 208-6008	nick.lundquist@tempwallsystems.com
TWS0042*	Jack Shannon and Helena Shannon	Helack, LLC	4885 Gwynne Road	Memphis	TN	TN	38117	(901) 237-3637	jack.shannon@topraille.com
TWS0043*	Jack Shannon and Helena Shannon	Helack, LLC	4885 Gwynne Road	Memphis	TN	TN	38117	(901) 237-3637	jack.shannon@topraille.com
TWS0017	Jon Williamson	The JMOR Group, LLC	2781 Major Ridge Trail	Duluth	GA	TN	30097	(404) 391-5013	jonwilliamson@icloud.com;
TWS0268*	Michael and Joseph Weaver	Alabama Walls Holding, LLC	112 Park Road	Union Grove	Alabama	TN	35175	(402) 319-3225	mike.weaver@tempwallsystems.com
TWS0269*	Michael and Joseph Weaver	Alabama Walls Holding, LLC	112 Park Road	Union Grove	Alabama	TN	35175	(402) 319-3225	mike.weaver@tempwallsystems.com
TWS0270*	Michael and Joseph Weaver	Alabama Walls Holding, LLC	112 Park Road	Union Grove	Alabama	TN	35175	(402) 319-3225	mike.weaver@tempwallsystems.com
TWS0093*	Ali Rizwan	Radius Alpha, LLC.	14150 Huffmeister Road, Suite 200 #1006	Cypress	TX	TX	77429	(505) 309-9017	rizwan.ali@tempwallsystems.com
TWS0094*	Ali Rizwan	Radius Alpha, LLC.	14150 Huffmeister Road, Suite 200 #1006	Cypress	TX	TX	77429	(505) 309-9017	rizwan.ali@tempwallsystems.com
TWS0095*	Ali Rizwan	Radius Alpha, LLC.	14150 Huffmeister Road, Suite 200 #1006	Cypress	TX	TX	77429	(505) 309-9017	rizwan.ali@tempwallsystems.com

**Temp Walls Franchise Management, LLC**  
**Former Franchisees:**

The name and last known address of every Franchisee who had a Temp Walls Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during our last fiscal year, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

The following Franchisees transferred their business to another franchisee:

Territory	Name	Entity	Address	City	State	Terr. State	Zip Code	Phone	E-mail
TWS0006	Bill Kilgannon Jr and Justin Adelino	TWS Jax, LLC.	11235 St. Johns Industrial Pkwy N, Ste 4	Jacksonville	FL	FL	32246	(904) 551-2592	billjr@shaycore.com
TWS0007	Bill Kilgannon Jr and Justin Adelino	TWS Jax, LLC.	11235 St. Johns Industrial Pkwy N, Ste 4	Jacksonville	FL	FL	32246	(904) 551-2592	billjr@shaycore.com
TWS0008	Bill Kilgannon Jr and Justin Adelino	TWS Jax, LLC.	11235 St. Johns Industrial Pkwy N, Ste 4	Jacksonville	FL	FL	32246	(904) 551-2592	billjr@shaycore.com
TWS0062	Cody Herbster and Andrea Herbster	Czar Investments, LLC.	14164 Ashbury Court	Basehor	KS	KS	66007	(312) 859-8328	cody.herbster@tempwallsystems.com;
TWS0063	Cody Herbster and Andrea Herbster	Czar Investments, LLC.	14164 Ashbury Court	Basehor	KS	KS	66007	(312) 859-8328	cody.herbster@tempwallsystems.com;
TWS0010	Stanley Mount and Roxanna Meyers	Containment Solutions, Inc.	2639 Aloysia Lane NW	Albuquerque	NM	NM	87104	(505) 450-1885	smount@mountcorp.com;
TWS0051	Mario Haggan and Tanika Haggan	Creative Containment Solutions, LLC.	6901 Stony Oak Court	Parker	TX	TX	75002	(214) 435-3928	mario.haggan@tempwallsystems.com;
<del>TWS0017</del>	<del>Jon Williamson</del>	<del>The JMOR Group, LLC.</del>	<del>2781 Major Ridge Trail</del>	<del>Duluth</del>	<del>GA</del>	<del>TN</del>	<del>30097</del>	<del>(404) 391-5013</del>	<del>jonwilliamson@icloud.com;</del>

## **DILIGENCE REVIEW OF FRANCHISEE SALES PROCESS**

**This document is not applicable to and shall not be used as to any franchise offer and/or sale involving any California resident and/or franchisee as the Franchise Acknowledgement violates California Corporations Code sections 31512 and 31512.1.**

**Do not sign this Questionnaire if you are a Washington resident, or the franchise is to be located in Washington.**

**Do not sign this Questionnaire if you are a Maryland resident, or the franchise is to be located in Maryland.**

As you know, Temp Walls Franchise Management, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement and Multi-Unit Addendum (as applicable) for the operation of a franchise (a “Franchised Business”). The purposes of this Questionnaire are to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement and Multi-Unit Addendum (as applicable) and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes \_\_\_\_ No \_\_\_\_ 1. Have you received and personally reviewed the Franchise Agreement and Multi-Unit Addendum (as applicable), as well as each exhibit or schedule attached to the agreements you intend to enter into with us?
- Yes \_\_\_\_ No \_\_\_\_ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes \_\_\_\_ No \_\_\_\_ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes \_\_\_\_ No \_\_\_\_ 4. Do you understand all the information contained in the Franchise Disclosure Document, Franchise Agreement and Multi-Unit Addendum (as applicable) you intend to enter into with us?
- Yes \_\_\_\_ No \_\_\_\_ 5. Have you reviewed the Franchise Disclosure Document, Franchise Agreement and Multi-Unit Addendum (as applicable) with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating a Franchised Business with these professional advisor(s)?
- Yes \_\_\_\_ No \_\_\_\_ 6. Do you understand the success or failure of your Franchised Business will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?