FRANCHISE DISCLOSURE DOCUMENT

Johnstone Supply, LLC

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https://www.johnstonesupply.com

As a JOHNSTONE® franchisee, you will sell "Johnstone Product Offerings" including heating, ventilation, air conditioning and refrigeration equipment, repair and replacement parts and maintenance supplies for residential, light commercial and facilities maintenance.

The initial investment necessary to begin operation of a JOHNSTONE® Branch franchised business ranges from $808,200 to $3,402,000. This includes $72,000 to $117,000 that must be paid to the franchisor or its affiliates (some fees are payable based on the number of Branch locations operated, please see Item 7 for more information).

This disclosure document summarizes certain provisions of your Distribution (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, franchisor or an affiliate in connection with the proposed distribution relationship (the 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 to you. To discuss the availability of disclosures in different formats, contact Julie Schultz, at 11632 NE Ainsworth Circle, Portland, Oregon 97220, and 503-419-9010, or Julie.Schultz@johnstonesupply.com.

The terms of your Distribution Agreement will govern your franchise relationship. Don't rely on this disclosure document alone to understand your contract. Read all of your contract carefully. Show your Distribution Agreement, all related agreements, and this disclosure document to an advisor, like a lawyer or an accountant.

Entering into a franchise like the Distribution Agreement 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. 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 for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: August 24, 2022

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:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain information from others, like current and former franchisees. You can find their names and contact information in Item 20 and Exhibits F and G.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit H includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Johnstone business in the area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Johnstone franchisee?	Item 20 and Exhibits F and G list current or former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 the 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 B.

Your state also may have laws that require special disclosures or amendments to 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 (Exhibit I).

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The Distribution Agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Delaware. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Delaware than in your own state.

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

FOR MICHIGAN BASED MEMBERS ONLY

Michigan Addendum to the Disclosure Document

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, 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 that deprives a franchisee of rights and protections provided in this act. 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, logo type, 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 section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. 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 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).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligation 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 DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 335-7567.

FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES 9

ITEM 2 BUSINESS EXPERIENCE 13

ITEM 3 LITIGATION 15

ITEM 4 BANKRUPTCY 16

ITEM 5 INITIAL FEES 17

ITEM 6 OTHER FEES 18

ITEM 7 ESTIMATED INITIAL INVESTMENT 23

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES 26

ITEM 9 FRANCHISEE'S OBLIGATIONS 33

ITEM 10 FINANCING 34

ITEM 11 FRANCHISOR'S OBLIGATIONS 35

ITEM 12 TERRITORY 40

ITEM 13 TRADEMARKS 42

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION 45

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS 47

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL 48

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION 49

ITEM 18 PUBLIC FIGURES 56

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATION 57

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION 58

ITEM 21 FINANCIAL STATEMENTS 66

ITEM 22 CONTRACTS 67

ITEM 23 RECEIPT 68

EXHIBITS

Exhibit A: Distribution Agreement

Exhibit B: State Administrators and Agents for Service of Process

Exhibit C: Security Agreement

Exhibit D: Personal Guaranty

Exhibit E: Cross-Corporate Guaranty

Exhibit F: Current JS Business Owners

Exhibit G: Former JS Business Owners

Exhibit H: Financial Statements

Exhibit I: State-Specific Addenda

Exhibit J: State Effective Dates Page

Exhibit K: Receipt

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

As used in this disclosure document, the term "Johnstone" or "Johnstone Supply" refer to Johnstone Supply, LLC, a Delaware limited liability company. "Redwood" refers to Redwood Holdings, LLC (f/k/a Redwood Capital Investments) and certain of its Affiliates, including Johnstone Supply Buyer, LLC ("JS Buyer"), Johnstone Supply Intermediate, LLC ("Intermediate LLC"), Johnstone Supply Holdings, LLC ("Holdings LLC"); Johnstone Holdings, LLC, and Annandale Merger Sub, LLC, each a Delaware limited liability company.

JS Business Owners

You, as the "JS Business Owner" (franchisee) will operate Johnstone-branded Branch locations under the JOHNSTONE® trademark and other associated trademarks, service marks, trade names, logos, emblems, slogans or other indicia of origin which are or may be designated by Johnstone for use in accordance with the Distribution Agreement (and License Agreement attached to the Distribution Agreement) within a specified assigned geographical area (the "Territory"). You will sell Johnstone Product Offerings including heating, ventilation, air conditioning and refrigeration equipment, repair and replacement parts and maintenance supplies for residential, light commercial and facilities maintenance. Johnstone Product Offerings are HVAC/R equipment and parts, supplies, and accessories that are offered for sale by Johnstone LLC into the residential and light commercial end markets and are either (i) to be shipped to JS Business Owners from a Johnstone distribution center, (ii) shipped through a Johnstone Supply-approved direct shipment program or (iii) shipped through a direct purchase program from the manufacturer to the JS Business Owners, as designated by Johnstone. The minimum size requirement for new Johnstone Supply Branch locations vary from 7,500 sq. feet to 15,000 sq. feet depending on the market size of the Territory and whether the Branch location is a main or secondary Branch.

In order to operate a Branch, you must sign (a) the form of Distribution Agreement attached to this disclosure document as Exhibit A (the "Distribution Agreement"); (b) the form of Intellectual Property License Agreement attached to the Distribution Agreement as Exhibit 1 (the "License Agreement"); and (c) the Guarantees and Security Agreement attached to this disclosure document as Exhibits C-E.

Our Business

The activities of Johnstone primarily include the purchase of heating, ventilation, air conditioning, and refrigeration ("HVAC/R") supplies, equipment, and related third-party merchandise for resale to JS Business Owners. Products are distributed primarily through Johnstone's six distribution facilities located in Portland, Oregon; Alburtis, Pennsylvania; Jacksonville, Florida; Las Vegas, Nevada; Joliet, Illinois; and Lancaster, Texas. In addition to revenues received from the sale of merchandise, Johnstone Supply also derives revenues from assessing fees for services performed. Such fees vary according to the type or volume of services provided.

During 2022 Johnstone, through its subsidiary JS Company Owned Stores TX, LLC, a Delaware limited liability company, is opening three company-owned Johnstone Supply stores in Mesquite, TX, Haltom City, TX, and Grand Prairie, TX.

During 2022 Johnstone also obtained, through its subsidiary Johnstone Holdings LLC, a controlling interest in Chester Limited Midwest, LLC, a Delaware limited liability company doing business as Johnstone Supply Eastern Michigan. Chester Limited Midwest operates 16 franchised Johnstone Supply stores.

Industry Overview

The HVAC/R equipment distribution industry is characterized by a small number of large participants (the top three companies have an approximately 30% market share) but is otherwise largely fragmented, and represents a $39 billion market. Large-scale distributors have negotiating power with

manufacturers, but often do not offer broad product lines or a full line of after-market parts. Profitability is generally dependent on a balanced portfolio of equipment, installation supplies and parts, combined with overall distribution costs. Market share can be driven by quality of service and contractor loyalty. Johnstone's competitors are generally regional wholesale distributors operating within a specific geographic footprint, such as Gensco in the Pacific Northwest, Mingledorff's in the Southeast, and Munch's in the Midwest. Two primary national competitors are Watsco, Inc., which has consolidated regional distributors, and Ferguson Enterprises. These competitors with more resources are rapidly investing in technology and compete with Johnstone, and will compete with Johnstone for national accounts.

Industry Specific Regulations

Federal, state and local labor regulations, including minimum age and minimum wage laws and other laws and regulations apply to businesses generally. There are national standards regulating the HVAC/R industry. There are state or other local codes, ordinances or statutes which regulate and license HVAC/R contractors and/or HVAC/R technicians. These laws could affect your business. These laws vary from place to place. You are responsible for obtaining any licenses or permits required by your locality for performing the work of the franchise. You may also be required to comply with any executive orders issued in response to the COVID-19 pandemic that may impact your business. There may be other laws that apply to the business and you should investigate these laws.

The HVAC/R industry must comply with the Clean Air Act, a federal environmental law that is enforced by the U.S. Environmental Protection Agency (the "EPA"). Section 608 of the Clean Air Act prohibits the knowing release of refrigerant during the maintenance, service, repair or disposal of air-conditioning and refrigeration equipment. The EPA requires proper refrigerant management practices by those who buy or sell refrigerant, technicians, owners and operators of AC and refrigeration systems, and others. These requirements apply for all refrigerants that contain ozone-depleting substances, including hydrochlorofluorocarbons, hydrofluorocarbons ("HFCs"), hydrofluoroolefins and blends thereof. The EPA has established servicing practices to prevent the release of all refrigerants for motor vehicle air conditioners ("MVACs") and MVAC-like appliances. When payment of any kind is exchanged, including non-monetary payment, any person working on an MVAC must be certified under Section 609 of the Clean Air Act and use approved refrigerant handling equipment. HVAC/R distributors and wholesalers must comply with the EPA's refrigerant management requirements, including restrictions regarding to whom non-exempt refrigerants can be sold or distributed, restrictions on the sale or distribution of non-exempt used refrigerants, and detailed requirements for documenting refrigerant sales.

Under the Clean Air Act, the EPA has issued rules under its Significant New Alternatives Policy ("SNAP") which are applicable to the HVAC/R industry. The SNAP program identifies and evaluates substitutes for ozone-depleting substances for particular end-uses. SNAP rules applicable to the HVAC/R industry relate to end-uses including MVAC systems, self-chilling cans, centrifugal chillers, positive displacement chillers household refrigerators and freezers, retail standalone food refrigeration, in-room air conditioning units, self-contained commercial ice machines, vending machines, residential and light commercial air conditions and heat pumps, and cold storage warehousing. SNAP rules also include bans of some substances such as the refrigerant blend MT-31 and refrigerants containing hexafluoropropylene.

SNAP Rules 20 and 21 banned the use of certain Hydroflurocarbon (HFC) refrigerants used in certain HVAC/R end-uses, but subsequent litigation caused confusion over the implementation of those bans. In December 2020, the American Innovation and Manufacturing Act of 2020 (AIM) was passed which gives EPA new authority to address phasing out HFCs. EPA finalized initial regulations setting baseline standards in November 2021, issued 2022 allocations, and additional EPA regulations are anticipated. Certain states have also adopted their own HFC regulations to phase out HFCs: California, Colorado, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Vermont, Virginia, Washington, and the District of Columbia have adopted regulations, and numerous other states have proposed similar legislation.

The HVAC/R industry must also comply with federal, state, and local regulations concerning the storage and disposal of hazardous or potentially hazardous wastes and chemicals that may be utilized in the industry (including, but not limited to, certain refrigerants, solvents, or petroleum products). Depending on the nature and amount of these materials stored onsite, the preparation and/or submission of a hazardous materials inventory and/or spill prevention control and countermeasure ("SPCC") plan may be required.

Corporate History

Johnstone was established as an Oregon cooperative corporation in April 1981 with a principal business address at 11632 NE Ainsworth Circle, Portland, Oregon 97220. On October 29, 2021, Johnstone converted into a Delaware limited liability company (the "Conversion") pursuant to an Agreement and Plan of Conversion and Merger dated August 24, 2021. Following the Conversion, Johnstone merged with a wholly-owned subsidiary of Redwood, resulting in Redwood, through subsidiaries, owning a controlling interest in Johnstone, making it our parent (as further described below). In connection with the Conversion, former members and their affiliated non-member patronage agreements were terminated and former members who elected to remain with Johnstone continued to do business uninterrupted by executing new Distribution Agreements and becoming JS Business Owners.

After the Conversion, Johnstone Supply, Inc. became Johnstone Supply, LLC. As of August 24, 2022, Johnstone has approximately 443 Johnstone Supply-branded locations owned by JS Business Owners and their affiliates across 48 U.S. states, Guam, and Ontario, Canada.

Business Model

Johnstone's business model aims to allow JS Business Owners to provide best-in-class, local customer service and market knowledge while delivering on the benefits of a national distributor. Johnstone leases its six distribution centers whereas JS Business Owners may own or lease their respective Branch locations, focusing on growing market shares in their local geographies. This model fosters an entrepreneurial spirit while, at the same time, enabling JS Business Owners to take advantage of group buying power. The majority of Johnstone's product mix is in the repair and replacement market, resulting in a more resilient business relative to competitors, as impact from the more volatile new construction market is reduced.

Distribution Model

Johnstone's Product Information Management ("PIM") system stores the company's proprietary SKU data with 19 million model-to-part and 3 million part-to-part crosses. Its cross-reference tool ("JXI"™) is a search technology that Branch locations access through the Johnstone website or their enterprise resource planning system ("ERP") which enables speed at the counter and speed of search for digital product information.

Approximately 75,000 products are stocked by 443 Branches in coordination with six strategically placed distribution centers to deliver high local availability. Johnstone's distribution centers serve as a logistical resource for ordering parts and equipment that are more compact, lighter and less easily damaged through the handling process and frequent, smaller deliveries. Second shifts have increased services by increasing the hours to pick and put away products.

Dropship sales directly from manufacturers are an integral part of Johnstone's business model that enables JS Business Owners to place orders for products and equipment that are shipped directly to Branches rather than through Johnstone's distribution centers. The majority of bulky, heavy and easily damaged products and equipment are drop shipped to minimize repackaging and shrinkage costs. Drop shipping enables more efficient order processing, reduced handling and streamlined accounts payable processing.

Supplier Overview

Johnstone has developed long-term relationships with top-tier, blue chip suppliers and continues to grow these relationships through semi-annual trade shows and by delivering industry leading growth versus the competition. These collaborative relationships benefit both Johnstone and these suppliers by enhancing the marketing and delivery of product to the HVAC/R contractor. Suppliers allow real-time inventory access, which benefits Johnstone by its knowing which suppliers have stocked items, leading to the reduction of duplicate inventory across the company. Johnstone forecasts distribution center sales down to the JS Business Owner level and aggregates data to the distribution center level, providing suppliers with unique visibility to inventory and sales data and building alignment between suppliers and Johnstone.

Locations and Facilities

Johnstone leases and operates six distribution centers, listed below.

Las Vegas, NV	130,000 sq. ft.
Joliet, IL	442,484 sq. ft.
Jacksonville, FL	258,941 sq. ft.

Johnstone's wholly owned subsidiary JS Company Owned Stores TX, LLC owns three stores in Mesquite, TX, Haltom City, TX, and Grand Prairie, TX. Johnstone subsidiary Johnstone Holdings LLC, owns a controlling interest in Chester Limited Midwest, LLC which operates 16 Johnstone Supply stores as a JS Business Owner.

Our Parent and Affiliates

Our parent is Redwood, a Delaware limited liability company formed on August 18, 2021 with a principal business address at 7301 Parkway Drive, Hanover, MD 21076-1159. Our parent does not provide products or services to JS Business Owners, does not offer franchises in any line of business, and does not induce franchise sales by promising to back Johnstone financially or otherwise guarantee Johnstone's performance. Our parent indirectly owns a controlling interest in Johnstone Supply, LLC through Intermediate LLC, JS Buyer, Holdings, LLC and RCI Annandale, LLC. RCI Annandale, LLC owns over seventy percent of Holdings, LLC.

Johnstone Holding LLC is a wholly owned subsidiary of Johnstone and acts as a holding company for JS Company Owned Stores TX, LLC and Chester Limited Midwest, LLC. JS Company Owned Stores TX, LLC owns and operates corporate Branch locations in Texas. Chester Limited Midwest, LLC owns and operates Branch locations in Michigan, Indiana, and Ohio. JS Company Owned Stores TX, LLC and Chester Limited Midwest, LLC do not provide services to JS Business Owners and do not offer franchises in any line of business.

There are no other affiliates that are required to be disclosed in this Item that either (a) offer or sell franchises in any line of business; or (b) provide services to JS Business Owners. There are no other parents required to be disclosed in this Item.

Our Agent for Service of Process

Our agent for service of process is The Corporation Trust Company, whose address is Corporation Trust Center 1209 Orange St., Wilmington, DE 19801.

ITEM 2
BUSINESS EXPERIENCE

Executive Officers and Significant Management Employees

Lance Devin, Chief Executive Officer, joined Johnstone in April 2022 from Distribution International in Houston Texas, where he served as Chief Operating Officer from June 2020 to April 2022 and Senior Vice President and General Manager of its Central Division from January 2018 to May 2020. Prior to January 2018, he was employed by HD Supply/Home Depot and the Vice President of Facilities Maintenance and President of Interior Solutions. Mr. Devin also serves on the Board of Managers and has served in that capacity since July 2022.

Julie Schultz, Chief Financial Officer, has been with Johnstone since November 2004, serving as Controller prior to being appointed as Chief Financial Officer in February 2010. She was also appointed Interim Chief Executive Officer in July 2021 until April 2022.

Mike Chill, Chief Information Officer, joined Johnstone in April 2019 from HBM Holdings located in St. Louis MO, where he served as Vice President of IT and Corporate Officer beginning in September 2016.

Steve Porter, Chief Marketing Officer, joined Johnstone in April 1992 and has served in progressively responsible roles within Johnstone's Marketing, Merchandising and Channel Management functions. He was named Vice President of Product Management in January 2010 and was named Chief Marketing Officer in July 2021.

Johanna Glode, Vice President, Organization Development, Corporate Secretary and Human Resources, has served in various roles at Johnstone since May 1998, including being named Vice President of Organization Development in May 2002 and Corporate Secretary in January 2012.

Mike Voss, Director, Distributor Relations, joined Johnstone in 2007 and has served in progressively responsible roles.

Board of Managers of Holdings LLC

Brad Cowles has served as President of Core & Main Fire Protection located in St. Louis, MO since January 2018. From January 2017 to December 2019, Brad served as the Chief Operating Officer for Core & Main. From January 2015 to January 2017 he served as the Chief Information Officer of HD Supply located in Atlanta, GA. Prior to the Conversion Mr. Cowles served on the Finance Committee and the Special Circumstances Committee of the cooperative Board since September 2019.

Jeremy ("Ryan") Mostrom has served as a member of the Board of Managers since the Conversion. Additionally, Ryan has been employed as a Partner of Redwood in Hanover, Maryland since April 2016. Additionally, Ryan serves, remotely from Hanover, Maryland, as a member of the Board of Directors of the following companies that are part of Redwood's portfolio of businesses it owns: Premier Trailer Leasing LLC, Lakeshore Beverage LLC, Pepin Distributing LLC, Silver Eagle Distributors Houston LLC and Southern Land Company.

Kevin A. Loden has served as a member of the Board of Managers since the Conversion. Additionally, Kevin has been employed as a Principal of Redwood in Hanover, Maryland since September 2014. Additionally, Kevin serves, remotely from Hanover, Maryland, as a member of the Board of Directors of the following companies that are part of Redwood's portfolio of businesses it owns: Beltway Capital Management, Premier Trailer Leasing LLC, Tradepoint Atlantic, Morgan Automotive, Hudson Automotive, RV Retailer LLC, Lakeshore Beverage LLC, Pepin Distributing LLC, Silver Eagle Distributors Houston LLC, Thompson Gas LLC, Dead River Company, Southern Land Company, and Workwear Outfitters.

Henry Puente served as President of the Ware Group (the Johnstone member group in Jacksonville, Florida) from May 2004 to December 2018, and as CEO since January 2019. Prior to the Conversion

he served on the Board of Directors since 2005 and was a member of the cooperative Board's Finance Committee and Marketing Committee.

Ryan Sadlier has served as the Vice President of Operations for the Johnstone member group in Tacoma, Washington since September 2011. Prior to the Conversion he served as a cooperative Board member since 2020 and was Board Sponsor for the Integrated Supply Chain Committee. He is currently the Chairman of the Johnstone Supply Advisory Board.

Jeffrey Sheehan joined the cooperative in 1997 upon opening a Johnstone location in Detroit, Michigan. He served as the Chair of the Board of Directors of the cooperative from September 2015 until the Conversion. Mr. Sheehan was a member of the Board of Managers until July 2022, when he transitioned to an observer role.

Michelle Thompson served on the cooperative Board of Directors from 2017 until the Conversion and has served as a member of the Board of Managers since July 2022. Additionally, Ms. Thompson has served as the President of Sunstone Group/BCGM Company in Las Vegas, Nevada since November 2003. Ms. is currently also a member of the Johnstone Supply Advisory Board.

David Matthew Watson has served as a member of the Board of Managers since the Conversion. Additionally, David has been employed as President of Redwood in Hanover, Maryland since March 2011. Additionally, David serves, remotely from Hanover, Maryland, as a member of the Board of Directors of the following companies that are part of Redwood's portfolio of businesses it owns: Beltway Capital Management, Premier Trailer Leasing LLC, Tradepoint Atlantic, Morgan Automotive, Hudson Automotive, RV Retailer LLC, Lakeshore Beverage LLC, Pepin Distributing LLC, Silver Eagle Distributors Houston LLC, Thompson Gas LLC, Dead River Company, Southern Land Company, Heidelberg Distributing, Life Care Services and Workwear Outfitters.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

An application fee of $1,000 will be due after applicant's receipt of the franchise disclosure document and applicable waiting period. Upon the effective date of the Distribution Agreement, $60,000 will be due for the main location and $40,000 for each additional location. An $11,000 new JS Business Owner distributor fee for the first Branch location and a $5,000 set up fee for each additional Branch location will also be due upon the effective date of the Distribution Agreement. Fees are not refundable.

At the time of Conversion, all former Johnstone members electing to remain JS Business Owners converted their cooperative ownership interest into equity interest in Holdings LLC. Holdings LLC and Johnstone have reserved the right to require new JS Business Owners entering the system for the first time to purchase interests in Holdings LLC as a requirement for becoming JS Business Owners. However, no final determination, including the price for such interests, has been made as of the date of this disclosure document.

ITEM 6
OTHER FEES

Type of Fee (1)	Amount	Due Date	Remarks
Application Fee	$1,000	With application	This fee is payable to Johnstone Supply in connection with opening new Branches, transfer of Branches, or any Assignment of a Distribution Agreement (including a Change of Control) occurring post-Conversion.**(2)**
New Branch Fee	$10,000 (per Branch)	Due 30 days prior to opening	This fee is payable to Johnstone Supply in connection with new Branches (not including transferred Branches) occurring post-Conversion.**(2)**
New Branch Setup Fee	$5,000 (per Branch)	Due 30 days prior to opening	This fee is payable to Johnstone Supply in connection with all new Branches (including transferred Branches, but limited to one charge for all Branches transferred in one transaction) occurring post-Conversion.**(2)**
JXI Fee (New Branch)	$1,050 (per Branch)	At annual renewal	This fee is payable to Johnstone Supply in connection with all new Branches (including transferred Branches) occurring post-Conversion. This service is optional.**(2)**
JXI Fees (recurring)	$2,250 per year (main Branch) $850 per year (each additional Branch)	Annually in January, after first renewal	This fee is payable to Johnstone Supply. This service is optional.
Initial Inventory (New Branch)	Varies depending on Branch size and market	Johnstone Product Offerings purchased directly from distribution centers may be paid for on 180 day, no interest terms.	This fee is payable to Johnstone Supply. Please see the New Branch/Member Guidelines and New Branch Extended Terms polices set forth in the Johnstone Manuals.
Johnstone University Fees	Billed at a 0.04036% of the previous month's reported sales with a monthly cap of $875 per JS Business Owner	As incurred	This fee is payable to Johnstone Supply. A subscription to Johnstone University is optional. There is no additional fee charged to stores or contractors for a logon to Johnstone University for contractors.
Other training fees	Varies	In connection with service	This fee is payable to Johnstone Supply. Includes e-learning courses and instructor-led training. These services are optional.
Net Promoter Score	Varies, but averages between $78 to $102 per Branch	Per contract / agreement	This fee is paid by Johnstone Supply, which in turn collects the fee from JS Business Owners. This subscription is optional.

Type of Fee (1)	Amount	Due Date	Remarks
Consulting Fees	Varies	In connection with service	This fee is payable to Johnstone Supply. Johnstone University provides consulting to Branches for business planning & execution (EOS & Pinnacle), employee engagement surveys, merchandising, and other projects as requested by JS Business Owners.
PartStock	$1000/Yr/User	January	This fee is payable to Johnstone Supply. PartStock is a mobile part ordering technology that JS Business Owners may make available to their customers. This subscription is optional.
Experian	Based on usage	Invoiced monthly	This fee is paid by Johnstone Supply, which in turn collects the fee from JS Business Owners to pass through to Experian. This subscription is optional.
Microsoft Office 365 – Exchange Only	$5.00/month per user	April	This fee is payable to Johnstone Supply as part of a "true up" invoice each April that reflects actual usage. This subscription is optional.
Microsoft Office 365 – E1 License	$10.00/month per user	April	This fee is payable to Johnstone Supply as part of a "true up" invoice each April that reflects actual usage. This subscription is optional. Email/Cal/Teams/SharePoint/OneDrive/ & Web version of office suite
Email Security - Mimecast	$2.00/month per email user	April	This fee is payable to Johnstone Supply as part of a "true up" invoice each April that reflects actual usage. This subscription is optional. Charges to begin in Johnstone Supply's Fiscal Year 2023.
ERP Programs (including Eclipse and DDI (Inform))	Varies	In connection with service	This fee is payable to Johnstone Supply. Johnstone Supply pays the service provider and collects approximately 50% of the fee from by those JS Business Owners utilizing Eclipse and DDI Enterprise Resource Planning systems. This subscription is required for those with DDI or Eclipse.
Software Updates	Actual cost of updates	As incurred	The Distribution Agreement gives Johnstone the right to require JS Business Owners, at their expense, to use any system software that Johnstone Supply may develop in the future.
Asset Panda	$4 per item per calendar year	Invoice is created in January based on number of items tracked in Asset Panda at end of December.	This fee is payable to Johnstone Supply. This is an equipment maintenance tracking / reminder service. This subscription is optional. Regular invoice terms for the Branches for a miscellaneous invoice.

Type of Fee (1)	Amount	Due Date	Remarks
Dealer Trips and Events	Varies	Specific to event	This fee is payable to Johnstone Supply. Johnstone Supply organizes incentive trips and events for JS Business Owners to offer to their customers. Costs are then reimbursed by participating JS Business Owners. Participation is optional.
Third Party Billing (for Johnstone Multi-Territory Customer Sales Program, formerly the Strategic/National Accounts Program)	Varies	Monthly – as incurred	The Next Step transaction processing fee is paid by Johnstone Supply and then collected from JS Business Owners; it is calculated at 1.5% < $10M & 1.25% >$10M of total Strategic Account sales per Branch processed during that monthly period. Participation in Specialty Sales Programs is required per the Distribution Agreement.
Strategic Account Rebates (Multi-Territory Customer Sales Program, formerly the Strategic/National Accounts Program)	Varies (depending on what % of total sales was negotiated)	Quarterly	Johnstone Supply pays rebates to participating customers and then receives reimbursement by JS Business Owners. The process to calculate rebates owed is performed quarterly based on sales for the previous period. Participation in Specialty Sales Programs is required per the Distribution Agreement.
Catalogs/Flyers	Varies by publication and quantity	Part of member monthly billing	This fee is payable to Johnstone Supply. These are optional purchases.
JS Merchandise	Varies by item	Billed with normal distribution center orders	This fee is payable to Johnstone Supply. These are optional purchases.
Required Advertising	Varies In 2022 the amount is $0	Monthly	This fee is payable to Johnstone Supply. Each year Johnstone Supply will provide JS Business Owners with a dollar amount and guidelines for advertising spending that will be the obligation of or charged to the JS Business Owner. The charge is a calculation of the percentage used and your sales.
Check or wire fees	$25	At time of payment	This fee is payable to Johnstone Supply. Regular payments for inventory purchases are to be made by ACH transfer. If payments are made by check or wire a fee is applied.
Interest	Interest on the amount owed from the date due until paid	When any payment is overdue	This fee is payable to Johnstone Supply. Any account having a delinquent balance will be assessed a service charge on the delinquent balance of 0.75% per statement period, an annual percentage rate of 18%.
Strategic Distributor Acquisition Funding Program	Interest is assessed on extended terms using Johnstone Supply's current borrowing rate plus 1%	Monthly	This fee is payable to Johnstone Supply. This program is available to qualifying acquisitions and members given there is line of credit availability and Johnstone Supply approval. See Item 10.

Type of Fee (1)	Amount	Due Date	Remarks
NSF Fee	Varies by State law	At time of notification by the bank	This fee is payable to Johnstone Supply. A check or payment is returned due to insufficient funds in the bank account that the payment was drafted on.
Freight Charges	Varies	Billed as a line item on each sales order invoice Invoices are processed overnight daily once product has shipped. Freight invoice(s) will be sent weekly for actual freight costs for shipment invoices audited and reconciled that week. Freight for rush orders is charged on the product invoice on day of shipment. The invoices are due based on regular payment terms	This fee is payable to Johnstone Supply. All freight charges are your responsibility. Johnstone Supply has negotiated freight contracts with Preferred Carriers for each distribution center that leverage the aggregate freight volume of Johnstone Supply and obtained rates that may be more competitive than a JS Business Owner. JS Business Owners are also able to contract with their own carriers meeting the criteria detailed in the Distribution Center Ordering and Shipping policy in the Johnstone Manuals. Direct carrier payments are made by JS Business Owners to their contracted carrier.
Rush Service Fee	$2.35 per line in 2022	With freight charges	This fee is payable to Johnstone Supply.
Will Call Fee	$2.50 per order	With freight charges	This fee is payable to Johnstone Supply.
UPS or FedEx Rush Charges	As charged by UPS or FedEx	At time of sales order invoice Differences found through audit as incurred, charged as miscellaneous invoice billing	This fee is payable to Johnstone Supply. See Distribution Center Ordering and Shipping policy in the Johnstone Manuals.
Saturday delivery	As charged by UPS or FedEx	At time of sales order invoice Differences found through audit as incurred, charged as miscellaneous invoice billing	This fee is payable to Johnstone Supply. See Distribution Center Ordering and Shipping policy in the Johnstone Manuals.
Sold Order Fee	$2.35 per line in 2022	With freight charges	This fee is payable to Johnstone Supply. Fee to partially cover additional costs incurred in processing order.

Type of Fee (1)	Amount	Due Date	Remarks
Additional Shipping Insurance	Varies	As incurred, charged as miscellaneous invoice billing	This fee is payable to Johnstone Supply. See Distribution Center Ordering and Shipping policy in the Johnstone Manuals.
Unauthorized Returns	$10 handling fee plus all freight charges for items returned to the Branch	With freight charges	This fee is payable to Johnstone Supply.
Restocking Fee	15% of goods returned	As incurred, charged as miscellaneous invoice billing	This fee is payable to Johnstone Supply. Charged for returns made later than 90 days after date of purchase or not originally purchased from a distribution center.
Return to Different Distribution Center	$10 per shipment plus all freight charge	As incurred, charged as miscellaneous invoice billing	This fee is payable to Johnstone Supply.
Indemnification	Will vary under circumstances	As incurred Will vary under circumstances.	This fee is payable to Johnstone Supply. You must indemnify and hold Johnstone Supply and its Affiliates harmless in all actions arising out of or resulting from or connected with your activities under the Distribution Agreement, excluding our gross negligence or willful misconduct.
Costs and Attorney's Fees	Will vary under circumstances	As incurred	This fee is payable to Johnstone Supply. Payable upon your failure to comply with the Distribution Agreement, the License Agreement, and/or certain other agreements executed by JS Business Owners.

NOTES

(1) Unless otherwise noted, all fees are imposed by and payable to us are non-refundable and are uniformly imposed on JS Business Owners and JSBO Affiliates.

(2) New Branch Fees apply to all Branches opened or transferred post-Conversion, including by JS Business Owners that were former cooperative members and non-member patrons.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Application Fee	$1,000	$1,000	Lump Sum	After receipt of FDD and applicable waiting period	Johnstone
New JS Business Owner Distributor Fee (Main Branch)	$11,000	$11,000	Lump Sum	Effective Date of Distribution Agreement	Johnstone
Additional Set Up Fee (additional Branch)	$0 (if no additional Branches)	$5,000 per Branch	Lump Sum	Effective Date of Distribution Agreement	Johnstone
Operating Fee (Main Branch)	$60,000	$60,000	Lump Sum	Effective Date of Distribution Agreement	Johnstone
Operating Fee (each additional Branch)	$0 (if no additional Branches)	$40,000 per Branch	Lump Sum	Effective Date of Distribution Agreement	Johnstone
Fixture, Furniture, Signage, Equipment	$15,000	$200,000	Per Third Party Terms	Must be in place prior to opening	Third Party Vendors
Real Property (**1**)	See Note 1	See Note 1	See Note 1	See Note 1	See Note 1
Opening Inventory (single Branch) (**1**)	$200,000	$2,000,000	Lump Sum	Per ordinary inventory terms	Johnstone and Third Parties
Insurance (**2**)	$10,000	$15,000	Per Insurance Contract	Must be in place prior to opening	Third Parties
Compatible Computer Systems (**3**)	$300,000	$600,000	Per Contract	Must be in place prior to opening	Third Parties
Vehicles (**4**)	$1,200	$45,000	Lump Sum or Lease	Must be available upon opening	Third Parties
Deposits/Licenses	$10,000	$15,000	Per Insurance Contract	Must be in place prior to opening	Third Parties
Misc. Opening Costs (**5**)	$0	$10,000	As Incurred	As Incurred	Third Parties
Additional Funds-3 Months (**6**)	$200,000	$400,000	As Incurred	As Incurred	Johnstone and Third Parties
TOTAL**(7)**	$808,200	$3,402,000			

NOTES

(1) These estimates do not include any sums for the purchase or lease of real estate as Johnstone assumes you will already own or lease a location that will not need to be improved. If you do not already own or lease a location, you must, at your option, lease or buy the land and building for the location. The estimated cost of building a Branch location exclusive of land is $600,000 to $1,400,000. Branch size and minimum inventory requirements are set forth below.

Branch Size and Inventory Guidelines:

Minimum	Small Market CBSA < 250K	Medium Market CBSA 250K-750K	Large Market CBSA 750K+
Square footage **main** Branch	10,000	12,000	15,000
Square footage **additional** Branch	7,500	8,500	10,000
Inventory **main** Branch	$250,000	$300,000	$375,000
Inventory **additional** Branch	$200,000	$250,000	$300,000

(2) During the Term of the Distribution Agreement and for a period of 1 year thereafter, you will, at your own expense, maintain and carry in full force and effect, commercial general liability, automobile liability, umbrella liability (including product liability) and property damage insurance in the amounts set forth below. Subscribers to Johnstone University are also required to carry professional liability insurance, in such amounts as Johnstone may require. These amounts do not include other types of insurance commonly held by business owners including real property, business personal, director's and officer's, or employment practices insurance. The estimate is for annual cost and ranges between a small Branch on the low end and a large Branch on the high end.

JS Business Owner Annual Revenue	Required Minimum
$20M +	$10M per occurrence and in aggregate
$10M - $20M	$5M per occurrence and in aggregate
$5M - $10M	$3M per occurrence and in aggregate

(3) This estimate assumes that you do not already have a computer system that is compatible with Johnstone's requirements.

(4) The low range estimate assumes that you have a vehicle meeting your Branch delivery needs. The high range estimate is for purchase of a single delivery van.

(5) This estimate includes funds for professional fees, opening promotions, and initial marketing.

(6) This item estimates your initial start-up expenses (other than the items identified separately in the table, except insurance) during the first three months in operating a Branch. These expenses include expenses for payroll costs. These figures are estimates, and we cannot guarantee that you will not have additional expenses in starting the business or during the first three months. Your costs will depend on factors such as: your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the

prevailing wage rate; competition; and the sales level reached during the initial period. These estimates do not include any finance charges, interest or debt service obligations.

(7) Some fees are charged on a per Branch basis; therefore you should multiply those fees by the number of expected Branches when estimating the cost of your initial investment. All fees paid to Johnstone are not refundable. We do not finance initial fees.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Johnstone is not the only supplier of HVAC/R products, and except as set forth in the Distribution Agreement and Johnstone policy manuals (the "Johnstone Manuals"), you are not prohibited from obtaining products or services from other sources.

HVAC/R Equipment and Supplies

In the Distribution Agreement, "Johnstone Product Offerings" are defined as HVAC/R equipment and PS&A (parts, supplies, and accessories associated with HVAC/R equipment) that are offered for sale by Johnstone Supply into the residential and light commercial end markets and either (i) to be shipped to you from a Johnstone distribution center, (ii) shipped through a Johnstone-approved direct shipment or (iii) shipped through a direct purchase program from the manufacturer to you, as designated by Johnstone.

You are not permitted to purchase any available and in-stock Johnstone Product Offerings other than from Johnstone (which includes purchases (i) from a Johnstone distribution center, (ii) shipped through a Johnstone-approved direct (drop) shipment program, (iii) shipped through a Johnstone-approved direct purchase program from a manufacturer, or (iv) from other JS Business Owners). Information regarding approved drop shipment and direct purchase programs is available on the Johnstone website or by contacting Johnstone product department. (Distribution Agreement § 2.08.)

Additionally you are required to meet certain defined "Minimum Performance Requirements" that relate to Johnstone Product Offerings:

Your annual purchases of all goods for resale (measured by gross cost of goods sold and subject to adjustment from time to time) must consist of Johnstone Product Offerings sourced from Johnstone Supply or its Affiliates at the following levels: (a) during the first 2 years post-Conversion, at least 75% and (b) during the remaining Initial Term, at least 80% (the "Minimum Purchase Percentage Requirement"). The Minimum Purchase Percentage Requirement may be satisfied by purchases shipped from Johnstone Supply distribution centers and/or Johnstone Supply-approved direct purchase or direct shipment programs with designated manufacturers from which we receive a financial benefit. You may purchase Johnstone Product Offerings from other JS Business Owners, however, any such purchases will be deducted from the selling JS Business Owner's annual purchases for the applicable year and added to the purchasing JS Business Owner's annual purchases for the same applicable year, in each case for purposes of calculating the applicable JS Business Owner's satisfaction of the Minimum Purchase Percentage Requirement.

You must annually satisfy minimum dollar purchase requirements in excess of $1,500,000 multiplied by the number of your Branch locations in the Territory which have been opened a minimum of 2 years. This requirement will be adjusted annually at our discretion based on several factors including the overall growth of sales of all JS Business Owners.

You must satisfy Annual Sales Performance Goals in the Region related to Johnstone Product Offerings. The Annual Sales Performance Goals will be based on annual (i) revenue per capita and (ii) growth in revenue per capita in each of your Service Areas versus the performance of all other JS Business Owners in the applicable Region identified on Schedule A of the Distribution Agreement. Your revenue per capita must exceed the bottom 10% of the Region or exceed a revenue per capita growth percentage above the bottom 25% of the Region compared to the other JS Business Owners in the Region. Actual performance in the Service Areas relative to the Region will be measured each Fiscal Year, with Notice as soon as practicable the following Fiscal Year of any shortfall.

You must satisfy minimum product assortment and inventory levels (outlined below) in each major product category. To meet the minimum product assortment requirements, you must meet or exceed the following percent of total sales minimums:

HVAC/R equipment: 20%

HVAC/R parts and supplies: 25%

We also require that you operate a point-of-sale computer system in connection with the operation of your Branch and also utilize an enterprise resource planning system ("ERP System") to transmit data between your Branches and Johnstone. Johnstone does not provide any technical or other support for ERP Systems other than DDI Inform, Epicor Eclipse, or Infor SXe. We require that you transmit all merchandise orders, sales reporting, warehouse communications, inventory reporting, Purchase Order SKU level details of drop shipment orders and other required business intelligence data through the ERP System and other electronic systems now utilized or hereafter adopted or modified by Johnstone Supply (which you may be required to implement), including customer information as required for participation in Specialty Sales Programs. We also require all Johnstone Product Offering orders to comply with all ordering and shipping policies set forth in the Johnstone Manuals. See Item 11 for detailed information on computer hardware and software.

Johnstone Supply does not provide any product warranties but will assign to JS Business Owners, to the extent authorized by the applicable manufacturer or other supplier, all warranties granted by such manufacturer and suppliers in accordance with applicable warranty policies and limitations. Where necessary, Johnstone will continue to facilitate warranty claims by JS Business Owners with manufacturers and other suppliers.

Transportation

Freight costs for all types of orders will be your responsibility. We have signed contracts with a set of preferred carriers for each distribution center that leverage the aggregate freight volume of Johnstone and obtained rates that may be more competitive than JS Business Owners could negotiate on your own volume. You will be able to select alternate carriers other than our preferred carriers. However, alternate carriers need to meet the same requirements as preferred carriers for picking up freight at the distribution centers, which requirements are set forth in the Johnstone Manuals, including scheduling capability, required licenses, and necessary hazardous materials certifications. The list of preferred carriers is set forth in the Johnstone Manuals.

Branches can place two scheduled weekly stocking orders and unlimited daily rush orders from their servicing distribution center. Extra order and ship days are available for additional fees. Each Branch is assigned one distribution center as its primary Shipping Point for regular weekly orders. Branches must place their twice-weekly stock order only with their assigned primary distribution center. However, rush orders may be placed with any distribution center, depending on circumstances such as stock availability, ship times, etc. Additional fees apply. There is no minimum order size for any type of order.

Other requirements related to ordering and shipping are set forth in the Johnstone Manuals. See Item 6 for more information on charges relating to shipping and carriers.

JS Business Owner Branches and Operations

Branches

Each Branch must be of sufficient size to support the volume and breadth of a complete offering of Johnstone Product Offerings within the Service Area. While Branches may be of varying size and depth/breadth of locally carried inventory and services, you must ensure that the Service Area(s) encompassing the assigned Territories of the Branches provide for adequate showroom and warehousing. All new Branch locations must meet the minimum square footage and minimum inventory requirements below. Adequate parking and loading space must also be provided. Branches must also contain adequate showroom space and training facilities if no other Branch or facility exists in the current CBSA market. You must, at all times, maintain a clean and safe working space for your customers and employees.

Branch Size and Inventory Guidelines:

Minimum	Small Market CBSA < 250K	Medium Market CBSA 250K-750K	Large Market CBSA 750K+
Square footage **main** Branch	10,000	12,000	15,000
Square footage **additional** Branch	7,500	8,500	10,000
Inventory **main** Branch	$250,000	$300,000	$375,000
Inventory **additional** Branch	$200,000	$250,000	$300,000

"CBSA" means core-based statistical area. We will define market size by CBSA. There will be exceptions based on geographic size of the CBSA, as well as urban or rural areas.

Delivery

You must offer will call, delivery and common carrier modes of transacting business with your customers. Your Branch vehicles should be of adequate size, clean, well-maintained and of overall professional appearance and be of a configuration appropriate to transport the wide variety of Johnstone Product Offerings.

Training

You must provide ongoing training requirements of your employees and customers. Whether through dedicated training space in one Branch of a Service Area, arrangements with local trade schools, joint arrangements with other JS Business Owners, through digital offerings, or any combination thereof, you are obligated to provide ongoing training resources, a calendar of regular training events and the promotion of Johnstone online training resources. You may utilize Johnstone University for some aspects of training.

Staffing

You must employ and continuously train an ample staff of inside and outside sales associates, customer service and counter personnel, technical service associates, and business development or account managers responsible for the development of sales demand and to support such demand amongst the customers in your Territory.

Hours of Operation

All Branches must be open and available to the customer for time periods appropriate for the Service Area and local Territory. Generally, all Branches should be open between 7:30 am to 4:30 pm every weekday except for holidays, emergency declaration, government mandate or days of religious observance. Your Branches shall also offer emergency after hour service as a customer accommodation. Any extended closure of a Branch greater than 5 business days must be reported to Johnstone.

Cyber-Security

You are required to comply with all information technology, web use, and social media policies set forth in the Johnstone Manuals. You must complete a security self-assessment questionnaire annually, by December 31 each year. You must also participate in an annual cyber-security audit, address deficiencies, implement updated policies, and comply with all state and federal laws regarding unauthorized disclosures of customer and proprietary product data.

Entity Name Use

In connection with your sale of Johnstone Product Offerings, you must use our name, trademarks, trade names, logo, and related items (the "Johnstone Brand") and to represent and advertise your affiliation with us. However, you may not use "Johnstone" as part of your entity (corporation, limited liability company, partnership, or other legal entity) name. We own the Johnstone Brand, and

you do not have any ownership interest in the Johnstone Brand. You may only use the Johnstone Brand on, or relating to, Johnstone Product Offerings or as otherwise specifically approved by us. You are specifically authorized to use "Johnstone Supply" as part of your assumed business name.

Logo and Trademark Use

The Johnstone Supply logo is an official trademarked design and should be used as provided without alteration in compliance with the License Agreement and Johnstone Manuals. You may not utilize the name, logo, or trademark in any manner which may create the perception that you possess sole marketing rights to an area greater than the Territory granted to you in the Distribution Agreement. All signage must conform to the current policies contained in the Johnstone Manuals.

Website

All national Search Engine Marketing ("SEM") campaigns will be initiated and run through the Johnstone eCommerce department. All customer traffic resulting from these campaigns will be directed to the appropriate JS Business Owner website, based on customer geography. Customers that fall outside of all existing Territories will be directed to the website of the nearest Branch.

You may run local SEM campaigns (i.e. campaigns in which keyword advertisements are limited to targeted geographies), but you should coordinate and manage it through the Johnstone eCommerce department.

You may not advertise in any way in which an online customer in another JS Business Owner's Territory can be directly linked to your website. This includes: SEM keywords, web banners, third-party emails, third-party forums, blogs, social networks, RSS feeds, newsletters, videos and other mass communications.

You may not sell current/active Johnstone Product Offerings via any public facing website other than the Johnstone Supply website (e.g., eBay, Craigslist, Amazon storefronts, etc.).

You may not operate, advertise through, or provide links through any site that offers HVAC/R equipment and PS&A directly to the residential homeowner customer or other end user.

You may not sell Johnstone Product Offerings to third parties who sell online to the customer or other end User (this excludes licensed contractors who use the web to promote and sell their services online).

Social Media

You and your employees are prohibited from using social media to: (a) violate our IT and communication system policies; (b) violate confidential and proprietary rights and agreements; (c) defame or disparage us or our Affiliates, customers, clients, business partners, suppliers, competitors or other JS Business Owners or their businesses; (d) harass other employees in any way; (e) circumvent policies prohibiting unlawful discrimination against current, future or past employees; (f) violate any laws or ethical standards; or (g) violate any laws dealing with antitrust or fair trade practices as well as any correspondence with competitors. All use of social media must comply with the current Johnstone Information Technology Requirements.

Advertising

We will develop and maintain a web and other digital and social site presence (e.g., LinkedIn, Facebook, Twitter, etc.), national, regional and local digital paid-search advertising, a digital catalog, digital flyers and templates, and other advertising materials as deemed necessary in our reasonable discretion. We, at our discretion, may require you to participate in these programs and charge fees (that should be market competitive) to you to recover costs and provide a modest profit for us. We may develop seasonal or specialty marketing, advertising and promotional campaigns that you may, at your discretion and cost, determine to participate in.

Supplier Negotiation and Purchasing Programs

Because Johnstone Supply negotiates prices, discounts, rebates and other aspects of purchase with manufacturers and other suppliers or Johnstone Product Offerings, all direct communications with such manufacturers and suppliers must comply with the Johnstone Supply supplier negotiations policy set forth in the Johnstone Manuals. There is no formal process for approval of additional suppliers of Johnstone Product Offerings or other services; you should contact the Product Department to make any suggestions.

Johnstone Supply will also negotiate direct purchase programs with approved vendors of record from which Johnstone Supply receives a direct financial benefit. These programs allow JS Business Owners to order Johnstone Product Offerings directly from the manufacturer for shipment directly to Branch locations. Approved manufacturers are published on the Johnstone Supply website JS Business Owner-only (formerly member-only) pages.

Johnstone Supply will authorize Johnstone Product Offering purchases between JS Business Owners to qualify as part of the Minimum Purchase Percentage Requirement. Any such purchases shall be deducted from the selling JS Business Owner's annual purchases for the applicable year and added to the purchasing JS Business Owner's annual purchases for the same applicable year, in each case for purposes of calculating the applicable JS Business Owner's satisfaction of the Minimum Purchase Percentage Requirement.

Johnstone Supply will provide Group Purchasing Programs, credit terms, reporting and benchmarking resources, and other incentive programs, as detailed in the Johnstone Manuals.

Johnstone Supply has negotiated optional group purchasing program that JS Business Owners may participate in at their option. The details of each program are available in the JS Business Owner's section of Johnstone Supply's access portal ("JEN") and currently include programs with epaCUBE, Kibble Insurance, Constant Contact, Lithtex, ProKepp, RenderSEO, On-Hold Concepts, ATT, Echo Logistics, Ford Fleet, GM Fleet, HARDI, NATE, Nestle Bottled Water, Staples, Zebra Scanners, Verizon, Backupify, CDW, Mimecast, and Zoom, among others.

Johnstone Supply negotiates and enters into purchase arrangements, which may include discounted pricing, special terms, rebates or other incentives with manufacturers and other suppliers for the benefit of Johnstone Supply and JS Business Owners. Johnstone shall credit or pay to you all rebates and other financial incentives received by Johnstone from "Equipment Manufacturers" the current list of which is available in the Johnstone Manuals. Johnstone shall not be required to credit or pay to you any rebates Johnstone receives from suppliers or vendors that are not Equipment Manufacturers. Rebates shall be credited or paid to JS Business Owners in accordance with the volume, allocation and apportionment, and payment policies set forth in the Johnstone Manuals.

Johnstone Supply will also negotiate or recognize certain "Manufacturer Reimbursement Programs" offered by manufacturers to address local market and customer specific pricing requirements (i.e. special bids) and intended to pursue specific business opportunities and/or to help insure that JS Business Owners are competitive in their local marketplace. Examples include the Goodman "PAP" and Johnson Controls "IPA" programs. Qualifying sales under Manufacturer Reimbursement Programs will be reported by JS Business Owners directly to the manufacturer on a monthly basis and approved reimbursements or other financial consideration will be provided directly by the manufacturer to the applicable JS Business Owners.

Johnstone Supply also provides its own rebate incentive program for purchases directly from Johnstone distribution centers (the "DC Rebate Program"). The current terms of the DC Rebate Program are based on volume of purchases and growth of purchases.

The DC Volume portion will be paid to JS Business Owners based on the JS Business Owner's net DC purchases for the fiscal quarter:

DC Volume – Calculated on quarterly volume (Net):

$2.2M+ 0.50% of DC volume dollars
$3.3M+ 0.75% of DC volume dollars
$4.4M+ 1.00% of DC volume dollars
$5.5M+ 1.50% of DC volume dollars
$7.5M+ 2.00% of DC volume dollars
$9.5M+ 2.50% of DC volume dollars

The DC Growth portion will be paid to JS Business Owners based on fiscal year-over-year growth of JS Business Owner's net DC purchases:

DC Growth – Calculated quarterly on year-over-year percentage increase of trailing 12 months purchases (Net):

20%+ 0.15% rebate on growth dollars
30%+ 0.25% rebate on growth dollars
40%+ 0.35% rebate on growth dollars

DC Rebate Programs are subject to the payment and other terms set forth in the Johnstone Manuals.

Insurance

During the Term of the Distribution Agreement and for a period of 1 year thereafter, you will, at your own expense, maintain and carry in full force and effect, such policies of insurance, including types and amounts, as set forth below.

JS Business Owner Annual Revenue	**Required Minimum**
$20M +	$10M per occurrence and in aggregate
$10M - $20M	$5M per occurrence and in aggregate
$5M - $10M	$3M per occurrence and in aggregate

Please note that the levels recommended above are just the minimum levels required. Actual insurance purchased may vary by JS Business Owner and may exceed recommended minimum levels commensurate with exposure as determined by you and your insurance broker.

You shall obtain insurance to cover commercial general liability, automobile liability and umbrella liability (including product liability), and property damage. Subscribers to Johnstone University are also required to carry professional liability insurance, in such amounts as Johnstone may require.

You must submit a Certificate of Insurance to the Johnstone Supply Finance Department on an annual basis, concurrent with your insurance renewal. Compliance with the minimum levels is required at each renewal.

During the first two years post-Conversion, purchases from approved suppliers or purchases in accordance with our standards and specifications will be 75% of total purchases and 80% thereafter in connection with the ongoing operation of the Branch.

As of the six months ending October 31, 2021 (pre-Conversion), Johnstone Supply derived income from merchandise sales to members and non-members (net of product returns) of $527,699,019. During the same period, Johnstone Supply received $830,188 of income associated with other services to members and non-members. Pre-Conversion, as a cooperative, Johnstone accounted for rebates received from vendors as a reduction of the cost of inventory and, therefore, such rebates are classified as a reduction of cost of sales. Vendor rebates received totaled $63,730,992 in the six months ended

October 31, 2021. During the same period approximately $35,402,670 was distributed to members and non-members as part of Johnstone's large vendor rebate program, pro rata, based on purchases volume. Johnstone Supply also received purchase discounts and advertising allowances from manufacturers. For the six months ended October 31, 2021, purchase discounts totaled $15,772,979, of which $10,508,041 are accounted for as a reduction of cost of sales and the remaining $5,264,938 are accounted for as a reduction of net product sales. Advertising allowances totaled $3,154,033 and are accounted for as a reduction of expenses.

Post-Conversion, for the period from November 1, 2021 to June 30, 2022 Johnstone Supply derived income from merchandise sales to JS Business Owners (net of returns) of $729,192,438. Income from other services to JS Business Owners was $1,942,010. Johnstone accounted for rebates received from vendors (excluding those passed through to JS Business Owners from Qualified Manufacturers) as a reduction in the cost of inventory and, therefore, such items are classified as a reduction of cost of sales. Vendor rebates received totaled $112,992,649 in the eight months ended June 30, 2022. During the same period approximately $117,051,526 was paid to JS Business Owners pursuant to both the pre-Conversion and post-Conversion rebate pass through process. For the period from November 1, 2021 to June 30, 2022, purchase discounts totaled $20,275,924, of which $13,507,926 are accounted for as a reduction of cost of sales and the remaining $6,767,998 are accounted for as net product sales. Advertising allowances totaled $11,453,577 and are accounted for as a reduction of expenses. During the same period $112,992,649 was paid to JS Business Owners pursuant to both the pre-Conversion and post-Conversion rebate pass through process.

Except for the DC Rebate Program, large vendor rebates, and the Minimum Performance Requirements, we do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether you purchase through the sources we designate or approve.

As of the issuance date of this disclosure document, we have no purchasing or distribution cooperatives serving our system. We have not historically derived revenue or material consideration as a result of such required franchisee purchases or leases. However, we have the right to do so in the future and to negotiate purchase arrangements with suppliers for the benefit of franchisees, and/or to derive revenue or other material consideration as a result of required purchases or leases.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Distribution Agreement. It will help you find more detailed information about your obligations in the agreement and in other items of this disclosure document.

Obligation	Section in Distribution Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not in Distribution Agreement; Addressed in Johnstone Manuals	Items 7 & 8
b. Pre-opening purchases/leases	Not in Distribution Agreement; Addressed in Johnstone Manuals	Items 5, 6, 7 & 8
c. Site development and other pre-opening requirements	Not in Distribution Agreement; Addressed in Johnstone Manuals	Items 5, 6, 7 & 8
d. Initial and ongoing training	Distribution Agreement Section 5.01	Items 6, 8 & 11
e. Opening	Not in Distribution Agreement; Addressed in Johnstone Manuals	Items 7 & 8
f. Fees	Distribution Agreement Sections 2.01, 10.04	Items 5, 6, 8, & 11
g. Compliance with standards and policies/operating manual	Distribution Agreement Sections 2.01, 5.01 and License Agreement	Items 8, 11, 12, 13 & 14
h. Trademarks and proprietary information	Distribution Agreement Section 2.01 and License Agreement and related agreements	Items 13 & 14
i. Restrictions on products/services offered	Distribution Agreement Sections 2.08 and 5.01	Item 16
j. Warranty and customer service requirements	Distribution Agreement Articles XIV and XV and License Agreement Article IX	Item 8
k. Territorial development and sales quotas	Distribution Agreement Sections 2.01, 2.03, 2.06, 5.02, and Schedule A	Items 1, 8, & 12
l. Ongoing product/service purchases	Distribution Agreement Sections 2.02, 2.08, 2.09, and 5.02	Items 6, 8, 11, 16, & 17
m. Maintenance, appearance and remodeling requirements	Distribution Agreement Section 5.01	Item 8
n. Insurance	Distribution Agreement Article XVIII	Item 8
o. Advertising	Distribution Agreement Section 6.03	Items 8 & 11
p. Indemnification	Distribution Agreement Article XVI, License Agreement Article VIII	Items 6, 11, & 13
q. Owner's participation/ management/staffing	Distribution Agreement Section 5.01	Items 8, 11 & 15
r. Records and reports	Distribution Agreement Sections 5.01, and 8.01, Article XIII	Item 8
s. Inspections and audits	Distribution Agreement Section 13.03, License Agreement Article III	Items 8 & 11
t. Transfer	Distribution Agreement Section 19.10	Item 17
u. Renewal	Distribution Agreement Section 2.05	Item 17
v. Post-termination obligations	Distribution Agreement Sections 2.08(c) and 3.03	Item 17
w. Non-competition covenants	Distribution Agreement Sections 2.08(c)	Item 17
x. Dispute resolution	Distribution Agreement Section 19.14, License Agreement Article XI	Item 17

ITEM 10
FINANCING

Except as stated below, neither we, nor our agents, nor our Affiliates, directly or indirectly, provide any financing arrangements to franchisees or guarantee your notes or any other financial obligations. Johnstone Supply has no obligation to provide JS Business Owners with any financing, but we may agree to provide payment terms for a portion of initial inventory purchases and some JS Business Owners' expansion efforts under specified terms and conditions. Our decision to provide payment terms is based, in part, on the JS Business Owner's credit-worthiness, the security interests and guarantees available to support obligations to Johnstone Supply, and our then-current credit and financing policies. We may terminate the Distribution Agreement if you do not pay us.

New Branches

All new Branches opened by current JS Business Owners will receive 180-day, no-interest terms for up to $300,000 of inventory purchased from Johnstone distribution centers. These extended terms are effective upon new Branch approval, but are not retroactive. Qualifying purchases must be made prior to the one month anniversary of the new Branch opening date.

Strategic Acquisitions

In order to support expansion through strategic acquisition of new Branches by existing JS Business Owners, Johnstone may provide 60-day payment terms for all inventory purchased from Johnstone Supply distribution centers by JS Business Owner's Branches within its Territory (with a credit limit of up to $5 million) for two years following an approved acquisition and 45-day terms for the third year. Extended payment terms are not available for inventory purchases that are drop-shipped to Branches from manufacturers or purchased directly with manufacturers. Interest is assessed on extended terms using Johnstone's current borrowing rate plus 1%.

Guaranty and Security Interest

We may require a security interest in your assets in connection with the financing outlined in this Item 10. We may also require other forms of security such as a letter of credit, security interests in accounts receivable or inventory, among others. Additionally, we may require the shareholders, members, partners and/or other owners of you to guaranty all obligations to Johnstone and agree to pay the entire debt and all collection costs. We have the right to require a spouse's personal guaranty. We may also require a cross-corporate guaranty of obligations related to other of your approved JSBO Affiliates. The common forms of Security Agreement, Personal Guaranty, and Cross-Corporate Guaranty are attached to this disclosure document as Exhibits C - E. Because each Security Agreement and Guaranty is separately negotiated, the Exhibits are forms only.

Johnstone does not currently sell accounts receivable or other payment obligations of JS Business Owners to third parties or derive income from referrals or placement of financing with any third party lender.

Setoff

Johnstone may setoff or recoup any liability or obligation it may owe to you against any liability or obligation for which you are liable to Johnstone under the Distribution Agreement, any other agreement, or otherwise.

ITEM 11
FRANCHISOR'S OBLIGATIONS

Except as listed below, Johnstone is not required to provide JS Business Owners with any assistance.

Pre-Opening Obligations

1. Johnstone Supply will provide you with the minimum Branch size and inventory guidelines and territory restriction information for your proposed Branches.

2. Johnstone Supply will provide you with access to or copy of the Johnstone Manuals.

3. Other than as noted above, Johnstone has no obligation to perform before you open your Branches.

Our Obligations During Operation of Branches

During operation, Johnstone Supply will:

1. Make available and sell the Johnstone Product Offerings to you at the then-current Prices and on the terms and conditions set forth in the Distribution Agreement and the Johnstone Manuals. (Distribution Agreement § 7). These may be purchased (i) from a Johnstone Supply distribution center, (ii) shipped through a Johnstone-approved direct shipment program, (iii) shipped through an approved direct purchase program from a manufacturer, or (iv) from other JS Business Owners as authorized in the Distribution Agreement (Distribution Agreement § 2.08), and as more fully described in Item 8.

    - Johnstone Product Offerings may change from time to time in our discretion. However, we must provide 90 days' prior notice before discontinuance, allow a "Last-Time Buy Period," and repurchase some of the inventory as provided in Article VII of the Distribution Agreement.

    - Solely with respect to the Johnstone Product Offerings, Johnstone will also provide to you on an exclusive basis a breadth of services that ensures you are able to offer solutions at competitive pricing for your customers. (Distribution Agreement § 6.01). Certain of those services are discussed below.

    - Johnstone will use commercially reasonable efforts to ensure the uninterrupted supply of Johnstone Product Offerings to you. Johnstone will promptly provide you with any notices received from manufacturers regarding delays, disruptions, or unavailability of Johnstone Product Offerings. (Distribution Agreement § 13.02).

    - If a manufacturer or any Governmental Authority, determines that any Johnstone Product Offerings sold to you must be recalled or removed, Johnstone and you will cooperate with each other in implementing such recall with respect to the reshipment, storage, or disposal of recalled Johnstone Product Offerings, the preparation and maintenance of relevant records and reports, and notification to any customers or end users. (Distribution Agreement § 15.02).

    - Johnstone will indemnify you in accordance with the terms set forth in Sections 16.02 and 16.03 of the Distribution Agreement. Additionally, Johnstone will use reasonable efforts to obtain indemnity and insurance agreements from manufacturers and suppliers for the benefit of Johnstone and JS Business Owners consistent with historic practices where possible. (Distribution Agreement § 16.04).

2. Operate sufficient distribution centers with sufficient capacity, technology and personnel to facilitate supply chain management, logistics, and transportation functions, and use

commercially reasonable efforts to service the next day and next morning delivery needs of the Branch network at levels selected and paid for by the applicable JS Business Owners (Distribution Agreement § 6.01). Approximately 75,000 products are stocked by existing Branches in coordination with six strategically placed distribution centers to deliver high local availability. Johnstone's distribution centers serve as a logistical resource for ordering parts and equipment that are more compact, lighter and less easily damaged through the handling process and frequent, smaller deliveries. You will be assigned to a primary distribution center for ordering purposes.

- Johnstone Supply will identify and engage with common carriers and other parties to negotiate freight agreements that leverage the aggregate freight volume of Johnstone, thus generating freight rates that may be more competitive than a JS Business Owner could negotiate on its own volume ("Preferred Carriers"). You will be solely responsible for all costs of shipping regardless of the carrier used and no Price discount shall be offered for self-pickup. If you utilize a carrier that is not a Preferred Carrier, you will be responsible for such carrier's compliance with all transportation and other policies as set forth in the Johnstone Manuals, including scheduling pickup with applicable Johnstone distribution centers and manufacturers. (Distribution Agreement Article IX). Ordering and shipping policies are set forth in the Johnstone Manuals.

- Johnstone will also negotiate dropship sales programs to enable JS Business Owners to place orders for some Johnstone Product Offerings to be shipped directly to Branches rather than through Johnstone's distribution centers. The majority of bulky, heavy and easily damaged products and equipment are drop shipped to minimize repackaging and shrinkage costs. (Distribution Agreement § 2.08).

- Johnstone will also negotiate direct purchase programs with approved vendors of record from which Johnstone receives a direct financial benefit. These programs allow JS Business Owners to order Johnstone Product Offerings directly from the manufacturer for shipment directly to Branch locations. Approved manufacturers are published on the Johnstone Supply website in the "JEN" (JS Business Owner-only) system. (Distribution Agreement § 2.08).

- Johnstone will authorize Johnstone Product Offering purchases between JS Business Owners to qualify as part of the Minimum Purchase Percentage Requirement. Any such purchases shall be deducted from the selling JS Business Owner's annual purchases for the applicable year and added to the purchasing JS Business Owner's annual purchases for the same applicable year, in each case for purposes of calculating the applicable JS Business Owner's satisfaction of the Minimum Purchase Percentage Requirement. (Distribution Agreement § 2.08).

3. Provide Group Purchasing Programs, credit terms, reporting and benchmarking resources, and other incentive programs, as detailed in the Johnstone Manuals (Distribution Agreement § 6.01) and as more fully described in Item 8.

- Johnstone authorizes JS Business Owners to pay for their purchases of Johnstone Product Offerings directly from Johnstone Supply in accordance with the payment terms set forth in the Credit Policy Sections of Johnstone Manuals. (Distribution Agreement § 10.4). Terms are generally "net 30" meaning payment is due 30 days from the statement date, unless a deferred date or terms apply. After this period, the charges become delinquent. JS Business Owners will receive two statements every month. All regular charges between the 1st and the 15th of a month appear on the mid-month statement dated the 15th and will be due on the 15th of the following month. All charges between the 16th and the last day of a month appear on the month-end statement and will be due on the last day of the following month. Any account having a delinquent balance will be assessed a service charge on the delinquent balance of 0.75% per statement period, an annual percentage rate of 18%. Johnstone Supply may pass on to the JS Business Owners any extended terms offered by

the manufacturers, subject to each manufacturer's policy. Credit terms are subject to your credit-worthiness, the security interests and guarantees available to support obligations to Johnstone Supply, and our then-current credit and financing policies. We may terminate the Distribution Agreement if you do not pay us. See Item 6 for information related to miscellaneous, true-up, and optional fee payments.

4. Provide strategic and advisory support and services to JS Business Owners consistent with the scope and breadth of such services provided prior to the Conversion, including Johnstone University. During the first 12 months following the Conversion, these services will be consistent with the scope and breadth of such services provided immediately prior to the Conversion.

   - Johnstone University provides online learning, instructor led training, tracking and certification for employees and HVAC/R professionals. It includes tools, structure and training support for JS Business Owners to learn about HVAC/R and drive business results, for customers to received product, technical, and industry training and certifications, and for suppliers to provide updated information on new and existing products.

   - Johnstone also provides optional training and other consulting services directly or through Johnstone University. The cost for such training and consulting services varies by service and method provided (i.e. online or in person). (Distribution Agreement § 6.01).

5. Meet the "Johnstone Service Requirements", the measurement criteria for which are set forth in the Johnstone Manuals. Post-Conversion the initial Johnstone Service Requirements will be: (a) distribution center service levels (each, line and order fill); (b) inventory availability (in-stock positions by velocity); (c) distribution center quality (order accuracy); and (d) technology availability (including uptime and transmission reliability).

6. Develop and provide JS Business Owners with technology tools developed or licensed by Johnstone for JS Business Owners' use during the Term of the Distribution Agreement;

   - Johnstone will license to you for non-exclusive use, certain Johnstone Intellectual Property on the terms set forth in the License Agreement (License Agreement § 2.1).

   - Johnstone will provide JS Business Owners with access to JXI™, Johnstone's search technology that Branch locations access through the Johnstone website or their ERP system which enables ordering and searching for digital product information.

   - Johnstone will provide JS Business Owners with optional access to the PartStock application, which allows mobile ordering of just the equipment, parts and supplies.

   - You will have access to Johnstone's mobile website, which is optimized to be used on all mobile devices and affords users with the same functionality as the main website.

   - You will have access to the Johnstone Supply Toolkit application, which is a mobile application that provides contractors with tools and functionalities such as sizing charts, product calculators, store locations, efficiency savings calculators, and other information.

   - You will also have access to the Johnstone mobile application for Apple and Android. Our mobile app offers time saving features such as auto-login, Order Pad quick entries, real-time pricing and availability, store locators, electronic tools of the trade, saved lists, and order history.

7. Host one annual trade show for the benefit of the JS Business Owners (the costs of travel and lodging to be borne by the attending JS Business Owner) and offer one other in-person meeting collectively with all JS Business Owners per year.

8. Use commercially reasonable efforts to develop an improved pricing methodology and process between Johnstone Supply and the JS Business Owners and between the JS Business Owners

and their customers. Johnstone may, from time to time, make suggestions to JS Business Owners with regard to pricing policies. Except with respect to Specialty Sales Programs, Johnstone does not require specific prices. Johnstone has the right to negotiate Specialty Sales Programs, including pricing that will bind all JS Business Owners providing included products or services through those programs, to the extent permitted by applicable law. Johnstone will also continue to develop and support the Specialty Sales Programs. (Distribution Agreement § 6.01).

9. Participate in the Strategic Plan Alignment Program (Distribution Agreement § 6.01).

   - Johnstone will publish annually its forward-looking strategic plan, detailing past performance, forward looking initiatives and goals for the upcoming period. In connection with the planning process, JS Business Owners will submit their Annual Business Plan as it relates to their key initiatives, goals, and action plans each year. Johnstone will schedule follow-up meetings in person or electronically via teleconference to meet with JS Business Owners and their teams to review overall alignment between the organizations, forward looking goals, past performance, gaps, concerns, best practices and resource requirements. A list of Strategic Plan Alignment indicators is attached to the Strategic Plan Alignment policy in the Johnstone Manuals.

   - In addition to Annual Strategic Plan information, Johnstone will provide JS Business Owners regular reporting on their own key metrics and benchmarking for comparison purposes.

10. Provide continued vendor access and relevancy; use commercially reasonable efforts to improve vendor programs; and (a) provide a regular flow of new products (consistent with history); (b) focus on cost of goods sold reduction and maintained/improved payment terms/dating programs; and (c) maintain and improve pricing and data flow.

11. Develop and maintain a web and other digital and social site presence (e.g. LinkedIn, Facebook, Twitter, etc.), national, regional and local digital paid-search advertising, a digital catalog, digital flyers and templates, and other advertising materials as deemed necessary in the reasonable discretion of Johnstone. Johnstone, at its discretion may require JS Business Owners to participate in these programs and charge fees (that should be market competitive) to the JS Business Owners to recover costs and provide a modest profit for Johnstone. Johnstone may develop seasonal or specialty marketing, advertising and promotional campaigns that you may at your discretion and cost determine to participate in.

    Johnstone's current advertising programs include the publication and maintenance of an electronic catalog, daily product information updates available in the PIM system, monthly distribution of flyers in both electronic and print form, and newsletter email templates designed for use with Constant Contact email marketing and social media campaigns.

Time Between Signing the Franchise Agreement and Opening

We estimate the time from the date you sign the Distribution Agreement to the date you open your Branch is 20 to 180 days. Some factors which may affect this time period include whether you are converting an ongoing business or opening a new business. If you are opening a new business there may be additional factors such as: (a) your ability to acquire real estate, if applicable; (b) your ability to obtain a lease, if applicable; (c) your ability to obtain any necessary financing, building permits, or business licenses; (d) possible construction delays; (e) weather conditions; (f) any delays in the installation of equipment or fixtures; and (g) the requirements of any applicable zoning or other local ordinances. There may be other factors applicable to your particular situation that differ from other JS Business Owners.

Training and Development

There are no mandatory training requirements for new JS Business Owners.

Information Technology Requirements

Johnstone's current policies regarding electronic communications, data transmissions, and digital marketing between Johnstone Supply & JS Business Owners are set forth in the Johnstone Manuals.

Table of Contents of Johnstone Manuals

The total number of pages in the Johnstone Manuals is 134.

Policy	# of pages
Assigned Territory Overview and Non-Solicitation Agreement – DA section 2.03, 2.06	3
Minimum Performance Standards of the JS Business Owner – DA section 5.02	2
Johnstone Service Requirements – DA section 6.02	2
Strategic Plan Alignment (SPA) and Annual Business Review – DA section 5.01 (k)	4
Distribution Center Ordering and Shipping – DA section 8.02 – 8.03, 9.01 – 9.02, 10.04	25
Supplier Negotiations Policy	1
DC Volume and Growth Rebate – DA section 10.03	1
General Performance Obligations of the JS Business Owner – DA section 5.01	2
Advisory Board Charter – DA section 2.01, Exhibit 2	6
JS Business Owner Exit Auction - DA section 19.10	2
Minimum Financial Standards	1
Information Technology Requirements - DA section 5.01	31
JS Business Owner Buy-Sell Guidelines	1
New Branch and JS Business Owner Guidelines	5
Guidelines for Logo and Trademark Usage Policy - DA section 2.01, 3.03, 5.01	8
Johnstone Credit Policy - DA section 6.01	5
JS Business Owner Minimum Liability Insurance Requirements - DA section 18.01	1
Offsite Locker Policy	1
Corporate Reporting Summary	1
Johnstone University Brand Guidelines	19
Owner Only Communications	3
Johnstone Stock Numbering Policy	4
National Brand Advertising	1
Multi-Territory and Specialty Sales Programs	2
Vendor Codes Policy	3

ITEM 12
TERRITORY

You are granted the right to operate Branches from approved locations. Any requested relocation of a Branch is subject to Johnstone's written approval. You will receive the right to operate a Johnstone-branded Branch or Branches within the assigned Territory, outlined on Schedule A of your Distribution Agreement, which consists of the domiciled zip code of the Branch location and every zip code that is adjacent to that domiciled zip code and for which it shares a common border. Zip codes that are wholly contained within the domiciled or adjacent zip codes will also be assigned as part of the Territory. Adjacent zip codes that are separated by physical barrier such as a bay, river or inlet may be assigned to the Territory if a means of motor-vehicular conveyance (bridge, causeway, ferry) exists between the domiciled and adjacent zip code and can be reasonably served from the Branch the domiciled zip code. The Territory may be adjusted, consistent with this methodology, should the United States Postal Service modify, add, or delete zip codes. There is no minimum territory.

Territories which may have zip-codes which are common to other JS Business Owners' assigned Territories will be assigned, first, to the JS Business Owner which was previously assigned said common zip-code in the Johnstone Patron Trade Area, or second, to the JS Business Owner which has operated in said common zip-code for the longest time.

We have the sole discretion to grant you an expansion of the Territory or additional territories, subject to the policies set forth in the Johnstone Manuals. We do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises. Upon receipt of any application to open a Johnstone-branded Branch, existing JS Business Owners located closest to the proposed Branch will be notified of the application, and, if meeting the required financial and performance criteria may submit competing applications within 30 days.

Any relocation of your franchised Branches must be approved by Johnstone. Relocated Branches must meet the minimum size and inventory requirements set forth in Item 8 and revised Territory zip codes cannot interfere with zip codes assigned to another JS Business Owner.

You may terminate the Distribution Agreement (including all related Purchase Orders), on Notice to us if we reduce the Territory granted to you, other than as authorized by the Distribution Agreement.

You are provided limited territorial protection of their Territory. Subject to the transition provisions of the Distribution Agreement (discussed below), you may not Solicit orders of Johnstone Product Offerings within the assigned Territory of other JS Business Owners. Subject to the terms of the Johnstone Manuals, you are not prohibited from fulfilling orders from outside of their assigned Territory nor prohibited from Soliciting orders from an area that is unassigned to any other JS Business Owners. No sale of Johnstone Product Offerings to a customer located in your Territory through the Specialty Sales Programs by any other JS Business Owner will be considered a violation of the Distribution Agreement. We have the right to terminate your Distribution Agreement if the Minimum Performance Requirements are not met; therefore, continuation of your limited territorial exclusivity depends on achieving a certain sales volume, market penetration, or other contingency.

"Solicit" and "Solicitation" with respect to a customer or prospective customer means to conduct sales and marketing activities either in person or remotely, electronically, digitally, by phone, flyer, mailer, billboard, signage or other similar communications. Additional information regarding Solicitation is set forth in the Johnstone Manuals.

During the first 12 months post-Conversion (the "Transition Period"), JS Business Owners may exercise the rights granted in the Distribution Agreement in both their Territory and their former "Johnstone Patron Trade Area" if applicable, provided that during the Transition Period, any other former Johnstone Patron that is a current JS Business Owner and has a Johnstone Patron Trade Area that also encompasses all or a portion of the Territory shall also be authorized to act as a JS Business Owner in such Territory or Johnstone Patron Trade Area.

Except for the limited protections set forth above, 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 we control.

Johnstone does not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that JS Business Owners sell.

You may not sell current/active Johnstone Product Offerings via any public facing website other than the Johnstone website (e.g., eBay, Craigslist, Amazon storefronts, etc.).

On or before forth or sixth anniversary (depending on the Initial Term of the Distribution Agreement), either party may give notice of nonrenewal for any reason. Without such notice, and provided that you are in full compliance with the Distribution Agreement and satisfy the applicable requirements, you will have the opportunity to renew the relationship on the then current form of Johnstone distribution agreement for additional 3-year terms unless and until either party provides notice of nonrenewal at least 1 year before the end of the then-current term or unless and until earlier terminated as provided under the Distribution Agreement or applicable Law.

ITEM 13
TRADEMARKS

We grant to you the right to operate a Branch under the marks "Johnstone" and "Johnstone Supply" and to use our other current or future trademarks in its operation. By trademarks, we mean trade names, trademarks, service marks, trade dress, and logos used to identify Johnstone Supply system and Branches.

The following trademarks have been registered with the U.S. Patent and Trademark Office ("USPTO") and are owned by us. All required affidavits of continued use and renewals have been filed.

Registration No.: 1773286
Registered: May 25, 1993
Register: Principal

Registration No.: 1773287
Registered: May 25, 1993
Register: Principal

Registration No.: 3050713
Registered: 24-JAN-2006
Register: Principal

JOHNSTONE
Registration No.: 1816249
Registered: 11-JAN-1994
Register: Principal

JOHNSTONE
Registration No.: 0949208
Registered: 26-DEC-1972
Register: Principal

JOHNSTONE SUPPLY
Registration No.: 2172387
Registered: 14-JUL-1998
Register: Principal

Registration No.: 6036282
Registered: 21-APR-2020
Register: Principal

Registration No.: 3839874
Registered: 31-AUG-2010
Register: Principal

PART STOCK

Registration No.: 5613820
Registered: 20-NOV-2018
Register: Supplemental

Registration No.: 6481506
Registered: 14-SEP-2021
Register: Principal

Application No.: Serial No. 97094947
Filed: 27-OCT- 2020
Published for Opposition: July 19, 2022
Register: Principal

Application No.: Serial No. 97076568
Filed: 15-OCT-2021
Published for Opposition: June 28, 2022
Register: Principal

Application No.: Serial No. 90882504
Filed: 13-AUG-2021
Published for Opposition: June 28, 2022
Register: Principal

Application No.: Serial No. 90882484
Filed: 13-AUG-2021
Published for Opposition: June 28, 2022
Register: Principal

You must use all trademarks in full compliance with our policies. You are specifically authorized to use "Johnstone Supply" as part of the assumed business name of your Branch. You may not use the trademarks in the sale of any unauthorized products or services, in any manner not authorized in writing by us, or in any manner that is inconsistent with the franchise agreement.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board ("TTAB"), the trademark administrator of any state or any court involving the principal trademarks. There are also no pending infringement, opposition, or cancellation proceedings or any pending material litigation involving the principal trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the trademarks. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks.

Neither the Distribution Agreement nor the License Agreement contain any provisions under which we are required to defend or indemnify you against any (a) claims of infringement or unfair competition arising out of your use of the trademarks; or (b) claim arising out of infringements, imitations, illegal uses, or misuses of any trademark we license to you. We are not required to protect your right to use the trademarks.

The License Agreement requires that you promptly give Notice in writing to us of any infringements or suspected or threatened infringements, imitations, illegal uses, or misuses of the trademarks that come to your attention. We have the right to control any administrative proceeding or

litigation involving the trademarks. We do not have to take affirmative action when notified of these claims. You must also fully cooperate in defending or settling the litigation. You may not directly or indirectly contest the validity or our ownership of the trademarks, use any term or design similar to our trademarks, or otherwise make use of any trademark in a manner inconsistent with the Distribution Agreement.

The Distribution Agreement contains a provision that limits your use and registration of any domain names containing a trademark we license to you or any domain name similar to johnstonesupply.com without the express written permission of Johnstone Supply. This provision provides a license to use your specific johnstonesupply.com subdomain name. You must comply with any additional policies and standards that we issue regarding web sites and web pages such as the "Web Site and Application Guidelines Policy" located in the Information Technology Requirements manual. We will control the operation of the johnstonesupply.com domain name, including your Branch's subdomain. Any questions regarding these policies and compliance should be directed to us.

If we deem it necessary for you to modify or discontinue use of a trademark, you shall comply with our directions within ten (10) business days after we provide notice of our instructions. We will not be required to reimburse you for any expenses associated with your modification or discontinuation of a trademark we license to you, including any loss of goodwill associated with modifying or discontinuing your use of a mark or for any expenditures you make to promote a modified or substitute trademark.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents that are material to your Branch or the Johnstone Supply system. However, you may receive the right to use our proprietary information or material to which we claim rights and interests, including copyrights. For example, these items include, but are not limited to, marketing materials, manuals, guides, software, and databases, including our JXI™ software and database ("JXI"™). Although these materials have not been registered with the United States Copyright Office, we still claim copyrights in and to these materials and may seek such registrations in the future.

We do not have to take any action against the unauthorized use of this proprietary material by third parties, but will respond to such unauthorized use as we think appropriate. We are not required to defend you against any infringement, unfair competition or other claim connected with your use of any of this material.

Unless otherwise agreed to under additional licenses (such as the JXI™ licensing agreement noted below), if we deem it necessary for you to modify or discontinue use of subject matter covered by a copyright, you shall comply with our instructions within ten (10) business days after our notice to you. We will not be required to reimburse you for your expenses in modifying or discontinuing the use of subject matter covered by a copyright or any loss of goodwill associated with any modified or discontinued subject matter or for any expenditures made by you to promote a substitute.

As a Branch owner, one of the digital services offered to you is PartStock. To offer PartStock to you, we have a licensing agreement (the "PartStock Agreement") with the original developer, Controls Center, Inc. The PartStock Agreement has permitted us to develop and improve upon the original PartStock software and build it into what it is today. The PartStock Agreement also allows us to license PartStock to you, which includes the right for you to sublicense PartStock to certain approved Affiliates. Changes to this agreement could affect your ability to access and use PartStock. Unless terminated at an earlier date, the current agreement we have with Controls Center, Inc. is effective until January 1, 2039.

Under the terms the PartStock Agreement, we have an obligation to provide commercially reasonable assistance to protect the software, and we will do so. We have no obligation to defend you against any claims arising from your use of PartStock. Should any proceeding arise out of any infringement, imitation, illegal use, or misuse of PartStock, we may control the action at our sole discretion.

JXI™ Licensing

In addition to the Distribution Agreement, we may, from time to time, enter into licensing arrangements with you for other proprietary material, such as our proprietary JXI™. For example, if you would like to access and use JXI™, we will ask you to sign a specific JXI™ licensing agreement ("JXI™ License"). We offer access and use of JXI™ "as is" and for your convenience as a Branch owner. The JXI™ License grants a limited license to you regarding your use of JXI™ solely for internal business use at your locations and also establishes the fees for such use. As a Branch owner, your license to JXI™ will remain effective until you cease to be a JS Business Owner either of us terminates the agreement. To note, your breach of the JXI™ License would constitute a breach of the franchise agreement and vice versa.

Under the JXI™ License, we have no obligation to defend you against any claims arising from your use of JXI™. In the event that any claims arise out of infringements, imitations, illegal uses, or misuses of the JXI™, we may pursue and take over any action in our sole discretion. Modifications to the terms of your use of JXI™ must be in writing and signed by both of us. However, at any time, we may terminate the JXI™ License on thirty (30) days notice for whatever reason, including discontinuing JXI™. We may do so at our sole discretion and without any additional obligation to you.

JXI™ and all other materials and information provided or disclosed to you regarding the Johnstone Supply system are disclosed in confidence. You may not disclose any part of this information

to third parties and may only disclose this information to your representatives on a need-to-know basis as further described in the Distribution Agreement. You also must agree not to contest our interest in Johnstone Supply's trade secrets, confidential and proprietary information, and the other intellectual property that comprises the Johnstone Supply system.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

During the term of the Distribution Agreement, your business must be devoted to sales of HVAC/R equipment and PS&A products. Sales of other products must be ancillary and related to your existing business. You are not obligated to participate in the direct operation of Branches, although you are encouraged to do so. There are no limits on whom you can hire as an on-premises supervisor. The on-premises supervisor does not need to complete our training program and does not need to have an equity interest in you in order to serve as the on-premises supervisor. You do not have to impose any non-competition covenants on your manager. Your manager must comply with all confidentiality restrictions contained in the Distribution Agreement and Johnstone Manuals.

Johnstone Supply may require the shareholders, members, partners and/or other owners of a JS Business Owner to guaranty all obligations to Johnstone Supply and agree to pay the entire debt and all collection costs. We have the right to require a spouse's personal guaranty. We may also require a cross-corporate guaranty of obligations related to your approved Affiliates.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Johnstone Supply does not restrict the types of goods and services that you may offer, except as follows:

During the Term of the Distribution Agreement, your business must be devoted to sales of HVAC/R equipment and PS&A products. Sales of other products must be ancillary and related to your existing business. Johnstone Product Offerings may change from time to time in our discretion. However, we must provide 90 days' prior notice before discontinuance, allow a "Last-Time Buy Period," and repurchase some of the inventory as provided in Article VII of the Distribution Agreement. See Item 11 for more information.

You must meet the Minimum Purchase Percentage Requirements and other Minimum Performance Requirements set forth in Sections 2.08 and 5.01 of the Distribution Agreement.

You may not engage in any other business through a Licensed Johnstone Mark-branded Branch or through any internet site or other online sales process (other than the Johnstone Online Sales Program) that references the Johnstone Intellectual Property.

During the Term of the Distribution Agreement, neither your, nor any holder of an equity interest in you may either directly or indirectly: (a) operate, own, manage, or be employed by or consult with, any Competitive Business other than one operated under the Distribution Agreement, or any business or other venture offering or selling franchises or licenses for a Competitive Business; (b) divert or attempt to divert any customer or potential customer to any competitor of Johnstone Supply or any Affiliate of Johnstone Supply; (c) hire, offer to hire, entice away, solicit, or in any other way persuade or attempt to persuade any employee, officer, director, or independent contractor of Johnstone Supply or any Affiliate of Johnstone Supply, to leave the employ of, or to terminate any business relationship with, Johnstone Supply or any Affiliate of Johnstone Supply, during the term of such employment or relationship and for one (1) year thereafter, without the prior written consent of Johnstone Supply, which shall not be unreasonably withheld; or (d) otherwise interfere with the business activities of Johnstone Supply or any Affiliate of Johnstone Supply with respect to any of the foregoing. This restriction will also bind any former holder of an equity interest in you and your approved Affiliates for a period of one (1) year after transfer of such interest.

Except as provided in the Distribution Agreement, you shall not appoint any subdistributor or other Person to resell or distribute Johnstone Product Offerings. You may appoint the approved Affiliate(s) listed on Schedule B of the Distribution Agreement, referred to as a "JSBO Affiliate", as a subdistributor of the Johnstone Product Offerings, provided that they meet the requirements set forth in Section 2.07 of the Distribution Agreement and execute the required joinder and other agreements referenced therein.

Participation in Specialty Sales Programs as outlined in the Johnstone Manuals may be required. Currently, JS Business Owners are required to participate in customer-requested central billing programs, in which a Johnstone Supply vendor provides a single bill for all purchases from Johnstone -branded Branches.

See Items 8 and 9 for more specific information on restrictions covering what you may sell.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

FRANCHISE RELATIONSHIP

These tables list certain important provisions of the Distribution Agreement. You should read these provisions in the Distribution Agreement attached to this disclosure document.

Provision	Section in Distribution Agreement	Summary
a. Length of the franchise term	Section 2.04	Initial term commences on the Effective Date and continues for five to seven years, unless earlier terminated as provided in the Distribution Agreement or under applicable Law.
	Section 6.1 of License Agreement	Same term as Distribution Agreement.
b. Renewal or extension	Section 2.05	On or before the fourth or sixth anniversary of the Effective Date (depending on the specific Distribution Agreement), either Party may give Notice of nonrenewal for any reason. Without such Notice, and provided that you are in full compliance with the Distribution Agreement and satisfy the applicable requirements, you will have the opportunity to renew the relationship on the current form of Johnstone distribution agreement for successive 3-year terms unless and until either Party provides Notice of nonrenewal at least 1 year before the end of the then-current term or unless and until earlier terminated as provided under the Distribution Agreement or applicable Law.
c. Requirements for you to renew or extend	Sections 2.05, 5.02	You must be in full compliance with the Distribution Agreement and satisfy the applicable requirements, including Minimum Performance Requirements. The Minimum Performance Requirements are: (a) satisfaction of the Minimum Purchase Percentage Requirement; (b) satisfaction of minimum dollar purchase requirements in excess of $1,500,000 multiplied by the number of Branch locations in the Territory which have been opened a minimum of 2 years; (c) satisfaction of required annual sales performance goals in the Region; and (d) satisfaction of minimum product assortment and inventory levels in each major product category as outlined in the Johnstone Manuals. Renewal of the Distribution Agreement means extension of the franchise relationship as set forth in Item 17b above. You may be asked to sign a then

		current form of Johnstone distribution agreement with materially different terms and conditions than those of your current Distribution Agreement.
d. Termination by you	Section 3.01	You may terminate on Notice to Johnstone for cause. Termination is effective on Johnstone's receipt of your Notice of termination (subject to any applicable cure period) or any later date set forth in the Notice.
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 3.02	Johnstone may terminate the Distribution Agreement on Notice to you for cause including if Johnstone terminates the License Agreement. Termination is effective on your receipt of Johnstone's Notice of termination (subject to any applicable cure period) or any later date set forth in the Notice.
	Section 7.1 of License Agreement	Johnstone may terminate the License Agreement on Notice to you for cause including if Johnstone terminates the Distribution Agreement. Termination is effective on your receipt of Johnstone's Notice of termination (subject to any applicable cure period) or any later date set forth in the Notice.
g. "Cause" defined-curable defaults	Sections 3.01, 3.02	Curable defaults by Johnstone include: failure to meet the Johnstone Service Requirements (1 year); material breach of the Distribution Agreement (90 days); failure to make a timely payment of any amount due to you that is not the subject of a good-faith dispute (30 days). Curable defaults by you include: failure to meet the Minimum Performance Requirements (1 year); material breach of the Distribution Agreement (90 days); failure to make timely payment of any amount due to Johnstone Supply that is not the subject of a good-faith dispute (30 days); becoming insolvent or becoming the subject of bankruptcy or related proceeding (90 days).
	Section 7.1 of License Agreement	Curable defaults by you under License Agreement include: breach of the License Agreement (30 days).
h. "Cause" defined-non-curable defaults	Sections 3.01, 3.02	Non-curable defaults by Johnstone Supply include: knowingly maintaining false books or records or knowingly submitting any report required under Section 13.01 of the Distribution Agreement that is knowingly false; engaging in any conduct or practice that is fraudulent, unethical, or deceptive or that knowingly damages or knowingly tarnishes the Licensed Johnstone Marks; violation of the

		confidentiality provisions under Article XII of the Distribution Agreement; reduction of the Territory granted to you, other than as authorized by the Distribution Agreement. Non-curable defaults by you include: completion of or attempt to complete an Assignment not in compliance with the Distribution Agreement; knowingly maintaining false books or records or knowingly submitting any false reports; engaging in any conduct or practice that is fraudulent, unethical, or deceptive or that knowingly damages or knowingly tarnishes the Licensed Johnstone Marks; breach of the confidentiality provisions in Article XII.
	Section 7.1 of License Agreement	Non-curable defaults under License Agreement by you include: (a) material failure to comply with applicable law in (i) the use of the Licensed Johnstone Intellectual Property; or (ii) the conduct of your business; (b) in the event of (i) your voluntary or involuntary insolvency, (ii) your commission of an action of bankruptcy, (iii) adjudication of bankruptcy, (iv) filing of a petition for voluntary or involuntary bankruptcy or similar proceeding, (v) an agreement between you and your creditors generally is entered into providing for extension or composition of debt, (vi) a receiver is appointed to administer its assets, or (vii) its assets are liquidated; (c) in the event of use of any of the Licensed Johnstone Intellectual Property in any manner that exceeds the scope of the license granted in Section 2.1 or is otherwise inconsistent with the terms of the License Agreement; (d) in the event you fail to comply with your obligation to use the Licensed Johnstone Intellectual Property in a manner consistent with Section 3.3; or (e) in the event of the termination of the Distribution Agreement.
i. Your obligations on termination/ nonrenewal	Section 3.03	Obligations include: destroy Confidential Information; cease usage of all Johnstone Intellectual Property
	Section 6.2 of License Agreement	Obligations include: cease usage, and return, all Johnstone Intellectual Property
j. Assignment of contract by us	Section 19.10(a) of Distribution Agreement and Section 12.10(a) of	Johnstone Supply may not assign without your prior written consent, provided that Johnstone Supply may assign without your prior written consent (i) to any of its Affiliates, or (ii) in the event of a corporate reorganization, consolidation, merger, or acquisition.

	License Agreement	
k. "Assignment" by you- defined	Section 19.10(b) of Distribution Agreement	Any sale, assignment, or transfer of the Distribution Agreement or any of its rights, interests, duties, obligations, or remedies associated with the Distribution Agreement, whether by operation of law, contract, or otherwise. If you are a corporation, partnership, limited liability company, or other form of business entity, (i) any direct or indirect transfer or the issuance of 25% or more of the equity interests of, or voting rights in, you or (ii) any merger or amalgamation of you with, or any sale of all or substantially all of the assets of you to, one or more third parties (a "Change of Control").
l. Our approval of assignment by you	Section 19.10(b)	No assignment without Johnstone Supply's prior written approval.
	Section 12.10(b) of License Agreement	You will not sell, assign, or otherwise transfer the License Agreement or any of its rights, interests, duties, obligations, or remedies associated with the License Agreement, whether by operation of law, contract, or otherwise, without prior written approval from Johnstone Supply, and the License Agreement will not be sold, assigned or otherwise transferred by you except in connection with the simultaneous sale, assignment or transfer, as applicable, of the Distribution Agreement.
m. Conditions for our approval of assignment	Section 19.10(c)	Conditions include: assignee qualified; execution of a new Distribution Agreement with Johnstone Supply; compliance of all contractual obligations to Johnstone Supply; all of your accrued money obligations are satisfied; all equity interests in Johnstone Supply and/or its Affiliates held by you are liquidated or transferred as required by the Johnstone Organizational Documents; subject to the Right of First Refusal and Exit Auction provisions.
n. Our right of first refusal to acquire your business	Section 19.10(d)	Johnstone Supply or its designee can match any offer to effectuate an Assignment, at any time from and after the 2-year anniversary of the Conversion. The Right of First Refusal does not apply to a Change of Control where the only transfer being made is of an equity interest in you from an existing equity holder to any member of the Family Group of such equity holder. "Family Group" means any of (i) the applicable equity holder's or its direct or indirect owner's spouse and descendants (whether natural or adopted) and any trust solely for the benefit of the applicable

		equity holder or its direct or indirect owner and/or the applicable equity holder's or its direct or indirect owner's spouse and/or descendants, and (ii) the applicable equity holder's or its direct or indirect owner's mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law provided that any such individual was involved on a full-time basis with the business of you for at least twelve (12) months prior to the contemplated transfer.
o. Our option to purchase your business	Not Applicable	See above.
p. Your death or disability	Not Applicable	
q. Non-competition covenants during the term of the franchise	Section 2.08	The Distribution Agreement does not preclude you from engaging in the sale or distribution of other goods and products except as follows: (a) you must meet the Minimum Purchase Percentage Requirement; (b) your business must be devoted to sales of HVAC/R equipment and PS&A products; (c) you will not be involved in a Competitive Business, attempt to divert customers to any competitor, persuade a Johnstone employee to leave Johnstone, or otherwise interfere with Johnston's business activities; (d) you may not purchase any available and in-stock Johnstone Product Offerings other than from Johnstone.
r. Non-competition covenants after the franchise is terminated or expires	Section 2.08	The non-competition provisions of Section 2.08 will bind any former holder of an equity interest in you and approved Affiliates for a period of one (1) year after transfer of such interest.
s. Modification of the agreement	Section 19.08 of Distribution Agreement and Section 12.4 of License Agreement	No modification is effective unless it is in writing, identified as a modification and signed by an authorized Representative of each Party.
t. Integration/merger clause	Sections 4.01, 19.02 of Distribution Agreement & Section 12.1 of License Agreement	Only the terms of the Distribution Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Distribution Agreement may not be enforceable. Nothing in the Distribution Agreement, License Agreement, or in any related agreement is intended to disclaim the representations we made in this disclosure document.

u. Dispute resolution by arbitration or mediation	Section 19.14 of Distribution Agreement.	Any dispute, controversy, or claim arising out of or relating to the Distribution Agreement, or the breach, termination or invalidity hereof (each, a "Dispute"), shall be submitted for negotiation and resolution to the Johnstone Legal Department (or to such other person of equivalent or superior position designated by Johnstone Supply in a written Notice to you) and your designated officer (or to such other person of equivalent or superior position designated by you in a written Notice to Johnstone Supply), by delivery of written Notice (each, a "Dispute Notice") from either Party to the other Party. Such Persons shall negotiate in good faith to resolve the Dispute. If the Parties cannot resolve any Dispute within thirty (30) days after delivery of the applicable Dispute Notice, either party may initiate arbitration in accordance with the Distribution Agreement. Any Dispute between the Parties will be exclusively resolved through binding arbitration in Wilmington, Delaware, before a single, independent arbitrator, using the facilities and commercial arbitration rules of the American Arbitration Association. The Parties will jointly share the costs of the arbitrators' fees and the fees payable to the AAA, but each Party shall bear its own legal fees and other legal expenses. The provisions of the Federal Arbitration Act, Title 9 US Code, will govern arbitration under the Distribution Agreement, except to the extent it is inconsistent with any provision of the Distribution Agreement.
	Section 11.1 of License Agreement	Jurisdiction and venue in any suit, action or proceeding brought by any Party shall lie in any federal or state courts located in Delaware. The Parties irrevocably agree that venue would be proper in such court, and hereby waive any objection that any such court is an improper or inconvenient forum for the resolution of such suit, action or proceeding. The Parties further agree that the mailing by certified or registered mail, return receipt requested, of any process required by any such court shall constitute valid and lawful service of process against them, without necessity for service by any other means provided by statute or rule of court.
v. Choice of forum	Section 19.14(b) of Distribution Agreement.	Arbitration under the Distribution Agreement will be in Wilmington, Delaware.

	Section 11.1 of License Agreement	Jurisdiction and venue will lie in any federal or state courts located in Delaware.
w. Choice of law	Section 19.13 of Distribution Agreement & Section 11.1 of License Agreement	Delaware law applies.

Certain states require franchisors to make additional disclosures related to the information contained in this disclosure document. These disclosures are contained in Exhibit I to this disclosure document.

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote the Johnstone Supply system.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATION

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.

Johnstone does not make any representations about a JS Business Owner's future financial performance or the past financial performance of Branches. Johnstone Supply also does not authorize our employees or representatives to make any such representations either orally or in writing. JS Business Owners converting an existing Branch or receiving transfer of a Branch may be provided with the actual records of that Branch. If you receive any other financial performance information or projections of future income, you should report it to Johnstone's management by contacting, Julie Schultz at 11632 NE Ainsworth Circle, Portland, Oregon 97220, 503-419-9010, or Julie.Schultz@johnstonesupply.com; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

As noted in the introduction, Johnstone was a supply cooperative serving its member and non-member patrons prior to the Conversion. Therefore there were no "Franchised", "Company Owned", or "Affiliate Owned" outlets prior to November 1, 2021.

Table No. 1
System-Wide Outlet Summary for Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	**2020**	0	0	0
	2021	0	438	438
	2022	438	426	-12
Company-Owned	**2020**	0	0	0
	2021	0	0	0
	2022	0	17	17
Affiliate-Owned	**2020**	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	**2020**	**0**	**0**	**0**
	2021	**438**	**438**	**5**
	2022	**438**	**426**	**5**

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than Johnstone)
For Years 2020 to 2022

Outlet Type	Year	Number of Transfers
California	2020	0
	2021	0
	2022	4
Illinois	2020	0
	2021	0
	2022	7
Kansas	2020	0
	2021	1
	2022	0
Kentucky	2020	0
	2021	0
	2022	3
Massachusetts	2020	0
	2021	0
	2022	2
Michigan	2020	0
	2021	0
	2022	2

Outlet Type	Year	Number of Transfers
Nevada	2020	0
	2021	0
	2022	1
New Mexico	2020	0
	2021	0
	2022	1
New York	2020	0
	2021	0
	2022	4
North Carolina	2020	0
	2021	0
	2022	1
Texas	2020	0
	2021	0
	2022	1
Total Outlets	**2020**	**0**
	2021	**1**
	2022	**26**

Table No. 3
Status of Franchised Outlets for Years 2020 to 2022

Outlet Type	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Johnstone	Ceased Operations – Other Reason	Outlets at End of Year
Alaska	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Arizona	2020	0	0	0	0	0	0	0
	2021	0	7	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Arkansas	2020	0	0	0	0	0	0	0
	2021	0	4	0	0	0	0	4
	2022	4	0	0	0	0	0	4
California	2020	0	0	0	0	0	0	0
	2021	0	40	0	0	0	0	40
	2022	40	1	0	0	0	0	41
Colorado	2020	0	0	0	0	0	0	0
	2021	0	4	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Connecticut	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2020	0	0	0	0	0	0	0

Outlet Type	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Johnstone	Ceased Operations – Other Reason	Outlets at End of Year
Delaware	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
District of Columbia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Florida	2020	0	0	0	0	0	0	0
	2021	0	34	0	0	0	0	34
	2022	34	0	3	0	0	0	31
Georgia	2020	0	0	0	0	0	0	0
	2021	0	12	0	0	0	0	12
	2022	12	0	0	0	0	0	12
Hawaii	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Idaho	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Illinois	2020	0	0	0	0	0	0	0
	2021	0	19	0	0	0	0	19
	2022	19	0	0	0	0	0	19
Indiana	2020	0	0	0	0	0	0	0
	2021	0	11	0	0	0	0	11
	2022	11	0	0	0	0	0	11
Iowa	2020	0	0	0	0	0	0	0
	2021	0	6	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Kansas	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Kentucky	2020	0	0	0	0	0	0	0
	2021	0	11	0	0	0	0	11
	2022	11	0	0	0	0	0	11
Louisiana	2020	0	0	0	0	0	0	0
	2021	0	6	0	0	0	0	6
	2022	6	1	0	0	0	0	7
Maine	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Maryland	2020	0	0	0	0	0	0	0
	2021	0	6	0	0	0	0	6
	2022	6	1	0	0	0	0	7
Massachusetts	2020	0	0	0	0	0	0	0
	2021	0	8	0	0	0	0	8
	2022	8	1	0	0	0	0	9

Outlet Type	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Johnstone	Ceased Operations – Other Reason	Outlets at End of Year
Michigan	2020	0	0	0	0	0	0	0
	2021	0	23	0	0	0	0	23
	2022	23	0	0	0	16	0	7
Minnesota	2020	0	0	0	0	0	0	0
	2021	0	6	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Mississippi	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Missouri	2020	0	0	0	0	0	0	0
	2021	0	13	0	0	0	0	13
	2022	13	0	0	0	0	0	13
Montana	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Nebraska	2020	0	0	0	0	0	0	0
	2021	0	4	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Nevada	2020	0	0	0	0	0	0	0
	2021	0	4	0	0	0	0	4
	2022	4	0	0	0	0	0	4
New Hampshire	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
New Jersey	2020	0	0	0	0	0	0	0
	2021	0	13	0	0	0	0	13
	2022	13	0	0	0	0	0	13
New Mexico	2020	0	0	0	0	0	0	0
	2021	0	6	0	0	0	0	6
	2022	6	0	0	0	0	0	6
New York	2020	0	0	0	0	0	0	0
	2021	0	15	0	0	0	0	15
	2022	15	0	0	0	0	0	15
North Carolina	2020	0	0	0	0	0	0	0
	2021	0	17	0	0	0	0	17
	2022	17	1	0	0	0	0	18
North Dakota	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Ohio	2020	0	0	0	0	0	0	0
	2021	0	10	0	0	0	0	10
	2022	10	0	0	0	0	0	10
Oklahoma	2020	0	0	0	0	0	0	0
	2021	0	8	0	0	0	0	8

Outlet Type	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Johnstone	Ceased Operations – Other Reason	Outlets at End of Year
	2022	8	0	0	0	0	0	8
Oregon	2020	0	0	0	0	0	0	0
	2021	0	5	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Pennsylvania	2020	0	0	0	0	0	0	0
	2021	0	18	0	0	0	0	18
	2022	18	0	0	0	0	0	18
Rhode Island	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
South Carolina	2020	0	0	0	0	0	0	0
	2021	0	12	0	0	0	0	12
	2022	12	0	0	0	0	0	12
South Dakota	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Tennessee	2020	0	0	0	0	0	0	0
	2021	0	13	0	0	0	0	13
	2022	13	0	0	0	0	0	13
Texas	2020	0	0	0	0	0	0	0
	2021	0	31	0	0	0	0	31
	2022	31	0	0	0	0	0	31
Utah	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Vermont	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Virginia	2020	0	0	0	0	0	0	0
	2021	0	9	0	0	0	0	9
	2022	9	1	0	0	0	0	10
Washington	2020	0	0	0	0	0	0	0
	2021	0	13	0	0	0	0	13
	2022	13	0	0	0	0	0	13
West Virginia	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Wisconsin	2020	0	0	0	0	0	0	0
	2021	0	9	0	0	0	0	9
	2022	9	0	0	0	0	0	9
Wyoming	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0

Outlet Type	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Johnstone	Ceased Operations – Other Reason	Outlets at End of Year
Ontario, Canada	2021	0	4	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Guam	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Total Outlets	**2020**	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

Table No. 4
Status of Company- and affiliate- Owned Outlets for Years 2020 to 2022

Outlet Type	Year	Outlets At Start of Year	Outlets Opened	Reacquired by Johnstone	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Michigan	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	16	0	0	16
Total Outlets	**2020**	0	0	0		0	0
	2021	0	0	0		0	0
	2022	0	0	0		0	0

Table No. 5
Projected Openings as of April 30, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	0	0	0
California	0	1	0
Colorado	0	0	0
Connecticut	0	0	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Delaware	0	0	0
District of Columbia	0	0	0
Florida	0	0	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	0	1	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	0	0
Louisiana	0	1	0
Maine	0	0	0
Maryland	0	1	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	0	0
New Hampshire	0	1	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	0	0	0
North Carolina	0	0	0
North Dakota	0	0	0
Ohio	0	0	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	0	1	3

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Utah	0	0	0
Vermont	0	0	0
Virginia	0	2	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	1	0
Guam	0	0	0
Ontario, Canada	0	0	0
Total	0	9	3

NOTES

(1) Because the Conversion occurred in 2021, there were no franchises to record prior to November 1, 2021.

(2) Because the Conversion occurred in 2021, there were no franchises that had a Branch terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under a franchise agreement, franchises transferred, franchisees who left the system for other reasons, or franchisees who had not communicated with Johnstone prior to November 1, 2021.

(3) During the last three fiscal years, Johnstone has not signed any confidentiality agreements with current or former franchisees that would restrict them from speaking openly with you about their experiences with us.

(4) Attached to this disclosure document as Exhibit F is a list of active JS Business Owners and their Branches.

(5) Attached to this disclosure document as Exhibit G is a list of former JS Business Owners. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

ITEM 21
FINANCIAL STATEMENTS

Prior to the Conversion, Johnstone Supply, Inc.'s (as the "franchisor") fiscal year ended April 30 of each year. Upon preparation of its conversion franchise disclosure document, Johnstone provided audited financial statements for the fiscal years ending April 30, 2019; April 30, 2020; and April 30, 2021, during which Johnstone was a cooperative. In addition, Johnstone provided unaudited financial statements for the period from May 1, 2021 through August 31, 2021 to be used for its conversion disclosure document issued on September 30, 2021. Ordinarily, April 30, 2022 would mark the end of the Johnstone's fiscal year. Johnstone Supply, Inc. converted from an Oregon cooperative into Johnstone Supply, LLC, a Delaware limited liability company, on October 29, 2021. Because of the Conversion, Johnstone Supply, LLC is now the "franchisor" of the start-up Johnstone franchise system. Additionally, Johnstone Supply, LLC has adopted a new fiscal year which will end on December 31 of each year.

Because of the Conversion and subsequent "change in fiscal year," Johnstone has included in this disclosure document as Exhibit H the following: (a) audited financial statements for the fiscal years ending April 30, 2020 and April 30, 2021, and the period from May through October 2021 (due to the significant differences between cooperative and private, for-profit financial statements, the months of November and December 2021 (which occurred post-Conversion) were not included in Johnstone's most recent audited financial statements); and (b) an unaudited balance sheet as of June 30, 2022 and profit and loss statement for the period of operation from November 1, 2021 through June 30, 2022. Johnstone's financial statements are attached as Exhibit H.

ITEM 22
CONTRACTS

1. Exhibit A: Distribution Agreement
2. Exhibit C: Security Agreement
3. Exhibit D: Personal Guaranty
4. Exhibit E: Cross-Corporate Guaranty
5. Exhibit I: State-Specific Addenda

ITEM 23
RECEIPT

Two copies of the Receipt page are attached to this disclosure document as Exhibit K.

EXHIBIT A

DISTRIBUTION AGREEMENT

[*Attached*]

DISTRIBUTION AGREEMENT

between

[JS BUSINESS OWNER]

and

JOHNSTONE SUPPLY, LLC

dated as of

_____

TABLE OF CONTENTS

Page

Article I Definitions **1**

Article II Appointment and Term **7**
Section 2.01 Appointment; Acceptance 7
Section 2.02 Johnstone Product Offerings 7
Section 2.03 Solicitation Outside of the Territory 7
Section 2.04 Initial Term 8
Section 2.05 Renewal of Term 8
Section 2.06 Additional Grant of Territory 8
Section 2.07 No Right to Appoint a Subdistributor 8
Section 2.08 Right to Sell Competitive Goods; Competitive Businesses 8
Section 2.09 Specialty Sales Programs 9

Article III Termination **10**
Section 3.01 JS Business Owner's Right to Terminate the Agreement 10
Section 3.02 Johnstone's Right to Terminate the Agreement 10
Section 3.03 Effect of Expiration or Termination 11

Article IV Order of Precedence **12**
Section 4.01 Order of Precedence 12

Article V JS Business Owner Performance Obligations **13**
Section 5.01 General Performance Obligations 13
Section 5.02 Minimum Performance Requirements 14

Article VI Johnstone Performance Obligations **15**
Section 6.01 Johnstone Performance Obligations 15
Section 6.02 Johnstone Service Requirements 16
Section 6.03 Advertising 16

Article VII Agreement to Purchase and Sell the Johnstone Product Offerings **16**
Section 7.01 Terms of the Sale 16
Section 7.02 Availability/Changes in Johnstone Product Offerings 16
Section 7.03 Last-Time Buy 16

Article VIII Order Procedure **17**
Section 8.01 Non-Binding Forecasts 17
Section 8.02 Purchase Orders 17
Section 8.03 Purchase Order Confirmations 17
Section 8.04 JS Business Owner's Right to Terminate Purchase Orders 17

Article IX Shipment and Delivery **17**
Section 9.01 Shipment and Delivery Requirements 17
Section 9.02 Acceptance and Return of Johnstone Product Offerings 18
Section 9.03 Title and Risk of Loss 18

Article X Price and Payment **18**
Section 10.01 Price 18
Section 10.02 Markup 18
Section 10.03 Rebates 19
Section 10.04 Invoices and Payment 19
Section 10.05 Setoff 19

Article XI [Intentionally Omitted] **19**

Article XII Confidentiality **19**
Section 12.01 Scope of Confidential Information 19
Section 12.02 Protection of Confidential Information 20

Article XIII Certain Obligations of the Parties **21**
Section 13.01 Johnstone's and JS Business Owner's Reports 21
Section 13.02 Protection Against Supply Interruptions 21
Section 13.03 Audit and Inspection Rights 21

Article XIV Representations, Warranties, and Covenants **21**
Section 14.01 Johnstone's Representations and Warranties 21
Section 14.02 JS Business Owner's Representations and Warranties 22

Article XV Product Warranties **23**
Section 15.01 Product Warranties 23
Section 15.02 Recalls 23

Article XVI Indemnification **23**
Section 16.01 JS Business Owner Indemnification 23
Section 16.02 Johnstone Indemnification 24
Section 16.03 Exceptions and Limitations on Indemnification 24
Section 16.04 Third-Party Indemnification 25

Article XVII Limitation of Liability **25**
Section 17.01 No Liability for Consequential or Indirect Damages 25

Article XVIII Insurance Obligations **25**
Section 18.01 Insurance 25
Section 18.02 Insurance Contract Requirements 25
Section 18.03 Insurance Certificates 26

Article XIX Miscellaneous **26**
Section 19.01 Further Assurances 26
Section 19.02 Entire Agreement 26
Section 19.03 Survival 26
Section 19.04 Notices 26
Section 19.05 Interpretation 27
Section 19.06 Headings 28
Section 19.07 Severability 28
Section 19.08 Amendment and Modification 28
Section 19.09 Waiver 28
Section 19.10 Assignment; Change of Control 29

Section 19.11 Successors and Assigns 31
Section 19.12 No Third-Party Beneficiaries 31
Section 19.13 Choice of Law 31
Section 19.14 Dispute Resolution 31
Section 19.15 Cumulative Remedies 32
Section 19.16 Counterparts 32
Section 19.17 Force Majeure 32
Section 19.18 Independent Contractors 32
Section 19.19 No Public Announcements 33

DISTRIBUTION AGREEMENT

This Distribution Agreement (the "***Agreement***"), dated and effective as of _____, 2022 (the "***Effective Date***"), is between [Corporate Name], [a/an Jurisdiction of Organization] [Corporate Form] ("***JS Business Owner***") and the JSBO Affiliates that are signatories hereto and Johnstone Supply, LLC, a Delaware limited liability company ("***Johnstone,***" and together with JS Business Owner, the "***Parties***," and each, a "***Party***").

RECITALS

WHEREAS, for four (4) decades prior to the Conversion Date, the Cooperative was a wholesale distribution cooperative (organized as an Oregon cooperative) with Johnstone Patrons operating in forty-eight (48) US states, Guam and Canada;

WHEREAS, with the support of Johnstone Patrons, the Cooperative has converted into Johnstone, a non-cooperative limited liability company, in order to maximize growth opportunities and improve operating efficiencies for the benefit of Johnstone and the former Johnstone Patrons;

WHEREAS, Johnstone is a wholesale distributor of the Johnstone Product Offerings;

WHEREAS, JS Business Owner is in the business of selling certain HVAC/R products, equipment, parts, supplies, accessories, and related items into the residential and light commercial end markets; and

WHEREAS, Johnstone wishes to sell the Johnstone Product Offerings to JS Business Owner and appoint JS Business Owner as an exclusive distributor for Johnstone Product Offerings in the Territory, and JS Business Owner wishes to purchase the Johnstone Product Offerings from Johnstone and resell the Johnstone Product Offerings to Customers in the Territory, in each case subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Capitalized terms have the meanings set forth in this Section or in the Section in which they are otherwise defined in this Agreement.

"***AAA***" has the meaning provided in Section 19.14(b).

"***Action***" means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena, or investigation of any nature, civil, criminal, administrative, regulatory, or other, whether at law, in equity, or otherwise.

"***Advisory Board***" means a group of JS Business Owners selected by JS Business Owners that assists and advises Johnstone in connection with Johnstone's distribution business in accordance with the Charter of the Advisory Board of Johnstone Supply, LLC; a copy of which is available in the Johnstone Manuals.

"***Affiliate***" of a Person means any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, this Person.

"***Annual Business Plan***" has the meaning provided in Section 5.01(k).

"***Annual Sales Performance Goals***" has the meaning provided in Section 5.02(c).

"***Assignment***" has the meaning provided in Section 19.10(b).

"***Assignment Notice***" has the meaning provided in Section 19.10(d).

"***Branch***" means each sales outlet operated by a JS Business Owner in its assigned territory.

"***Business Day***" means any day except Saturday, Sunday, or a federal holiday.

"***Change of Control***" has the meaning provided in Section 19.10(b).

"***Competitive Business***" means any business primarily engaged in the distribution, marketing, or sale of HVAC/R equipment or other products of the type provided by Johnstone.

"***Confidential Information***" has the meaning provided in Section 12.01.

"***Control***" (and with correlative meanings, the terms "Controlled by" and "under common Control with") means, regarding any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of another Person, whether through the ownership of voting securities, by contract, or otherwise.

"***Conversion and Merger Agreement***" means that certain Agreement and Plan of Conversion and Merger, dated as of August 24, 2021 by and among the Cooperative, the Members' Representatives named therein, Johnstone Supply Buyer, LLC and Annandale Merger Sub, LLC.

"***Conversion Date***" means November 1, 2021, the day after the closing of the Conversion and Merger Agreement.

"***Cooperative***" means Johnstone Supply, Inc., an Oregon cooperative corporation prior to conversion to a Delaware limited liability company.

"***Customer***" means a purchaser that (a) purchases Johnstone Product Offerings from any JS Business Owners for the purposes of resale to End Users; (b) is authenticated by the JS Business Owners as a contractor, facilities manager, or other similar business; and (c) is directly involved in the installation, maintenance, or repair of said products, as further defined and subject to the limitations set forth in the Johnstone Manuals. Johnstone, at its sole discretion, may from time to time modify or adapt this definition.

"***Disclosing Party***" has the meaning provided in Section 12.01.

"***Dispute***" has the meaning provided in Section 19.14(a).

"***Dispute Notice***" has the meaning provided in Section 19.14(a).

"***End User***" means the final purchaser that has acquired Johnstone Product Offerings from JS Business Owner or JS Business Owner's Customer for its own and its Affiliates' internal use and not for resale, remarketing, or distribution.

"***Equipment Manufacturers***" has the meaning provided in Section 10.03(a).

"***ERP System***" means a Johnstone-approved enterprise resource planning system utilized to transmit data between Johnstone and JS Business Owner.

"***Exit Auction***" has the meaning provided in Section 19.10(e).

"***Exit Notice***" has the meaning provided in Section 19.10(e).

"***Family Group***" has the meaning provided in Section 19.10(d).

"***Federal Arbitration Act***" has the meaning provided in Section 19.14(b).

"***Fiscal Year***" means Johnstone's fiscal year, which ends on December 31, and begins on January 1 of each calendar year.

"***Force Majeure Event***" has the meaning provided in Section 19.17.

"***Forecast***" means, regarding any applicable period, a good-faith forecast of JS Business Owner's sales and product demand during the period, by applicable categories of Johnstone Product Offerings, which approximates, as nearly as possible based on information available at the time to JS Business Owner, the Purchase Orders JS Business Owner will place in the applicable period.

"***Franchise Laws***" means the Federal Trade Commission Rule of Franchising and any other domestic or foreign Law regulating the offer or sale of franchises, or governing the relationships between franchisors and franchisees.

"***Governmental Authority***" means any federal, state, local, or foreign government or political subdivision thereof, or any agency or instrumentality of the government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority, or quasi-governmental authority (to the extent that the rules, regulations, or orders of this organization or authority have the force of Law), or any arbitrator, court, or tribunal of competent jurisdiction.

"***Governmental Order***" means any order, writ, judgment, injunction, decree, stipulation, award, or determination entered by or with any Governmental Authority.

"***Group Purchasing Programs***" means programs offered by Johnstone to JS Business Owners to obtain discounts or other benefits from vendors based on the collective participation of JS Business Owners, including insurance offerings, office and warehouse supplies purchased, and small parcel delivery services.

"***HVAC/R***" means heating, ventilation, air conditioning, and refrigeration products or services, as applicable in each case for the residential and light commercial end markets.

"***Indemnified Party***" means Johnstone Indemnified Party or JS Business Owner Indemnified Party, as applicable.

"***Indemnifying Party***" means Johnstone Indemnifying Party or JS Business Owner Indemnifying Party, as applicable.

"***Initial Term***" has the meaning provided in Section 2.04.

"***Intellectual Property Rights***" means all industrial and other intellectual property rights comprising or relating to: (a) patents; (b) trademarks; (c) internet domain names, whether or not registered by any authorized private registrar or Governmental Authority, web addresses, web pages, website, and URLs; (d) works of authorship, expressions, designs, and design registrations, whether or not copyrightable, including copyrights and copyrightable works, software, and firmware, data, data files, and databases and other specifications and documentation; (e) trade secrets; and (f) all industrial and other intellectual property rights, and all rights, interests, and protections that are associated with, equivalent or similar to, or required for the exercise of, any of the foregoing, however arising, in each case whether registered or unregistered and including all registrations and applications for, and renewals or extensions of, these rights or forms of protection under the Laws of any jurisdiction throughout in any part of the world.

"***Johnstone Indemnified Party***" has the meaning provided in Section 16.01.

"***Johnstone Indemnifying Party***" has the meaning provided in Section 16.02.

"***Johnstone Intellectual Property***" means all Intellectual Property Rights owned by Johnstone and which Johnstone from time-to-time in writing may authorize JS Business Owner to use on or in connection with the Johnstone Product Offerings as a licensed distributor. Specifically, Johnstone Intellectual Property includes the Licensed Johnstone Marks, the Licensed Software, and any additional intellectual property specified in the License Agreement.

"***Johnstone Manuals***" means the manual of Johnstone's policies and procedures, as amended or updated from time to time in the sole and reasonable discretion of Johnstone, including through policy communications to JS Business Owner.

"***Johnstone Multi-Territory Customer Sales Program***" means the sales program established by Johnstone to service Multi-Territory Customer accounts.

"***Johnstone Online Sales Program***" means the online sales program established by Johnstone for the marketing and servicing of existing Customers, attraction of new Customers, and sales digitally via internet websites, mobile applications, or other digital methods for the benefit of Johnstone and its distributors.

"***Johnstone Organizational Documents***" means the certificate of formation, limited liability company agreement, and other organizational documents of Johnstone and its Affiliates, as may be amended from time to time.

"***Johnstone Patron Trade Area***" has the meaning set forth in Schedule A.

"***Johnstone Patrons***" means each of the former members of the Cooperative and their Affiliates.

"***Johnstone Product Offerings***" means HVAC/R equipment and PS&A that are offered for sale by Johnstone into the residential and light commercial end markets and either (i) to be shipped to JS Business Owners from a Johnstone distribution center, (ii) shipped through a Johnstone-approved direct shipment or (iii) shipped through a direct purchase program from the manufacturer to the JS Business Owners, as designated by Johnstone.

"***Johnstone Service Requirements***" has the meaning provided in Section 6.01(e).

"***Johnstone University***" means the product, technical, and business training program (as well as any accompanying materials) offered by Johnstone to JS Business Owners and their Customers.

"***JS Business Owner***" has the meaning set forth in the preamble of this Agreement. For avoidance of doubt, reference to "***JS Business Owners***" means, collectively, all distributors appointed by Johnstone, and reference to a "business owner" is not intended to and shall not convey any ownership or other interest in the assets of Johnstone (including the Licensed Johnstone Marks) except as expressly set forth in this Agreement, the License Agreement, and the Johnstone Organizational Documents.

"***JS Business Owner Indemnified Party***" has the meaning provided in Section 16.02.

"***JS Business Owner Indemnifying Party***" has the meaning provided in Section 16.01.

"***JSBO Affiliate***" has the meaning provided in Section 2.07.

"***Last-Time Buy Period***" has the meaning provided in Section 7.02.

"***Law***" means any statute, law, ordinance, regulation, rule, code, constitution, treaty, common law, Governmental Order, or other requirement or rule of law of any Governmental Authority.

"***License Agreement***" has the meaning provided in Section 2.01(a).

"***Licensed Johnstone Marks***" means any designations of source, sponsorship, association, or origin owned by Johnstone, including any trademarks, service marks, trade dress, trade names, brand names, logos, corporate names, or domain names, as specified in the License Agreement.

"***Licensed Software***" means any electronic tools developed or otherwise owned by Johnstone, any mobile applications, database search engines, and contractor selling tools as specified in the License Agreement as well as any version updates to the foregoing.

"***Losses***" has the meaning provided in Section 16.01.

"***Manufacturer Reimbursement Programs***" has the meaning provided in Section 10.03(a).

"***Minimum Performance Requirements***" are those JS Business Owner performance standards set forth in Section 5.02.

"***Minimum Purchase Percentage Requirement***" has the meaning given to it in Section 2.08(a).

"***Multi-Territory Customer***" means any Customer that, on its own behalf or through agents, Affiliates, buying groups, or other third parties owns, manages, Controls or otherwise operates a business in more than one location whose presence is not confined within any one particular JS Business Owner's Territory regardless of purchase volumes. These encompass Customers that were previously referred to by the Cooperative as "Strategic" or "National Accounts". Identification of a Customer as a Multi-Territory Customer shall be determined by Johnstone in its sole discretion.

"***Notice***" has the meaning provided in Section 19.04.

"***Notify***" has the meaning provided in Section 19.04.

"***Order Acknowledgment***" has the meaning provided in Section 8.03.

"***Person***" means any individual, partnership, corporation, trust, limited liability entity, unincorporated organization, association, Governmental Authority, or any other entity.

"***Personnel***" means agents, employees, or subcontractors engaged or appointed by Johnstone or JS Business Owner.

"***Preferred Carriers***" has the meaning provided in Section 9.01.

"***Prices***" has the meaning provided in Section 10.01.

"***Product Markups***" has the meaning provided in Section 10.02.

"***PS&A***" means parts, supplies, and accessories associated with HVAC/R equipment.

"***Purchase Order***" means the purchase order generated by transmission of JS Business Owner's order request into the applicable ERP System or, where circumstances do not otherwise permit transmission via the applicable ERP System, manually submitted.

"***Put Right***" has the meaning provided in Section 19.10(f).

"***Put Right Notice***" has the meaning provided in Section 19.10(f).

"***Receiving Party***" has the meaning provided in Section 12.01.

"***Region***" means the geographic areas sharing similar HVAC/R climate characteristics and market needs as detailed in the Johnstone Manuals. Regions will generally align with those published by the Heating Air-Conditioning & Refrigeration Distributors International association, as modified to meet Johnstone's operations. JS Business Owner's Region is set forth on Schedule A.

"***Renewal Term***" has the meaning provided in Section 2.05.

"***Representatives***" means a Party's Affiliates, employees, officers, directors, partners, shareholders, agents, attorneys, third-party advisors, successors, and permitted assigns.

"***Right of First Refusal***" has the meaning provided in Section 19.10(d).

"***Service Area***" means an area which is deemed serviceable by a Branch location that consists of all zip codes whose geographical center is closer to the Branch location than any other Branch location, but whose distance does not exceed a maximum of fifty (50) miles in any direction.

"***SKU***" means the applicable stock keeping unit.

"***Shipping Point***" means: (a) for shipments from a Johnstone distribution center, the relevant Johnstone distribution center, and (b) for shipments through a Johnstone-approved direct shipment program from the manufacturer to a JS Business Owner, the manufacturer's shipping dock.

"***Solicit***" and "***Solicitation***" with respect to a Customer or prospective Customer means to conduct sales and marketing activities either in person or remotely, electronically, digitally, by phone, flyer, mailer, billboard, signage or other similar communications. Johnstone's policies with respect to Soliciting Customers are set forth in the Johnstone Manuals.

"***Specialty Sales Program(s)***" means promotional and other sales programs offered to Customers, and includes the Johnstone Multi-Territory Customer Sales Program and Johnstone Online Sales Program, and may include other programs as determined in Johnstone's reasonable discretion.

"***Strategic Plan Alignment Program***" means the program in which JS Business Owners will meet with Johnstone annually (unless otherwise determined on an individual basis) to conduct a business review of key performance metrics, performance toward achieving those metrics, stated plans and goals to achieve metrics, and/or challenges to meeting overall sales, purchases and brand representation goals.

"***Term***" has the meaning set forth in Section 2.05.

"***Territory***" means the domiciled zip code of a Branch location and every zip code that is adjacent to that domiciled zip code and for which it shares a common border as set forth on Schedule A. The extent of and Solicitation policies related to an assigned Territory are provided in the Johnstone Manuals.

"***Transition Period***" means the twelve (12) month period following the Conversion Date.

"***US***" means the United States of America, including its territories, possessions, and military bases.

ARTICLE II
APPOINTMENT AND TERM

Section 2.01 Appointment; Acceptance.

(a) Subject to JS Business Owner's compliance with the specific terms of this Agreement, the Johnstone Intellectual Property License Agreement attached hereto as Exhibit 1 (the "***License Agreement***"), and the Johnstone Manuals, Johnstone hereby grants to JS Business Owner the right to (i) serve as the exclusive distributor of Johnstone Product Offerings through Branches located in the Territory as described on Schedule A; (ii) use the Johnstone Intellectual Property; (iii) conduct JS Business Owner's distribution of Johnstone Product Offerings; and (iv) utilize, subject to any applicable fees, the services offered by Johnstone for the sale or resale of Johnstone Product Offerings, including Johnstone University, Johnstone advertising programs, Specialty Sales Programs, and technology and supply chain infrastructure.

(b) JS Business Owner hereby accepts such appointment for the Term in accordance with the terms and conditions of this Agreement. Contemporaneous with JS Business Owner's appointment, JS Business Owner (and each JSBO Affiliate, as applicable) has delivered the required documents referenced herein and in the attached Exhibits. JS Business Owner has also delivered to Johnstone such applications, business and financial information, security agreements, guarantees and other documents as required for appointment of a distributor by Johnstone's application process and the Johnstone Manuals.

Section 2.02 Johnstone Product Offerings. Subject to JS Business Owner's compliance with the terms of this Agreement, Johnstone shall sell to JS Business Owner and JS Business Owner shall purchase Johnstone Product Offerings from Johnstone for resale to Customers.

Section 2.03 Solicitation Outside of the Territory. Subject to the transition provisions of this Agreement (including Schedule A) and the terms of the Johnstone Manuals, JS Business Owner agrees not to Solicit orders of Johnstone Product Offerings within the assigned territory of other JS Business Owners. Subject to the terms of the Johnstone Manuals, JS Business Owner is not prohibited from fulfilling orders from outside of their assigned Territory nor prohibited from soliciting orders from territory that is unassigned to any other JS Business Owners. No sale of Johnstone Product Offerings to a Customer located in JS Business Owner's Territory through the Specialty Sales Programs by any other JS Business Owner shall be considered a violation of this Agreement.

Section 2.04 Initial Term. The term of this Agreement commences on the Effective Date and continues until [Month DD, YYYY], unless earlier terminated as provided herein or under applicable Law (the "***Initial Term***").

Section 2.05 Renewal of Term. At any time on or before the [fourth (4th)] anniversary of the Effective Date, either Party may give Notice of nonrenewal for any reason. Upon expiration of the Initial Term, if neither Party delivers a Notice of non-renewal, and provided that JS Business Owner is in full compliance with this Agreement and satisfies the applicable requirements (including Minimum Performance Requirements) for JS Business Owners, the relationship between the Parties will renew under the then current form of Johnstone distribution agreement for additional successive three (3)-year terms unless and until either Party provides Notice of nonrenewal at least one (1) year before the end of the then-current term or unless and until earlier terminated as provided under this Agreement or applicable Law (each a "***Renewal Term***" and together with the Initial Term, the "***Term***"). If either Party provides timely Notice of its intent not to renew this Agreement, then, subject to Section 2.04, unless earlier terminated in accordance with its terms, this Agreement terminates on the expiration of the then-current Term.

Section 2.06 Additional Grant of Territory. Johnstone has the sole discretion to grant JS Business Owner an expansion of the Territory or additional territories, subject to the policies set forth in the Johnstone Manuals.

Section 2.07 No Right to Appoint a Subdistributor. Except as provided herein, JS Business Owner shall not appoint any subdistributor or other Person to resell or distribute Johnstone Product Offerings. JS Business Owner may appoint the Affiliate(s) listed on Schedule B (each, a "***JSBO Affiliate***") as a subdistributor of the Johnstone Product Offerings, provided that:

(a) JS Business Owner shall at all times hold a majority of the economic interests in, and Control such JSBO Affiliate;

(b) JS Business Owner remains directly liable to Johnstone for the due performance of all obligations under this Agreement (including the License Agreement and all provisions of the Johnstone Manuals), including payment for all Johnstone Product Offerings;

(c) each JSBO Affiliate and each holder of an equity interest therein has agreed in writing to be bound by the terms of this Agreement (including the License Agreement, Minimum Performance Requirements and territory guidelines, and all other provisions of the Johnstone Manuals, regardless of whether such terms explicitly reference such JSBO Affiliate) by executing the Joinder to Distribution Agreement by JSBO Affiliates attached hereto as Exhibit 2;

(d) JS Business Owner, each JSBO Affiliate, and the holder or holders of any Controlling equity interest, and/or those in Control in each, as a condition of this Agreement, have executed such security agreements and personal and cross-corporate guarantees of all obligations owed to Johnstone in form satisfactory to Johnstone; and

(e) all agreements between JS Business Owner and each JSBO Affiliate are subordinate in all respects to this Agreement's terms.

Section 2.08 Right to Sell Competitive Goods; Competitive Businesses. This Agreement does not preclude JS Business Owner from engaging in the sale or distribution of other goods and products except as follows:

(a) JS Business Owner's and each JSBO Affiliate's annual purchases of all goods for

resale (measured by gross cost of goods sold and subject to adjustment from time to time in accordance with Section 19.17 as a result of any applicable Force Majeure Events) must consist of Johnstone Product Offerings sourced from Johnstone and/or its Affiliates at the following levels: (a) during the first two (2) years from the Conversion Date, at least seventy-five percent (75%) and (b) during the remaining Initial Term, at least eighty percent (80%) (the "***Minimum Purchase Percentage Requirement***"). The Minimum Purchase Percentage Requirement may be satisfied by purchases shipped from Johnstone distribution centers and/or Johnstone-approved direct purchase or direct shipment programs with designated manufacturers from which Johnstone receives a financial benefit. JS Business Owners may purchase Johnstone Product Offerings from other JS Business Owners, however, any such purchases shall be deducted from the selling JS Business Owners' annual purchases for the applicable year and added to the purchasing JS Business Owners' annual purchases for the same applicable year, in each case for purposes of calculating the applicable JS Business Owners' satisfaction of the Minimum Purchase Percentage Requirement.

(b) During the Term of this Agreement, JS Business Owner's business must be devoted to sales of HVAC/R equipment and PS&A products. Sales of other products must be ancillary and related to JS Business Owner's existing business.

(c) During the Term of this Agreement, neither JS Business Owner, nor any holder of an equity interest in JS Business Owner will either directly or indirectly: (i) operate, own, manage, or be employed by or consult with, any Competitive Business other than one operated under this Agreement, or any business or other venture offering or selling franchises or licenses for a Competitive Business; (ii) divert or attempt to divert any Customer or potential Customer to any competitor of Johnstone or any Affiliate of Johnstone; (iii) hire, offer to hire, entice away, solicit, or in any other way persuade or attempt to persuade any employee, officer, director, or independent contractor of Johnstone or any Affiliate of Johnstone, to leave the employ of, or to terminate any business relationship with, Johnstone or any Affiliate of Johnstone, during the term of such employment or relationship and for one (1) year thereafter, without the prior written consent of Johnstone, which shall not be unreasonably withheld; or (iv) otherwise interfere with the business activities of Johnstone or any Affiliate of Johnstone with respect to any of the foregoing. This Section 2.08 shall bind any former holder of an equity interest in JS Business Owner (or JSBO Affiliate) for a period of one (1) year after transfer of such interest.

(d) Notwithstanding anything contained herein to the contrary, no JS Business Owner, nor any JSBO Affiliate, shall be permitted to purchase any available and in-stock Johnstone Product Offerings other than from Johnstone (which shall include, for the avoidance of doubt, purchases (i) from a Johnstone distribution center, (ii) shipped through a Johnstone-approved direct shipment program, (iii) shipped through a direct purchase program from the manufacturer, or (iv) from other JS Business Owners).

Section 2.09 Specialty Sales Programs. Subject to JS Business Owner's eligibility, JS Business Owner may be required to participate in a variety of Johnstone's Specialty Sales Programs. JS Business Owner's participation shall be subject to the terms and conditions of each such program, which may include, but shall not be limited to, the following:

(a) Prior to participating in any Specialty Sales Program, JS Business Owner shall execute such agreements, undertakings, or other instruments as Johnstone may require as a condition to participation in any particular program, as outlined in the Johnstone Manuals. JS Business Owner agrees to abide by the terms and conditions of such agreements, which may include certain brand and product assortment offering requirements, pricing, and services standards.

(b) Participation in Specialty Sales Programs is subject to Johnstone's quality control

and Customer service standards, which JS Business Owner will at all times maintain in addition to the terms of this Agreement. Johnstone may centralize all accounts, invoicing, and payments for Specialty Sales Programs or designate a third party to perform such functions.

(c) JS Business Owner may be required to incur costs associated with participation in such Specialty Sales Program, which costs will be outlined in the terms and conditions of each program.

ARTICLE III
TERMINATION

Section 3.01 JS Business Owner's Right to Terminate the Agreement. JS Business Owner may terminate this Agreement (including all related Purchase Orders), on Notice to Johnstone:

(a) if Johnstone fails to meet, in any material respect, the Johnstone Service Requirements for any calendar year following December 31, 2021, and either the failure cannot be cured or, if the failure can be cured, it is not cured by Johnstone within a one (1)-year cure period following Johnstone's receipt of Notice of such failure;

(b) except as otherwise specifically provided under this Section 3.01, if Johnstone is in material breach of this Agreement (which shall be deemed to include any material breach of the Johnstone Manuals that has a material and adverse impact on the relationship between Johnstone and JS Business Owner governed by this Agreement) and either the breach cannot be cured or, if the breach can be cured, it is not cured by Johnstone within ninety (90) days following Johnstone's receipt of written Notice of such breach;

(c) if Johnstone knowingly maintains false books or records or knowingly submits any report required under Section 13.01 that is knowingly false;

(d) if Johnstone fails to make a timely payment of any amount due to the JS Business Owner that is not the subject of a good-faith dispute and does not cure such failure within thirty (30) days following Johnstone's receipt of Notice of such failure;

(e) if Johnstone engages in any conduct or practice that is fraudulent, unethical, or deceptive or that knowingly damages or knowingly tarnishes the Licensed Johnstone Marks;

(f) if Johnstone violates the confidentiality provisions under Article XII; or

(g) if Johnstone reduces the Territory granted to JS Business Owner, other than as authorized by this Agreement.

Any termination under this Section 3.01 is effective on Johnstone's receipt of JS Business Owner's Notice of termination (subject to any applicable cure period) or any later date set forth in the Notice.

Section 3.02 Johnstone's Right to Terminate the Agreement. Johnstone may terminate this Agreement (including all related Purchase Orders) on Notice to JS Business Owner:

(a) if JS Business Owner fails to meet, in any material respect, the Minimum Performance Requirements for any Fiscal Year, and either the breach cannot be cured or, if the breach can be cured, it is not cured by JS Business Owner within one (1) year following JS Business Owner's receipt of written Notice of such breach;

(b) except as otherwise specifically provided under this Section 3.02, if JS Business Owner is in material breach of this Agreement (which shall be deemed to include any material breach of the Johnstone Manuals that has a material and adverse impact on the relationship between Johnstone and JS Business Owner governed by this Agreement) and either the breach cannot be cured or, if the breach can be cured, it is not cured by JS Business Owner within ninety (90) days following JS Business Owner's receipt of written Notice of such breach;

(c) If JS Business Owner completes or attempts to complete an Assignment (including a Change of Control) not in compliance with this Agreement;

(d) if JS Business Owner knowingly maintains false books or records or knowingly submits any false reports;

(e) if JS Business Owner fails to make a timely payment of any amount due to Johnstone that is not the subject of a good-faith dispute and does not cure such failure within thirty (30) days following JS Business Owner's receipt of Notice of such failure;

(f) if JS Business Owner engages in any conduct or practice that is fraudulent, unethical, or deceptive or that knowingly damages or knowingly tarnishes the Licensed Johnstone Marks;

(g) if JS Business Owner breaches the confidentiality provisions in Article XII;

(h) if Johnstone terminates the License Agreement; or

(i) if JS Business Owner fails to cure within ninety (90) days after:

(i) becoming insolvent or is generally unable to pay, or fails to pay, its debts as they become due;

(ii) filing or having filed against it a petition for voluntary or involuntary bankruptcy or otherwise becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency Law;

(iii) seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition, or other relief with respect to it or its debts;

(iv) making or seeking to make a general assignment for the benefit of its creditors; or

(v) applying for or having a receiver, trustee, custodian, or similar agent appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of its property or business.

Any termination under this Section 3.02 is effective on JS Business Owner's receipt of Johnstone's Notice of termination (subject to any applicable cure period) or any later date set forth in the Notice.

Section 3.03 Effect of Expiration or Termination.

(a) Unless the Parties agree otherwise, any termination under Section 3.01 or Section 3.02 automatically terminates (i) all related Purchase Orders under Article VIII, and (ii) the License Agreement.

(b) Upon the expiration or earlier termination of this Agreement:

(i) Subject to the exception in the following sentence, each Party shall promptly cease to use and destroy all documents and tangible materials (and any copies) containing, reflecting, incorporating, or based on the other Party's Confidential Information, including business intelligence data (including Customer information) originated from Johnstone and shared with JS Business Owner or originated from JS Business Owner and shared with Johnstone. Johnstone shall not be obligated to destroy Confidential Information disclosed or made available by JS Business Owner relating to JS Business Owner's distribution of Johnstone Product Offerings under this Agreement, including but not limited to information and data entered into the ERP System by or on behalf of JS Business Owner, and may continue to retain and use such Confidential Information for Johnstone's records and other internal business purposes; provided, Johnstone shall continue to maintain the confidentiality of such Confidential Information in accordance with Article XII for so long as it remains in Johnstone's possession, custody, or control. Each Party shall promptly certify in writing to the other Party that it has complied with the requirements of this clause;

(ii) JS Business Owner shall cease to use all Johnstone Intellectual Property and, at Johnstone's direction, shall promptly return and procure the return to Johnstone or destroy all Johnstone Intellectual Property in its possession, custody or control and shall not retain any copies of the same, except as may be required by Law, or otherwise by JS Business Owner in connection with litigation, audit, or corporate governance purposes;

(iii) Johnstone shall have the right and option, which may be exercised in Johnstone's sole discretion or as may be required by applicable Law, to repurchase all of JS Business Owner's inventory of Johnstone Product Offerings in salable condition at JS Business Owner's actual cost for such merchandise; and

(iv) All rights granted to JS Business Owner shall immediately revert to Johnstone.

(c) The Party terminating this Agreement, or in the case of the expiration of this Agreement, each Party, shall not be liable to the other Party for any damage of any kind (whether direct or indirect) incurred by the other Party by reason of the expiration or earlier termination of this Agreement. Termination of this Agreement will not constitute a waiver of any of either Party's rights, remedies, or defenses under this Agreement, at law, in equity, or otherwise.

(d) Expiration or earlier termination of this Agreement does not affect any rights or obligations that are to survive the expiration or earlier termination of this Agreement under Section 19.03 or were incurred by the Parties before the expiration or earlier termination.

ARTICLE IV
ORDER OF PRECEDENCE

Section 4.01 Order of Precedence.

(a) This Agreement, the Johnstone Manuals, and all exhibits and schedules to this Agreement constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Notwithstanding the foregoing, in the event of any conflict between this Agreement and any Exhibit, Schedule or the Johnstone Manuals, the order of precedence is: (i) this Agreement; (ii) the relevant Exhibit or Schedule; and (iii) the Johnstone Manuals.

Nothing in this or in any related agreement, however, is intended to disclaim the representations Johnstone has made in the franchise disclosure document that Johnstone has furnished to JS Business Owner.

(b) JS Business Owner acknowledges that it is entering into this Agreement as a result of its own independent investigation of Johnstone's franchised business and not as a result of any representations about Johnstone made by Johnstone's shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to JS Business Owner pursuant to applicable law.

ARTICLE V
JS BUSINESS OWNER PERFORMANCE OBLIGATIONS

Section 5.01 General Performance Obligations. JS Business Owner shall:

(a) comply with all of the requirements of this Agreement, the Johnstone Manuals, the Johnstone Organizational Documents, and JS Business Owner's Annual Business Plan, all as modified from time to time;

(b) resell, locally market, support, merchandise, warehouse, and deliver Johnstone Product Offerings to Customers located in the Territory;

(c) employ and appropriately and continuously train an ample staff of inside and outside sales associates, customer service and counter Personnel, technical service associates, and business development or account managers responsible for the development of sales demand and to support such demand amongst the Customers and the contractor community in the Territory;

(d) provide contractor training services and maintain training facilities in the Territory;

(e) maintain a place or places of business, including adequate showroom, storage, training, warehouse facilities, required signage, and delivery and pick-up capabilities as required for JS Business Owner to perform its duties under this Agreement;

(f) meet all Minimum Performance Requirements;

(g) transmit all merchandise orders, sales reporting, warehouse communications, inventory reporting, Purchase Order SKU level details of drop shipment orders and other required business intelligence data as required by Johnstone through the ERP System and other electronic systems now utilized or hereafter adopted or modified by Johnstone (which JS Business Owner may be required to implement), including Customer information as required for participation in Specialty Sales Programs;

(h) not make any false or materially misleading representations or warranties to any Customer regarding Johnstone or the Johnstone Product Offerings;

(i) not engage in any competitive, misleading, or deceptive practices regarding Johnstone or the Johnstone Product Offerings;

(j) not engage in any other business through a Licensed Johnstone Mark-branded Branch or through any internet site or other online sales process (other than the Johnstone Online Sales Program) that references the Johnstone Intellectual Property;

(k) participate in Johnstone's Strategic Plan Alignment Program, including by meeting with Johnstone's designated Representatives as soon as reasonably practicable during each Fiscal Year to review JS Business Owner's financial and operational results (including JS Business Owner's satisfaction of its Minimum Performance Requirements) for the prior year and review JS Business Owner's Annual Business Plan prepared by the JS Business Owner in accordance with the Johnstone Manuals (the "***Annual Business Plan***");

(l) attend in person (unless physically unable) at least two (2) Johnstone-sponsored annual events at JS Business Owner's expense;

(m) meet participation and performance requirements applicable to the Specialty Sales Program requirements (including Johnstone Online Sales Program requirements);

(n) meet brand support standards, including Branch appearance, minimum inventory support levels by product category, sales and support Personnel levels, delivery and pickup options, provisions of training and technical support services, and implementation of required technology including goals for percentage of the JS Business Owner's business conducted electronically; and

(o) meet data and cyber security requirements with improvement targets set by Johnstone.

Section 5.02 Minimum Performance Requirements. During the Term of this Agreement, the Minimum Performance Requirements are:

(a) satisfaction of the Minimum Purchase Percentage Requirement by JS Business Owner and its JSBO Affiliates. The Minimum Purchase Percentage Requirement will be monitored and reported quarterly and JS Business Owner's reported purchases will be compared to Johnstone's record of transactions through Johnstone (including authorized direct ship and direct purchase programs);

(b) satisfaction of minimum dollar purchase requirements in excess of $1,500,000 multiplied by the number of JS Business Owners' and its JSBO Affiliates' Branch locations in the Territory which have been opened a minimum of two (2) years (which shall include the period of time during which any such Branch was operated by predecessor JS Business Owners or JSBO Affiliates under a separate distribution agreement). This requirement will be adjusted annually at Johnstone's discretion based on several factors including the overall growth of sales of all JS Business Owners;

(c) satisfaction of required annual sales performance goals (the "***Annual Sales Performance Goals***") in the Region. The Annual Sales Performance Goals will be based on annual (i) revenue per capita and (ii) growth in revenue per capita in each of the JS Business Owner's (including its JSBO Affiliates') Service Areas versus the performance of all other JS Business Owners in the applicable Region identified on Schedule A. JS Business Owner's (including its JSBO Affiliates') revenue per capita must exceed the bottom ten percent (10%) of the Region or exceed a revenue per capita growth percentage above the bottom twenty-five percent (25%) of the Region compared to the other JS Business Owners in the Region. Actual performance in the Service Areas relative to the Region will be measured each Fiscal Year, with Notice as soon as practicable the following Fiscal Year of any shortfall; and

(d) satisfaction of minimum product assortment and inventory levels in each major product category as outlined in the Johnstone Manuals.

ARTICLE VI
JOHNSTONE PERFORMANCE OBLIGATIONS

Section 6.01 Johnstone Performance Obligations. During the Term Johnstone shall:

(a) solely with respect to the Johnstone Product Offerings, provide to the JS Business Owners on an exclusive basis a breadth of services that ensures the JS Business Owner is able to offer solutions at competitive pricing for the JS Business Owners' Customers. Minimally, these services shall be not less than the breadth of services provided by the Cooperative to Johnstone Patrons immediately prior to the Conversion Date;

(b) operate sufficient distribution centers with sufficient capacity, technology and Personnel to facilitate supply chain management, logistics, and transportation functions, and use commercially reasonable efforts to service the next day and next morning delivery needs of the Branch network at levels selected and paid for by the applicable JS Business Owners;

(c) provide Group Purchasing Programs, credit terms, reporting and benchmarking resources, and other incentive programs, as detailed in the Johnstone Manuals;

(d) during the Transition Period, provide strategic and advisory support and services to JS Business Owners consistent with the scope and breadth of such services provided by the Cooperative to the Johnstone Patrons immediately prior to the Conversion Date, including Johnstone University. Thereafter, Johnstone, at its discretion, may choose to adapt, evolve, change, discontinue, charge a reasonable service fee for, or otherwise modify said advisory and support services as it deems appropriate;

(e) meet certain mutually agreed upon minimum key performance indicators related to the breadth of supply chain services Johnstone offers to JS Business Owner (the "***Johnstone Service Requirements***") as detailed in Section 6.02 and subject to adjustment from time to time in accordance with Section 19.17 as a result of any applicable Force Majeure Events;

(f) develop and provide JS Business Owners with technology tools developed or licensed by Johnstone, including the Licensed Software, for JS Business Owners' use during the Term;

(g) host one annual trade show for the benefit of the JS Business Owners (the costs of travel and lodging to be borne by the attending JS Business Owner) and offer one other in-person meeting collectively with all JS Business Owners per year;

(h) use commercially reasonable efforts to develop an improved pricing methodology and process between Johnstone and the JS Business Owners and between the JS Business Owners and their Customers. This program is envisioned to incorporate: (A) markup tiers that will reward JS Business Owners' purchase volume levels from Johnstone; (B) considerations for varying demand and pricing characteristics of different products and product categories (e.g., more or less competitive products); (C) cost to serve components, such as order size and packaging characteristics (e.g., pieces vs. cases vs. pallets); (D) market pricing recommendations to JS Business Owners; and (E) other aspects to be determined in the reasonable discretion of Johnstone;

(i) participate in the Strategic Plan Alignment Program in accordance with Section 5.01(k);

(j) develop and support Specialty Sales Programs;

(k) provide continued vendor access and relevancy;

(l) use commercially reasonable efforts to improve vendor programs; and

(m) (i) provide a regular flow of new products (consistent with history); (ii) focus on cost of goods sold reduction and maintained/improved payment terms/dating programs; and (iii) maintain and improve pricing and data flow.

Section 6.02 Johnstone Service Requirements. The measurement criteria for each of the Johnstone Service Requirements are set forth in the Johnstone Manuals. During the Term of this Agreement, the Johnstone Service Requirements will include without limitation:

(a) distribution center service levels (each, line and order fill);

(b) inventory availability (in-stock positions by velocity);

(c) distribution center quality (order accuracy); and

(d) technology availability (including uptime and transmission reliability).

Section 6.03 Advertising. Johnstone shall develop and maintain a web and other digital and social site presence (e.g. LinkedIn, Facebook, Twitter, etc.), national, regional and local digital paid-search advertising, a digital catalog, digital flyers and templates, and other advertising materials as deemed necessary in the reasonable discretion of Johnstone. Johnstone, at its discretion may require JS Business Owners to participate in these programs and charge fees (that should be market competitive) to the JS Business Owners to recover costs and provide a modest profit for Johnstone. Johnstone may develop seasonal or specialty marketing, advertising and promotional campaigns that JS Business Owner may at its discretion and cost determine to participate in.

ARTICLE VII
AGREEMENT TO PURCHASE AND SELL THE JOHNSTONE PRODUCT OFFERINGS

Section 7.01 Terms of the Sale. Johnstone shall make available and sell the Johnstone Product Offerings to JS Business Owner at the then current Prices and on the terms and conditions set forth in this Agreement and the Johnstone Manuals.

Section 7.02 Availability/Changes in Johnstone Product Offerings. Johnstone shall provide JS Business Owner with at least ninety (90) days' prior Notice before Johnstone discontinues a Johnstone Product Offering (the period of time from the delivery of Notice through the end of the Notice period, the "***Last-Time Buy Period***") and JS Business Owner may, at its sole discretion, return (subject to the requirements of the Johnstone Manuals) any such discontinued Johnstone Product Offerings in its inventory for a full credit or exercise its last-time buy rights under Section 7.03. If any new product under this Section 7.02 negatively affects JS Business Owner's ability to sell any similar Johnstone Product Offering then in JS Business Owner's inventory, then JS Business Owner can declare its inventory of such similar Johnstone Product Offering functionally discontinued, shall so Notify Johnstone, and shall return under Section 9.02 the affected inventory for return credit for a period of ninety (90) days following the date of functional discontinuation. This Section 7.02 and Section 7.03 shall not apply to any discontinuance of a product offering by a manufacturer.

Section 7.03 Last-Time Buy. JS Business Owner may make last-time buys during the Last-Time Buy Period of enough Johnstone Product Offerings to fulfill its then-pending commitments to its

Customers. Johnstone shall use commercially reasonable efforts to supply the last time buy and is in no event required to supply any Johnstone Product Offering if Johnstone reasonably determines that: (a) the product is infringing; (b) the sale would violate applicable Law; or (c) the sale would deplete the inventory of other pending orders.

ARTICLE VIII
ORDER PROCEDURE

Section 8.01 Non-Binding Forecasts. Periodically, in time frames determined as necessary by Johnstone, but at least quarterly, JS Business Owners shall provide Johnstone with non-binding sales and purchase Forecasts for distribution center and drop ship purchases. Except for minimum purchase requirements as provided in this Agreement, JS Business Owner makes no representation or warranty as to the quantity of Johnstone Product Offerings that it will purchase. However, JS Business Owner will prepare the Forecast in good faith and ensure the Forecast represents reasonable expectations of future sales and purchase levels and will not use the Forecast process to obtain priority allocations of inventory to the detriment of Johnstone or other JS Business Owners. JS Business Owner must Notify Johnstone immediately if JS Business Owner (a) alters its purchases by SKU from distribution center to drop ship or vice versa or (b) gains or loses significant business compared to its most recent Forecast. Failure to timely Notify Johnstone will result in the impacted Johnstone Product Offering being excluded from the Johnstone Service Requirements whenever the item's demand exceeds the average three (3) -month demand for the same current, previous, and next month of the preceding calendar year.

Section 8.02 Purchase Orders. The initiation, acceptance, and rejection of Purchase Orders shall conform to Johnstone's ordering and shipping policies as provided in the Johnstone Manuals.

Section 8.03 Purchase Order Confirmations. Johnstone shall provide an order acknowledgment to JS Business Owner for each Purchase Order issued hereunder (each, an "***Order Acknowledgment***"), including notifications of rejections, adjustments, and backordered items in accordance with the policies set forth the Johnstone Manuals. For orders entered less than two (2) hours before the order cut off time, such Purchase Order confirmation may not arrive to the Branch prior to the order being processed at the distribution center. Changes to orders placed within that time window will be honored when feasible and practical.

Section 8.04 JS Business Owner's Right to Terminate Purchase Orders. In addition to its rights under Section 3.01 to terminate all effective Purchase Orders in connection with the termination of this Agreement, JS Business Owner may terminate any Purchase Order prior to receipt of an Order Acknowledgment except for the case when the order has already been picked and loaded on the truck. Picked and loaded orders will be subject to the return policy in the Johnstone Manuals.

ARTICLE IX
SHIPMENT AND DELIVERY

Section 9.01 Shipment and Delivery Requirements. Johnstone will identify and engage with common carriers and other parties to negotiate freight agreements that leverage the aggregate freight volume of Johnstone, thus generating freight rates that may be more competitive than a JS Business Owner could negotiate on its own volume ("***Preferred Carriers***"). JS Business Owner shall be solely responsible for all costs of shipping regardless of the carrier used and no Price discount shall be offered for self-pickup. If JS Business Owner utilizes a carrier that is not a Preferred Carrier, JS Business Owner shall be responsible for such carrier's compliance with all transportation and other policies as set forth in the Johnstone Manuals, including scheduling pickup with applicable Johnstone distribution centers and manufacturers. Each

shipment constitutes a separate sale, and JS Business Owner shall pay for the units shipped, whether the shipment is in whole or partial fulfillment of a Purchase Order.

Section 9.02 Acceptance and Return of Johnstone Product Offerings.

(a) JS Business Owner shall inspect Johnstone Product Offerings received under this Agreement upon receipt of the Johnstone Product Offerings. JS Business Owner will be deemed to have accepted the Johnstone Product Offerings unless it timely submits discrepancy reports in accordance with the Johnstone Manuals. Johnstone shall determine, in its sole discretion, whether the discrepancy report is approved.

(b) Claims for loss or damage to Johnstone Product Offerings during shipping shall be filed by the JS Business Owner directly with the carrier, as is current practice, in each case in accordance with the policies in the Johnstone Manuals. Johnstone will not be responsible for loss or damage to Johnstone Product Offerings in transit.

(c) JS Business Owner acknowledges and agrees that the remedies set forth in this Section 9.02 and the Johnstone Manuals are JS Business Owner's exclusive remedy for the delivery of nonconforming or excess Johnstone Product Offerings. All returns of accepted Johnstone Product Offerings will be made in conformance with the Inventory Return Policy in the Johnstone Manuals.

Section 9.03 Title and Risk of Loss.

(a) Title to Johnstone Product Offerings shipped under any Purchase Order passes to JS Business Owner on Johnstone's delivery of such Johnstone Product Offerings to the carrier at the Shipping Point.

(b) Risk of loss to Johnstone Product Offerings shipped under any Purchase Order passes to JS Business Owner on Johnstone's delivery of such Johnstone Product Offerings to the carrier at the Shipping Point.

ARTICLE X
PRICE AND PAYMENT

Section 10.01 Price. The prices paid by JS Business Owner for Johnstone Product Offerings shall be the then-applicable price in Johnstone's ordering system at the time of order (the "***Prices***"). All Prices are "Free on Board (FOB)" Shipping Point. All Prices are exclusive of shipping and delivery costs and all sales, use and excise taxes, and any other similar taxes, duties, and charges of any kind imposed by any Governmental Authority on any amounts payable by JS Business Owner. JS Business Owner shall be responsible for all such charges, costs, and taxes; provided that JS Business Owner shall not be responsible for any taxes imposed on, or with respect to, Johnstone's income, revenues, gross receipts, Personnel, or real or personal property or other assets.

Section 10.02 Markup. The Parties acknowledge that Johnstone's Prices reflect a markup over the manufacturer's price to Johnstone exclusive of any rebates (the "***Product Markups***"). During the first twenty-four (24) months after the Conversion Date, the Prices shall be increased from the Product Markups that existed at the Cooperative prior to the Conversion Date. The initial increases in Product Markup shall be materially consistent with financial projections as provided by the Cooperative's Board of Directors prior to the Conversion Date but will ensure that the JS Business Owners remain commercially viable. During the twenty-four (24) month period, Johnstone may modify pricing as it deems necessary to ensure that the JS Business Owners remain commercially viable, or make changes to the pricing methodology

entirely in order to address changes in product or purchase method mix of the business or provide incentives and rewards to JS Business Owners for volume growth and cost to serve considerations. Nothing in this Section 10.02 shall prohibit Johnstone from increasing Prices to reflect manufacturer price increases.

Section 10.03 Rebates.

(a) For purposes of this Agreement, "***Equipment Manufacturers***" means Persons that manufacture HVAC/R equipment constituting Johnstone Product Offerings and offer equipment rebates and Manufacturer Reimbursement Programs that are passed on from Johnstone to JS Business Owners as provided in this Agreement and the Johnstone Manuals. The current list of Equipment Manufacturers for whom rebates will be passed on to JS Business Owners is available upon request to Johnstone. The list may be amended or updated by Johnstone from time to time, including through policy communications to JS Business Owner. "***Manufacturer Reimbursement Programs***" means programs offered by manufacturers to address local market and Customer specific pricing requirements (i.e. special bids) and intended to pursue specific business opportunities and/or to help insure that JS Business Owners are competitive in their local marketplace. Examples include the Goodman "PAP" and Johnson Controls "IPA" programs.

(b) Johnstone shall credit or pay to JS Business Owner all rebates and other financial incentives received by Johnstone from Equipment Manufacturers. Johnstone shall not be required to credit or pay to JS Business Owner any rebates Johnstone receives from suppliers or vendors that are not Equipment Manufacturers. Rebates shall be credited or paid to JS Business Owners in accordance with the volume, allocation and apportionment, and payment policies set forth in the Johnstone Manuals. Qualifying sales under Manufacturer Reimbursement Programs will be reported by JS Business Owners directly to the manufacturer on a monthly basis and approved reimbursements or other financial consideration will be provided directly by the manufacturer to the applicable JS Business Owners.

Section 10.04 Invoices and Payment. JS Business Owner shall pay Johnstone for the Johnstone Product Offerings and shall pay all applicable freight, service, and other charges in accordance with Johnstone's then-current invoicing, credit, and payment policies as set forth in the Johnstone Manuals.

Section 10.05 Setoff. Without prejudice to any other right or remedy it may have, Johnstone may setoff or recoup any liability or obligation it may owe to JS Business Owner against any liability or obligation for which JS Business Owner is liable to Johnstone under this Agreement, any other agreement, or otherwise.

ARTICLE XI
[INTENTIONALLY OMITTED]

ARTICLE XII
CONFIDENTIALITY

Section 12.01 Scope of Confidential Information. From time to time during the Term, either Party (as "***Disclosing Party***") may disclose or make available to the other Party (as "***Receiving Party***") information about its business affairs, goods and services, Forecasts, confidential information, and materials comprising or relating to Intellectual Property Rights, trade secrets, third-party confidential information, and other sensitive or proprietary information; such information, as well as the terms of this Agreement, whether orally or in written, electronic, or other form or media, and whether or not marked, designated, or otherwise identified as "confidential," constitutes "***Confidential Information***" hereunder. Confidential Information excludes information that, at the time of disclosure:

(a) is or becomes generally available to and known by the public other than as a result of, directly or indirectly, any breach of this Article XII by Receiving Party or any of its Representatives;

(b) is or becomes available to Receiving Party on a non-confidential basis from a third-party source, provided that such third party is not and was not prohibited from disclosing such Confidential Information;

(c) was known by or in the possession of Receiving Party or its Representatives before being disclosed by or on behalf of Disclosing Party; or

(d) was or is independently developed by Receiving Party without reference to or use of, in whole or in part, any of Disclosing Party's Confidential Information.

Section 12.02 Protection of Confidential Information. Receiving Party shall, for three (3) years from receipt of such Confidential Information:

(a) protect and safeguard the confidentiality of Disclosing Party's Confidential Information with at least the same degree of care as Receiving Party would protect its own Confidential Information, but in no event with less than a commercially reasonable degree of care;

(b) not use Disclosing Party's Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Agreement; and

(c) not disclose any such Confidential Information to any Person, except:

(i) to Receiving Party's Representatives who need to know the Confidential Information to assist Receiving Party, or act on its behalf, to exercise its rights or perform its obligations under this Agreement; or

(ii) pursuant to applicable federal, state, or local Law, regulation, or a valid order issued by a court or governmental agency of competent jurisdiction, provided that Receiving Party shall first provide Disclosing Party with: (a) prompt Notice of such requirement so that Disclosing Party may seek, at its sole cost and expense, a protective order, or other remedy; and (b) reasonable assistance, at Disclosing Party's sole cost and expense, in opposing such disclosure or seeking a protective order or other limitations on disclosure.

The Receiving Party shall be responsible for any breach of this Article XII caused by any of its Representatives. The provisions of this Article XII shall survive termination or expiration of this Agreement for any reason for a period of three (3) years after such termination or expiration, provided that extent that any item of the Confidential Information meets the definition of a "trade secret" under applicable Law, the provisions of this Article XII shall survive indefinitely. On the expiration or earlier termination of this Agreement, Receiving Party and its Representatives shall, under Section 3.03(b), promptly destroy all Confidential Information and copies thereof that it has received under this Agreement and certify all such destruction in writing to the Disclosing Party.

In the event of any conflict between the terms and provisions of this Article XII and those of any other provision in this Agreement, the terms and provisions of this Article XII will prevail.

ARTICLE XIII
CERTAIN OBLIGATIONS OF THE PARTIES

Section 13.01 Johnstone's and JS Business Owner's Reports. In order to assist Johnstone with its Customer support efforts, JS Business Owner will maintain its books and records segregated in such a manner as to provide for a convenient separation of transactions between the JS Business Owner and Johnstone and JS Business Owner's other business, real estate and non-business activities. JS Business Owner shall maintain, and shall provide Johnstone with, such financial and sales information relating to JS Business Owner's operations and this Agreement as from time to time may be reasonably required by Johnstone and as provided in the Johnstone Manuals.

Section 13.02 Protection Against Supply Interruptions. Johnstone shall use commercially reasonable efforts to ensure the uninterrupted supply of Johnstone Product Offerings to JS Business Owner. Johnstone shall promptly provide JS Business Owner with any notices received from manufacturers regarding delays, disruptions, or unavailability of Johnstone Product Offerings.

Section 13.03 Audit and Inspection Rights.

(a) On three (3) Business Days' Notice, during the Term and for one (1) year after the expiration or earlier termination of this Agreement, whichever is later, Johnstone may audit JS Business Owner's files relating to its sales, marketing, and inventory of Johnstone Product Offerings regarding transactions that took place in the immediately preceding twelve (12) months. Johnstone may conduct any audit under this Section 13.03 at any time during regular business hours.

(b) During the Term, JS Business Owner shall, on three (3) Business Days' Notice, make available for physical inspection by Johnstone at any time during regular business hours: (i) any and all Johnstone branding requirements and, Johnstone Product Offerings in JS Business Owner's inventory, and (ii) all JS Business Owner's places of business and marketing offices.

ARTICLE XIV
REPRESENTATIONS, WARRANTIES, AND COVENANTS

Section 14.01 Johnstone's Representations and Warranties. Johnstone represents, warrants, and covenants to JS Business Owner that:

(a) it is a limited liability company duly organized, validly existing, and in good standing in the State of Delaware;

(b) it is duly qualified to do business and is in good standing in every jurisdiction in which such qualification is required for purposes of this Agreement, except where the failure to be so qualified, in the aggregate, would not reasonably be expected to adversely affect its ability to perform its obligations under this Agreement;

(c) it has the full right, power, and authority to enter into this Agreement, to grant the rights and licenses granted under this Agreement, and to perform its obligations under this Agreement;

(d) the execution of this Agreement by its Representative whose signature is set forth at the end hereof has been duly authorized by all necessary action of the Party;

(e) it is in material compliance with all Laws and contracts applicable to this Agreement, the Johnstone Product Offerings, and the operation of its business; and

(f) when executed and delivered by each of JS Business Owner and Johnstone, this Agreement will constitute the legal, valid, and binding obligation of Johnstone, enforceable against Johnstone in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally or the effect of general principles of equity.

Section 14.02 JS Business Owner's Representations and Warranties. JS Business Owner represents, warrants, and covenants warrants to Johnstone that, with respect to JS Business Owner and each JSBO Affiliate:

(a) it is duly organized or incorporated, validly existing, and in good standing in the jurisdiction of its organization or incorporation;

(b) it is duly qualified to do business and is in good standing in every jurisdiction in which such qualification is required for purposes of this Agreement, except where the failure to be so qualified, in the aggregate, would not reasonably be expected to adversely affect its ability to perform its obligations under this Agreement;

(c) it has the full right, power, and authority to enter into this Agreement, to grant the rights and licenses granted under this Agreement, and to perform its obligations under this Agreement;

(d) the execution (or acknowledgment of a JSBO Affiliate if applicable) of this Agreement by its Representative whose signature is set forth at the end hereof has been duly authorized by all necessary action of the Party;

(e) it is in material compliance with all Laws and contracts applicable to this Agreement, the Johnstone Product Offerings, and the operation of its business;

(f) it has and will maintain data security practices in compliance with all applicable Laws, industry standards, guidelines, and best practices;

(g) the execution, delivery, and performance of this Agreement will not violate, conflict with, require consent under, or result in any breach or default under:

(i) any of its organizational documents;

(ii) any applicable Law; or

(iii) with or without notice or lapse of time or both, the provisions of any material contract or agreement to which it is a party or to which any of its material assets are bound.; and

(h) when executed and delivered by each of Johnstone and JS Business Owner, this Agreement (or Joinder of a JSBO Affiliate if applicable) will constitute the legal, valid, and binding obligation of JS Business Owner and each JSBO Affiliate, enforceable against JS Business Owner and each JSBO Affiliate in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally, or the effect of general principles of equity.

ARTICLE XV
PRODUCT WARRANTIES

Section 15.01 Product Warranties.

(a) The Parties acknowledge and agree that the Johnstone Product Offerings are manufactured by third parties. ACCORDINGLY, JOHNSTONE (TOGETHER WITH ITS AFFILIATES AND REPRESENTATIVES) MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO ANY OF THE JOHNSTONE PRODUCT OFFERINGS, INCLUDING ANY (i) WARRANTY OF MERCHANTABILITY, (ii) WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (iii) WARRANTY OF TITLE; OR (iv) WARRANTY AGAINST INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY; WHETHER EXPRESS OR IMPLIED BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE. JS Business Owner acknowledges that it has not relied on any representation or warranty made by Johnstone and JS Business Owner shall look solely to the warranties provided by the manufacturer of the Johnstone Product Offerings (if any). Johnstone hereby assigns all such warranties to JS Business Owner to the extent authorized by the applicable manufacturer or other supplier, and JS Business Owner may pass through to Customers and End Users all warranties granted by such manufacturer and suppliers in accordance with applicable warranty policies and limitations. Where necessary, Johnstone shall continue to facilitate warranty claims by JS Business Owners with manufacturers and other suppliers.

(b) JS Business Owner shall not make any representations or warranties on behalf of Johnstone or its Affiliates with respect to the Johnstone Product Offerings that JS Business Owner sells or resells. JS Business Owner shall be solely responsible for any additional warranties JS Business Owner may provide to its Customers.

Section 15.02 Recalls. If a manufacturer or any Governmental Authority, determines that any Johnstone Product Offerings sold to JS Business Owner must be recalled or removed, the Parties will cooperate with each other in implementing such recall with respect to the reshipment, storage, or disposal of recalled Johnstone Product Offerings, the preparation and maintenance of relevant records and reports, and notification to any Customers or End Users.

ARTICLE XVI
INDEMNIFICATION

Section 16.01 JS Business Owner Indemnification. Subject to the terms and conditions of this Agreement, including those set forth in Section 16.03, JS Business Owner and each JSBO Affiliate (a "***JS Business Owner Indemnifying Party***") shall indemnify, defend, and hold harmless Johnstone, officers, directors, owners, employees, agents, Affiliates, successors, and permitted assigns (collectively, a "***Johnstone Indemnified Party***") against any and all losses, damages, liabilities, deficiencies, claims, Actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees, fees and the costs of enforcing any right to indemnification under this Agreement, and the cost of pursuing any insurance providers, incurred by Indemnified Party (collectively, "***Losses***") arising out of or relating to any claim of a third party:

(a) relating to a material breach or non-fulfillment of any representation, warranty, or covenant under this Agreement by JS Business Owner Indemnifying Party or its Personnel;

(b) alleging or relating to any act or omission of JS Business Owner Indemnifying Party or its Personnel (including any recklessness or willful misconduct) in connection with the performance of its obligations under this Agreement;

(c) relating to the conduct and operation of JS Business Owner Indemnifying Party's business and dealings with its Customers and third parties, including (i) any representations or warranties made by a JS Business Owner Indemnifying Party or its Personnel that a product can be used for a purpose not intended by its manufacturer, (ii) assistance with selecting or using a product or service, or (iii) statements regarding products made in social media or non-Johnstone produced advertising;

(d) relating to any cyber security incident, such as a data breach or malicious software attack, caused by (i) the acts or omissions of JS Business Owner Indemnifying Party or its Personnel or (ii) the failure of JS Business Owner Indemnifying Party's data security practices;

(e) alleging or relating to any bodily injury, death of any Person, or damage to real or tangible personal property caused by the acts or omissions of JS Business Owner Indemnifying Party or its Personnel;

(f) caused by the failure of JS Business Owner Indemnifying Party or its Personnel to comply with applicable Laws; or

(g) alleging that the JS Business Owner Indemnifying Party breached its agreement with a third party as a result of or in connection with entering into, performing under or terminating this Agreement.

Section 16.02 Johnstone Indemnification. Subject to the terms and conditions set forth in Section 16.03, Johnstone (as "***Johnstone Indemnifying Party***") shall indemnify, hold harmless, and defend JS Business Owner and its officers, directors, employees, owners, agents, Affiliates, successors, and permitted assigns (collectively, "***JS Business Owner Indemnified Party***") against any and all Losses awarded against JS Business Owner Indemnified Party in a final non-appealable judgment, arising out of or resulting from any claim of a third party alleging or relating to:

(a) a material breach or non-fulfillment of any representation, warranty, or covenant under this Agreement by Johnstone Indemnifying Party or its Personnel;

(b) alleging or relating to any act or omission of Johnstone Indemnifying Party or its Personnel (including any recklessness or willful misconduct) in connection with the performance of its obligations under this Agreement;

(c) alleging or relating to any bodily injury, death of any Person, or damage to real or tangible personal property caused by the acts or omissions of Johnstone Indemnifying Party or its Personnel;

(d) caused by the failure of Johnstone Indemnifying Party or its Personnel to comply with applicable Laws; or

(e) alleging that the Johnstone Indemnifying Party breached its agreement with a third party as a result of or in connection with entering into, performing under or terminating this Agreement.

Notwithstanding anything to the contrary in this Agreement, this Section 16.02 does not apply to any claim (whether direct or indirect) covered by Article VIII of the License Agreement or any claim (whether direct or indirect) for which a sole or exclusive remedy is provided for under another section of this Agreement, including Section 9.02.

Section 16.03 Exceptions and Limitations on Indemnification. Notwithstanding anything to the contrary in this Agreement, no Indemnifying Party is obligated to indemnify or defend an Indemnified

Party against any claim (whether direct or indirect) if the claim or corresponding Losses arise out of or result from, in whole or in part, the Indemnified Party's or its Personnel's:

(a) gross negligence or more culpable act or omission (including recklessness or willful misconduct);

(b) bad-faith failure to comply with any of its obligations set forth in this Agreement; or

(c) use of the products purchased under this Agreement (including Johnstone Product Offerings) in any manner that does not materially conform with the then-current usage instructions, guidelines, or specifications provided by the manufacturer or other supplier of such product.

Section 16.04 Third-Party Indemnification. Johnstone shall use reasonable efforts to obtain indemnity and insurance agreements from manufacturers and suppliers for the benefit of Johnstone and JS Business Owners consistent with historic practices where possible.

ARTICLE XVII
LIMITATION OF LIABILITY

Section 17.01 No Liability for Consequential or Indirect Damages. EXCEPT FOR LIABILITY FOR INDEMNIFICATION, LIABILITY FOR BREACH OF CONFIDENTIALITY, OR LIABILITY FOR INFRINGEMENT OR MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS, IN NO EVENT IS EITHER PARTY OR ITS REPRESENTATIVES LIABLE FOR CONSEQUENTIAL, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE, OR ENHANCED DAMAGES, ARISING OUT OF OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF: (A) WHETHER THE DAMAGES WERE FORESEEABLE; (B) WHETHER OR NOT THE BREACHING PARTY WAS ADVISED OF THE POSSIBILITY OF THE DAMAGES; AND (C) THE LEGAL OR EQUITABLE THEORY (CONTRACT, TORT, OR OTHERWISE) ON WHICH THE CLAIM IS BASED, AND NOTWITHSTANDING THE FAILURE OF ANY AGREED OR OTHER REMEDY OF ITS ESSENTIAL PURPOSE.

ARTICLE XVIII
INSURANCE OBLIGATIONS

Section 18.01 Insurance. Without limiting an Indemnifying Party's indemnification obligations under this Agreement, during the Term and for a period of one (1) year thereafter, JS Business Owner will, at its own expense, maintain and carry in full force and effect, such policies of insurance, including types and amounts, as set forth in the Johnstone Manuals.

Section 18.02 Insurance Contract Requirements. JS Business Owner shall ensure that all insurance policies required pursuant to Section 18.01:

(a) are issued by insurance companies reasonably acceptable to Johnstone;

(b) provide that such insurance carriers give Johnstone at least 30 days' prior Notice of cancellation or non-renewal of policy coverage, provided that, prior to such cancellation, JS Business Owner has new insurance policies in place that meet the requirements of this Article XVIII;

(c) provide that such insurance be primary insurance and any similar insurance in the name of Johnstone shall be excess and non-contributory;

(d) name Johnstone and Johnstone's Affiliates, including, in each case, all successors and permitted assigns, as additional insureds; and

(e) waive any right of subrogation of the insurers against Johnstone or any of its Affiliates.

Section 18.03 Insurance Certificates. On request, JS Business Owner shall provide Johnstone with copies of the certificates of insurance and policy endorsements for all insurance coverage required by this Article XVIII, and shall not do anything to invalidate such insurance. This Section 18.03 shall not be construed in any manner as waiving, restricting, or limiting the liability of either Party for any obligations imposed under this Agreement (including any provisions requiring a party hereto to indemnify, defend, and hold the other harmless under this Agreement).

ARTICLE XIX
MISCELLANEOUS

Section 19.01 Further Assurances. Upon Johnstone's reasonable request, JS Business Owner shall, at its sole cost and expense, execute and deliver all such further documents and instruments, and take all such further acts, necessary to give full effect to this Agreement.

Section 19.02 Entire Agreement.

(a) This Agreement, including the Recitals, which are incorporated by this reference, the Johnstone Manuals, and all exhibits and schedules to this Agreement constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Johnstone has made in the franchise disclosure document that Johnstone furnished to JS Business Owner.

(b) JS Business Owner acknowledges that it is entering into this Agreement as a result of its own independent investigation of Johnstone's franchised business and not as a result of any representations about Johnstone made by Johnstone's shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to JS Business Owner pursuant to applicable law.

Section 19.03 Survival. Subject to the limitations and other provisions of this Agreement: (a) the representations and warranties of the Parties contained herein shall survive the expiration or earlier termination of this Agreement, and (b) Article XII through Article XIX of this Agreement, as well as any other provision that, in order to give proper effect to its intent, should survive such expiration or termination, shall survive the expiration or earlier termination of this Agreement.

Section 19.04 Notices. All notices, requests, consents, claims, demands, waivers, and other communications under this Agreement (each, a "***Notice***", and with the correlative meaning, "***Notify***") must be in writing and addressed to the other Party at its address set forth below (or to such other address that the receiving Party may designate from time to time in accordance with this Section 19.04). Unless otherwise agreed herein, all Notices must be delivered by personal delivery, nationally recognized overnight courier, or certified or registered mail (in each case, return receipt requested, postage prepaid). Except as otherwise provided in this Agreement, a Notice is effective only (a) on receipt by the receiving Party, and (b) if the Party giving the Notice has complied with the requirements of this Section 19.04.

Notice to JS Business Owner: _____

_____

Phone: _____

E-mail: _____

Attention: _____

With a copy to, which shall not constitute Notice: _____

_____

Phone: _____

E-mail: _____

Attention: _____

Notice to Johnstone: 11632 NE Ainsworth Circle
Portland, OR 97220
Phone: 503-419-9217
E-mail: legal@johnstonesupply.com
Attention: Director of Legal

With a copy to, which shall not constitute Notice: K&L Gates LLP
One SW Columbia Street, Suite 1900
Portland, OR 97204
Phone: 503-228-3200
E-mail: Brendan.Mcdonnell@klgates.com,
ShiauYen.Chin-Dennis@klgates.com
Attention: Brendan Gutierrez McDonnell,
Shiau Yen Chin-Dennis

Section 19.05 Interpretation. For purposes of this Agreement, (a) the words "include," "includes," and "including" are deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; (c) the words "herein," "hereof," "hereby," "hereto," and "hereunder" refer to this Agreement as a whole; (d) words denoting the singular have a comparable meaning when used in the plural and vice-versa; and (e) words denoting any gender include all genders. Unless the context otherwise requires, references in this Agreement: (x) to sections, exhibits, schedules, attachments, and appendices mean the sections of, and exhibits, schedules, attachments, and appendices attached to this Agreement; (y) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. The Parties drafted this Agreement without regard to any presumption or rule requiring construction or interpretation against the Party drafting an instrument or causing any instrument to be drafted. The exhibits, schedules, attachments, and appendices

referred to herein are an integral part of this Agreement to the same extent as if they were set forth verbatim herein.

Section 19.06 Headings. The headings in this Agreement are for reference only and do not affect the interpretation of this Agreement.

Section 19.07 Severability. All terms and conditions of this Agreement will be deemed enforceable to the fullest extent permissible under applicable Law. If any one or more of the provisions of this Agreement should be ruled wholly or partly invalid or unenforceable by a court or other government body of competent jurisdiction, then: (a) the validity and enforceability of all provisions of this Agreement not ruled to be invalid or unenforceable shall be unaffected; (b) the effect of the ruling shall be limited to the jurisdiction of the court or other government body making the ruling; (c) the provision(s) held wholly or partly invalid or unenforceable shall be deemed amended, and the court or other government body is authorized and requested to reform such provision(s), to the minimum extent necessary to render them valid and enforceable in conformity with the Parties' intent as manifested herein; (d) if the court or other government body declines or is unable to reform the provision(s), then the Parties shall in good faith negotiate a reformation of the provision(s), to the minimum extent necessary to render them valid and enforceable in conformity with the Parties' intent as manifested herein; and (e) if the ruling and/or the controlling principle of law or equity leading to the ruling, is subsequently overruled, modified, or amended by legislative, judicial, or administrative action, then the provision(s) in question as originally set forth in this Agreement shall be deemed valid and enforceable to the maximum extent permitted by the new controlling principle of law or equity. Notwithstanding any other provision of this Agreement, to the extent that the provisions of this Agreement provide for periods of Notice less than those required by applicable Law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable Law, such provisions shall, to the extent such are not in accordance with applicable Law, be superseded by said Law.

Section 19.08 Amendment and Modification. No amendment to or modification of or rescission, termination, or discharge of this Agreement is effective unless it is in writing, identified as an amendment to or rescission, termination, or discharge of this Agreement or the Purchase Order and signed by an authorized Representative of each Party.

Section 19.09 Waiver.

(a) No waiver under this Agreement is effective unless it is in writing, identified as a waiver to this Agreement, and signed by an authorized Representative of the Party waiving its right.

(b) Any waiver authorized on one occasion is effective only in that instance and only for the purpose stated, and does not operate as a waiver on any future occasion.

(c) None of the following constitutes a waiver or estoppel of any right, remedy, power, privilege, or condition arising from this Agreement:

(i) any failure or delay in exercising any right, remedy, power, or privilege or in enforcing any condition under this Agreement; or

(ii) any act, omission, or course of dealing between the Parties.

Section 19.10 Assignment; Change of Control.

(a) Johnstone may not assign any of its rights or obligations under this Agreement, in whole or in part, without JS Business Owner's prior written consent; provided that Johnstone may assign any or all of its rights and obligations under this Agreement without the prior written consent of JS Business Owner (i) to any of its Affiliates, or (ii) in the event Johnstone shall hereafter effect a corporate reorganization, consolidate with, merge into, or be acquired by any Person or transfer of all or substantially all of its properties or assets to any Person.

(b) JS Business Owner shall not sell, assign, or otherwise transfer this Agreement or any of its rights, interests, duties, obligations, or remedies associated with this Agreement, whether by operation of law, contract, or otherwise (an "***Assignment***"), without prior written approval from Johnstone. Any Assignment lacking Johnstone's written consent or that otherwise violates the restrictions in this Agreement will be ineffective against Johnstone and will constitute a terminable default under this Agreement. During the Term of this Agreement, in addition to any other Assignment, if JS Business Owner is a corporation, partnership, limited liability company, or other form of business entity, (i) any direct or indirect transfer or the issuance, by a single event or any combination or series of related events, of twenty-five percent (25%) or more of the equity interests of, or voting rights in, JS Business Owner or (ii) any merger or amalgamation of JS Business Owner with, or any sale of all or substantially all of the assets of JS Business Owner to, one or more third parties (each, a "***Change of Control***") shall constitute an Assignment of the Agreement and which requires Johnstone's written consent in accordance with this Section 19.10. Any proposed Change of Control of a JSBO Affiliate or any Branch is subject to the requirements of this Section 19.10.

(c) Johnstone's consent to any proposed Assignment shall be evaluated under the then-current assignment and transfer policy of Johnstone, which shall require, among other things that:

(i) the assignee (A) shall not be a competitor of Johnstone; (B) shall be of good moral character and reputation; (C) shall have a sufficient credit rating, financial capabilities, and competent business qualifications reasonably acceptable to Johnstone; and (D) shall meet Johnstone's then-current standards for approval of a JS Business Owner. JS Business Owner shall provide Johnstone with the information it may reasonably require to make a determination concerning each proposed assignee;

(ii) the assignee shall execute a new distribution agreement with Johnstone, on the terms satisfactory to Johnstone, assuming all of JS Business Owner's obligations thereunder;

(iii) all equity holders of the assignee shall enter into a written agreement in form satisfactory to Johnstone jointly and severally guaranteeing the full payment and performance of the assignee's obligations to Johnstone and agreeing to be personally bound by all covenants and restrictions imposed upon the assignee under this Agreement;

(iv) all accrued money obligations of JS Business Owner shall be satisfied prior to any Assignment;

(v) all equity interest in Johnstone and/or its Affiliates held by JS Business Owner must be liquidated or transferred as required by the Johnstone Organizational Documents in connection with the Assignment; and

(vi) any proposed Assignment shall be subject to the Right of First Refusal and Exit Auction provisions herein.

(d) If, at any time during the Term of this Agreement, JS Business Owner receives and desires to enter into a bona fide offer from a third party to effectuate an Assignment (including any Change of Control other than a Change of Control where the only transfer being made is of an equity interest in the applicable JS Business Owner from an existing equity holder to any member of the Family Group of such equity holder, which any such transfer shall be excluded from the Right of First Refusal contained herein (but for the avoidance of doubt shall be subject to Section 19.10(c)), JS Business Owner will Notify Johnstone of the full terms of the offer, including the identity of the offeror and a copy of any proposed agreement (the "***Assignment Notice***"). Upon receipt of an Assignment Notice at any time from and after the two (2)-year anniversary of the Conversion Date, Johnstone shall have the right and option, exercisable within thirty (30) days and closing within one hundred and twenty (120) days after delivery of the Assignment Notice, to Notify JS Business Owner that Johnstone or its designee intends to purchase or lease the business on the same terms and conditions offered by the offeror (the "***Right of First Refusal***"). As used herein, "***Family Group***" means any of (i) the applicable equity holder's or its direct or indirect owner's spouse and descendants (whether natural or adopted) and any trust solely for the benefit of the applicable equity holder or its direct or indirect owner and/or the applicable equity holder's or its direct or indirect owner's spouse and/or descendants, and (ii) the applicable equity holder's or its direct or indirect owner's mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law provided that any such individual was involved on a full-time basis with the business of the applicable JS Business Owner for at least twelve (12) months prior to the contemplated transfer.

(e) In addition to the provisions in Section 19.10(d), JS Business Owner may, during the Term of this Agreement, provide Notice to Johnstone of its desire to sell its business (an "***Exit Notice***") and that it wishes to proceed with an auction process (the "***Exit Auction***") as detailed in the Johnstone Manuals (which will include bidders that are current JS Business Owners and, if approved by Johnstone, non-distributors). For a period of thirty (30) days following JS Business Owner's selection of a winning bidder from any Exit Auction occurring at any time from and after the two (2)-year anniversary of the Conversion Date, Johnstone will have the ability to exercise its Right of First Refusal and match such winning bidder's purchase terms if such winning bidder's price is higher than the price last offered by Johnstone and consummate the purchase of JS Business Owner's business on such terms.

(f) Notwithstanding the other provisions of this Section 19.10, if JS Business Owner was formerly a Johnstone Patron, then during the first twenty-four (24) months after the Conversion Date, JS Business Owner may exercise the following put right (the "***Put Right***"). Upon written Notice to Johnstone (the "***Put Right Notice***"), JS Business Owner shall have the right to sell, and cause Johnstone (or Johnstone's designee) to purchase, all (but not less than all) of JS Business Owner's (and/or its JSBO Affiliates') business assets relating to the distribution and sale of Johnstone Product Offerings. The sale of the business assets will be structured as an asset sale and will be on a debt-free, cash-free basis, and will include sufficient net working capital (including inventory and accounts receivable), fixed assets (including vehicles and fixtures, and all other equipment necessary to conduct the business), all rights and obligations under this Agreement, and a lease with at least a three (3)-year term based on market-rate lease pricing for any real estate owned by JS Business Owner and required to conduct the ongoing business under this Agreement. The purchase price will be .2 times the average annual trailing revenue for the JS Business Owner for the twenty-four (24) month period ending on the last day of the month preceding the delivery of the Put Right Notice. The purchase price will be subject to a working capital adjustment based upon the JS Business Owner transferring target net working capital to Johnstone (or Johnstone's designee). The target net working capital will be based upon normalized working capital to run the business. The purchase agreement will contain customary representations, warranties, and indemnities, and a non-compete and non-solicit for a period of at least five (5) years (to the extent enforceable under applicable law). Prior to closing on any proposed sale through this Put Right, Johnstone shall have the opportunity to diligence JS Business Owner's operations and if Johnstone reasonably determines the selling operations contain a

material liability (contingent or otherwise) that could reasonably viewed as transferring to Johnstone as a result of the contemplated transaction, Johnstone may reject the contemplated put.

Section 19.11 Successors and Assigns. This Agreement is binding on and inures to the benefit of the Parties to this Agreement and their respective permitted successors and permitted assigns.

Section 19.12 No Third-Party Beneficiaries. Except as otherwise expressly provided herein, this Agreement benefits solely the Parties to this Agreement and their respective permitted successors and assigns, and nothing in this Agreement, express or implied, confers on any other Person any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

Section 19.13 Choice of Law. This Agreement, including all Purchase Order documents and exhibits, schedules, attachments, and appendices attached to this Agreement and thereto, and all matters arising out of or relating to this Agreement, are governed by, and construed in accordance with, the Laws of the State of Delaware, United States of America, without regard to the conflict-of-laws provisions thereof to the extent such principles or rules would require or permit the application of the Laws of any jurisdiction other than those of the State of Delaware. The Parties agree that the United Nations Convention on Contracts for the International Sale of Johnstone Product Offerings does not apply to this Agreement.

Section 19.14 Dispute Resolution.

(a) Except as otherwise provided herein, any dispute, controversy, or claim arising out of or relating to this Agreement, or the breach, termination or invalidity hereof (each, a "***Dispute***"), shall be submitted for negotiation and resolution to the Chief Executive Officer and Chief Financial Officer of Johnstone (or to such other person of equivalent or superior position designated by Johnstone in a written Notice to JS Business Owner) and the designated officer of JS Business Owner (or to such other person of equivalent or superior position designated by JS Business Owner in a written Notice to Johnstone), by delivery of written Notice (each, a "***Dispute Notice***") from either Party to the other Party. Such Persons shall negotiate in good faith to resolve the Dispute. If the Parties cannot resolve any Dispute within thirty (30) days after delivery of the applicable Dispute Notice, either Party may initiate arbitration in accordance with this Agreement.

(b) Except as otherwise provided herein, any Dispute between the Parties will be exclusively resolved through binding arbitration in Wilmington, Delaware before a single, independent arbitrator, using the facilities and commercial arbitration rules of the American Arbitration Association ("***AAA***"). The arbitrator must be either a retired judge or an attorney with a minimum of ten (10) years' experience in the practice of commercial distribution Law who agrees to follow and apply the express provisions of this Agreement in determining their award. The Parties will jointly share the costs of the arbitrators' fees and the fees payable to the AAA, but each Party shall bear its own legal fees and other legal expenses. The provisions of the Federal Arbitration Act, Title 9 US Code (the "***Federal Arbitration Act***"), will govern arbitration under this Agreement, except to the extent it is inconsistent with any provision of this Agreement, including this Section 19.14(b). The award of the arbitrator will be final and binding, except to the extent an arbitration award is appealable under the Federal Arbitration Act and may be enforced in any court of competent jurisdiction. The arbitrator shall not have authority to hear or decide any class action composed of JS Business Owners of Johnstone, to grant injunctive or other equitable relief to any Party, to modify the terms of this Agreement, or to include in any award to any Party any amounts on account of punitive, special, or consequential damages. Johnstone shall not be required to arbitrate any collection action not in excess of $50,000, any action for equitable relief as provided in Section 19.14(c), or any claims that may be asserted against a guarantor of any obligations under this Agreement.

(c) Each Party acknowledges and agrees that (i) a breach or threatened breach by such Party of any of its obligations under Article XII or the License Agreement would give rise to irreparable harm to the other Party for which monetary damages would not be an adequate remedy, and (ii) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party shall, in addition to any and all other rights and remedies that may be available to such Party at law, at equity, or otherwise in respect of such breach, be entitled to equitable relief without first mediating or arbitrating such Dispute, including a temporary restraining order, an injunction, specific performance, and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that such Party will not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 19.14(c).

(d) Notwithstanding the provisions of the above Section 19.14 of this Agreement, any and all disputes arising under the Intellectual Property License Agreement shall be governed and resolved exclusively pursuant to the terms of the Intellectual Property License Agreement, including Article XI of that agreement. For the avoidance of doubt, Section 19.14 of this Agreement shall be inapplicable to all disputes arising under the Intellectual Property License Agreement, including but not limited to any breach, contemplated breach or alleged breach of Article VII of that agreement.

Section 19.15 Cumulative Remedies. All rights and remedies provided in this Agreement are cumulative and not exclusive, and the exercise by either Party of any right or remedy does not preclude the exercise of any other rights or remedies that may now or subsequently be available at law, in equity, by statute, in any other agreement between the Parties, or otherwise.

Section 19.16 Counterparts. This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. Notwithstanding anything to the contrary in Section 19.04, a signed copy of this Agreement delivered by facsimile, e-mail, or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 19.17 Force Majeure. Any delay or failure of either Party to perform its obligations under this Agreement will be excused to the extent that the delay or failure was caused directly by an event beyond such Party's control, without such Party's fault or negligence, and that by its nature could not have been foreseen by such Party or, if it could have been foreseen, was unavoidable (which events may include natural disasters, epidemic or pandemic, embargoes, explosions, riots, wars, or acts of terrorism) (each, a "***Force Majeure Event***"). Johnstone's financial inability to perform, changes in cost, market conditions, or contract disputes will not excuse performance by Johnstone under this Section 19.17. Johnstone shall give JS Business Owner prompt written Notice of any event or circumstance that is reasonably likely to result in a Force Majeure Event and the anticipated duration of such Force Majeure Event. Johnstone shall use all diligent efforts to end the Force Majeure Event, ensure that the effects of any Force Majeure Event are minimized, and resume full performance under this Agreement. In addition to its other rights under this Agreement or the Law, during any Force Majeure Event, JS Business Owner may cancel any pending Purchase Order, purchase substitute goods constituting Johnstone Product Offerings from other sources without liability to Johnstone, and such alternative orders shall not adversely affect JS Business Owner's Minimum Purchase Percentage Requirements under Section 2.08(a) and Section 5.02(a).

Section 19.18 Independent Contractors. The Parties are independent contractors and nothing in this Agreement shall be deemed or constructed as creating a joint venture, employment, partnership, or agency relationship between Johnstone and JS Business Owner. Neither Party, by virtue of this Agreement, will have any right, power, or authority to act or create an obligation, express or implied, on behalf of the

other Party. Each Party assumes responsibility for the actions of its Personnel under this Agreement and will be solely responsible for their supervision, daily direction, and control, wage rates, withholding income taxes, disability benefits, or the manner and means through which the work under this Agreement will be accomplished. Except as provided otherwise in this Agreement, JS Business Owner has the sole discretion to determine JS Business Owner's methods of operation, JS Business Owner's accounting practices, the types and amounts of insurance JS Business Owner carries, JS Business Owner's Personnel practices, JS Business Owner's advertising and promotion, JS Business Owner's Customers, and JS Business Owner's operational areas and methods. The relationship created hereby between the Parties is intended to be solely that of supplier and distributor.

Section 19.19 No Public Announcements. Neither Party nor any of its Representatives shall (orally or in writing) publicly disclose, issue any press release or make any other public statement, or otherwise communicate with the media concerning the existence of this Agreement or the subject matter hereof without the prior written approval of the other Party, except if and to the extent that such Party is required to make any public disclosure or filing regarding the subject matter of this Agreement: (a) by applicable Law or (b) in connection with enforcing its rights under this Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

[JS BUSINESS OWNER]

By _____
Name: _____
Title: _____

JOHNSTONE SUPPLY, LLC

By _____
Name: Julie Schultz
Title: Chief Financial Officer

SCHEDULE A

DESCRIPTION OF TERRITORY

TERRITORY:

[Insert for each JS Business Owner]

JOHNSTONE PATRON TRADE AREA:

Transition to Territory. JS Business Owner's former Johnstone Patron Trade Area is set forth above. During the Transition Period, JS Business Owner shall be authorized to exercise the rights granted in this Agreement in both the Territory and Johnstone Patron Trade Area (if there is any difference between them), provided that during the Transition Period, any other Johnstone Patron that is a current JS Business Owner and has a Johnstone Patron Trade Area that also encompasses all or a portion of the Territory shall also be authorized to act as a JS Business Owner in such Territory or Johnstone Patron Trade Area.

REGION:

[Insert for each JS Business Owner]

SCHEDULE B

JSBO AFFILIATES

[Complete for each JSBO Affiliate]

Company's exact corporate name: _____

Company's corporate form and state of organization:_____

_____

Address for Notices: _____

_____

Facsimile number: _____

Phone number: _____

E-mail: _____

Attn: _____

EXHIBIT 1

LICENSE AGREEMENT

[Separately Executed]

INTELLECTUAL PROPERTY LICENSE AGREEMENT
U.S. DISTRIBUTORS ONLY

This Intellectual Property License Agreement ("***License Agreement***") is effective as of _____, 2022 (the "***Effective Date***") by and between Johnstone Supply, LLC, a Delaware limited liability company with a principal place of business at 11632 NE Ainsworth Circle, Portland, OR 97220 (hereinafter referred to as "***Johnstone***" or "***Licensor***") and [NAME OF JSBO ENTITY], [a/an STATE AND CORPORATE FORM] with a principal place of business at [JSBO ENTITY ADDRESS] (hereinafter referred to as "***Licensee***").

RECITALS

WHEREAS, Johnstone is a wholesale distributor of heating, ventilation, air conditioning, and refrigeration ("***HVAC/R***") equipment, repair and replacement parts, and maintenance supplies for residential, light commercial, and facilities maintenance applications;

WHEREAS, Licensee is in the business of selling certain HVAC/R products, equipment, parts, supplies, accessories, and related items;

WHEREAS, for four (4) decades prior to the Conversion Date, Johnstone's predecessor, Johnstone Supply, Inc. (the "***Cooperative***") was a wholesale distribution cooperative, with cooperative members and their affiliates ("***Johnstone Patrons***") operating in forty-eight (48) U.S. States, Guam and Canada;

WHEREAS, with the support of the Johnstone Patrons, the Cooperative converted into Johnstone in order to maximize growth opportunities and improve operating efficiencies for the benefit of Johnstone and the Johnstone Patrons;

WHEREAS, Johnstone is entering into distribution agreements with individual distributors, including former Johnstone Patrons (collectively "***JS Business Owners***"), including Licensee, governing distribution of Johnstone Product Offerings to Customers. The distribution agreement between Johnstone and Licensee is referred to herein as the "***Distribution Agreement***"; and

WHEREAS, in order to fulfill its obligations under the Distribution Agreement, Licensee requires a limited license to use certain Johnstone Intellectual Property, and Johnstone is willing to grant such a license, subject to the terms and conditions of this License Agreement and the Distribution Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

TERMS AND CONDITIONS

ARTICLE I
DEFINITIONS

Capitalized terms have the meanings set out in this Article, or in the Article in which they first appear in this License Agreement. Any capitalized term used in this License Agreement but not defined in this Article or in the Article in which it first appears, has the meaning set forth in the Distribution Agreement. The recitals above are made part of this License Agreement.

"***Licensed Johnstone Intellectual Property***" means (a) the trademarks, service marks, brand names, and logos listed in Schedule A ("***Licensed Johnstone Marks***"); (b) the software listed in Schedule B ("***Licensed Software***"), (c) the other Intellectual Property Rights listed in Schedule B, and (d) any additional Johnstone Intellectual Property authorized by Johnstone from time-to-time in writing pursuant to the Distribution Agreement for use on or in connection with the Johnstone Product Offerings as a licensed distributor. This definition excludes any Intellectual Property Rights licensed to Licensee under the JXI Cross Referencing System License Agreement, dated [DATE OF JSBO's JXI AGREEMENT, IF ANY] that remains in effect between Licensee and Johnstone by virtue of assignment or operation of law.

ARTICLE II
GRANT OF LICENSE

2.1 Upon the terms and conditions set forth herein, Licensor hereby grants Licensee and Licensee hereby accepts, for the Term of this License Agreement, a non-exclusive, non-transferrable, non-assignable, non-sub-licensable right to use (a) the Licensed Johnstone Marks (i) within Licensee's Johnstone Patron Trade Area until the expiration of the Transition Period, and (ii) within Licensee's Territory at any time during the Term, and (b) the Licensed Johnstone Intellectual Property excluding the Licensed Johnstone Marks, in each of clauses (a) and (b) solely for Licensee's internal business operations undertaken in the ordinary course to distribute Johnstone Product Offerings in strict accordance with the terms of the Distribution Agreement.

2.2 Johnstone specifically reserves any and all rights that are not expressly granted in this License Agreement with respect to any Johnstone Intellectual Property, including the Licensed Johnstone Intellectual Property.

ARTICLE III
USE AND LIMITATIONS

3.1 **Use of Licensed Johnstone Intellectual Property**. Licensee shall use the Licensed Johnstone Intellectual Property in a manner consistent with the terms of the Distribution Agreement and this License Agreement, including but not limited to all limitations and usage parameters noted in Schedule B, and all applicable national, federal, state, district, and local Law. At no time may Licensee modify the Licensed Johnstone Intellectual Property in any manner without Johnstone's prior written consent.

3.2 **Use of Licensed Johnstone Marks**. Licensee acknowledges that the Licensed Johnstone Marks have established prestige and goodwill and are well-recognized in the minds of the trade and the public, that they are of great importance and value to Licensor, and that the high standards and reputation for quality symbolized by the Licensed Johnstone Marks shall be maintained. Accordingly, Licensee's use of the Licensed Johnstone Marks shall be: (a) in accordance with all applicable Law and industry standards, including, without limitation, as they relate to importation and exportation; (b) in a manner and at a level of quality at least as high as that observed by Licensee for like or comparable products; (c) in a manner and at a level of quality at least as high as that observed by Licensor for like or comparable products; (d) in strict adherence to the Johnstone Manuals (as defined herein), or as otherwise pre-approved by Licensor in writing; (e) in a manner consistent with any samples thereof provided to Licensor pursuant to Section 3.3; (f) in a manner consistent with the Cooperative's and Licensor's high quality standards and reputation; and (g) as otherwise directed by Licensor in its reasonable discretion and on a non-discriminatory basis with respect to Licensee (clauses (a)-(g) collectively, the "***Quality Standards***"). Licensee is specifically authorized to use "Johnstone Supply" as part of its assumed business name.

3.3 **Quality Control**.

(a) General. In order to maintain the goodwill associated with its products and services, the Cooperative created numerous policies to ensure that licensees used Licensed Johnstone Marks in a manner that was consistent with the quality and character that customers had come to expect from the Cooperative (and as such policies may be updated and/or supplemented from time to time, the "***Johnstone Manuals***"). The Johnstone Manuals specific to this License Agreement are listed in Schedule C, and subject to change by Johnstone from time to time. Licensee shall only use and permit the use of Licensed Johnstone Marks in accordance with Johnstone Manuals and all other Quality Standards, unless Johnstone has explicitly authorized otherwise in writing. Licensor shall have the right, at any time, in its reasonable discretion and on a non-discriminatory basis with respect to Licensee, to modify or supplement the Johnstone Manuals to be maintained by Licensee by providing written notice thereof to Licensee. Licensor shall have the right, not more than once per year, to request and receive from Licensee, at Licensee's expense, a reasonable number of product samples, packaging, advertising and related marketing materials embodying the Licensed Johnstone Marks. In addition, the quality of Licensee's products and services shall at all times meet Johnstone's Quality Standards and specifications for Johnstone Intellectual Property, including those described in the Johnstone Manuals attached in Schedule C. Licensee will comply with the Quality Standards and recognizes that failure to comply may result in a material breach.

Questions regarding Johnstone Manuals should be directed to the following Johnstone contacts:

Primary Contact	Backup Contact
Johnstone	Johnstone
Attention: Bill Gantt	Attention: Katie Gailey
Title: Director, Data & Strategic Business Systems	Title: Marketing Manager
11632 NE Ainsworth Circle	11632 NE Ainsworth Circle
Portland, OR 97220	Portland, OR 97220
Telephone: 503-419-9023	Telephone: 503-419-9136
Email: bill.gantt@johnstonesupply.com	Email: katie.gailey@johnstonesupply.com

Johnstone shall update Licensee with respect to any changes in the contact(s) as necessary.

(b) Non-compliance. If Licensor determines that Licensee is not in compliance with this License Agreement, Licensor may notify Licensee in writing of such non-compliance. The notice of non-compliance shall set forth in reasonable detail a description of the nature of the non-compliance and any requested action for curing the non-compliance. Upon receipt of the notice of non-compliance, Licensee shall act promptly to correct the issues identified therein. If the non-compliance is not cured to the reasonable satisfaction of Licensor within ten (10) days of the notice of non-compliance, without limiting Licensor's rights under Article VII, Licensor may direct Licensee to cease all use of the Licensed Johnstone Intellectual Property at issue. Licensee understands that damages at law would be an inadequate remedy in the event of any failure by Licensee to comply in accordance with this Section 3.3 and such rights may be enforced in accordance with Section 11.3. The foregoing shall be without prejudice to, and without limiting, any of Licensor's other rights and remedies under this License Agreement or at law or in equity.

(c) Reports; Inspection. At Licensor's reasonable request during the Term, Licensee will submit to Licensor information regarding Licensee's use of the Licensed Johnstone Marks, including with respect to Licensee's compliance with the Quality Standards, as Licensor may request from time to time. If at any time Licensee becomes aware of any non-compliance by Licensee with respect to quality control of the Licensed Johnstone Marks or the Quality Standards as required under this License

Agreement, Licensee shall promptly report such non-compliance to Licensor, and in any event no longer than ten (10) days after Licensee becomes aware of such non-compliance. At the reasonable request of Licensor and at the expense of Licensor, Licensee shall permit representatives of Licensor or representatives appointed by Licensor to inspect Licensee's operations to monitor Licensee's use of the Licensed Johnstone Marks. Licensee shall furnish to Licensor all other data and reports as reasonably requested by Licensor.

3.4 **Use of Internet Domain Names**. Licensee will not make use of or register any domain names containing a Licensed Johnstone Mark or any domain name similar to johnstonesupply.com without the express written permission of Johnstone. Licensee's license to the johnstonesupply.com is limited to displaying content on Licensee's specific subdomain, as listed in Schedule D, and all such content contained or displayed therein will comply with the Quality Standards; provided that Licensor will control the operation of the johnstonesupply.com domain name, including Licensee's subdomain.

3.5 Licensed Software Restrictions.

(a) Except to Representatives over Licensee's network, and subject at all times to the limitations and usage parameters set forth in Schedule B, Licensee will not copy, distribute, redistribute, perform, display, transfer, or otherwise make available the Licensed Software or any component or portion thereof without Johnstone's express prior written consent.

(b) In addition, Licensee will not:

(i) Modify or create derivative works of the Licensed Software;

(ii) Reverse engineer, derive source code from, modify source code from, or decompile source code from the Licensed Software, or otherwise misappropriate the Licensed Software, in whole or in part;

(iii) Scrape any information from the Licensed Software;

(iv) Transfer copies of the Licensed Software from one device to another device via any means;

(v) Attempt to circumvent any technology used by Johnstone or any third party to protect the Licensed Software;

(vi) Attempt to circumvent any territorial restrictions applied by Johnstone;

(vii) Use any of the Licensed Software for any illegal or unlawful purpose;

(viii) Permit any third party to use or have access to the Licensed Software on a commercial timesharing basis to operate the third party's business;

(ix) Remove or alter any copyright, trademark, or other intellectual property notices contained on or provided through the Licensed Software; or

(x) Use or disclose the Licensed Software in any manner that violates Licensee's confidentiality obligations under Article IV of this License Agreement.

3.6 **Third-Party Materials.** Access to and use of the Licensed Johnstone Intellectual Property may require the use of third-party software and services that are governed by and require Licensee's

agreement to terms which are separate from this License Agreement and for which Johnstone bears no responsibility or obligation. Licensee will comply with all applicable third-party terms in its use of the Licensed Johnstone Intellectual Property under this License Agreement and the Distribution Agreement. As part of such compliance, Licensee may be required to enter into a separate agreement with third-party providers in order to receive or continue to access and use the Licensed Johnstone Intellectual Property, and Licensee shall be responsible for entering any such separate agreements at Licensee's sole cost and expense.

ARTICLE IV
CONFIDENTIALITY

4.1 The Parties agree that all Confidential Information disclosed between the Parties in connection with this License Agreement will be subject to the confidentiality provisions in Article XII of the Distribution Agreement.

4.2 Licensee acknowledges that the Johnstone Intellectual Property (excluding trademarks and published works) is Johnstone's Confidential Information (as defined in the Distribution Agreement).

ARTICLE V
OWNERSHIP

5.1 Licensee acknowledges that Licensee does not acquire any ownership rights in the Licensed Johnstone Intellectual Property as a result of this License Agreement or Licensee's use of the Licensed Johnstone Intellectual Property. Licensee has no rights to use the Licensed Johnstone Intellectual Property except as expressly provided by the terms of this License Agreement. All title, ownership, and Intellectual Property Rights in and to the Licensed Johnstone Intellectual Property are owned by Johnstone.

5.2 Licensee acknowledges the validity of the Licensed Johnstone Marks and any registrations thereof and Johnstone's right, title, and interest in and to the use of such Licensed Johnstone Marks, including Johnstone's right to register all Licensed Johnstone Marks.

5.3 Unless expressly permitted in writing, Licensee will not make use of or register any trademarks, domain names, or social media accounts or user names that use or incorporate, or are confusingly similar to, any of the Licensed Johnstone Marks.

5.4 All use of the Licensed Johnstone Marks by Licensee shall inure to the benefit of Johnstone. Licensee agrees that it will not, at any time during or after the Term, directly or indirectly apply for any registration as owner or exclusive licensee of the Licensed Johnstone Marks, or of any trademarks confusingly similar to the Licensed Johnstone Marks. The obligations of this paragraph shall survive the expiration of this License Agreement or any termination of this License Agreement by either Party and for whatever cause (including any cancellation by operation of Law).

5.5 Licensee agrees to promptly give Notice in writing to Johnstone of any infringements or suspected or threatened infringements, imitations, illegal uses, or misuses of the Licensed Johnstone Intellectual Property that come to Licensee's attention. Johnstone may decide in its absolute discretion whether and what steps should be taken to challenge such infringements including the institution of legal proceedings. Johnstone will have sole control over and will conduct any action(s) as it deems necessary pursuant to this paragraph, and shall be responsible for its own attorneys' fees associated with such action, and shall be entitled to keep all damages and/or settlement amounts received as a result of such action. Licensee undertakes fully and without reservation whatsoever to render to Johnstone all assistance in connection with any matter pertaining to the protection of Johnstone Intellectual Property including, but

not limited to furnishing documents, records, files, and other information, making available its employees, executing all necessary documents, and providing its written consent to be joined as a party to any legal proceedings as Johnstone may request.

5.6 All comments, feedback, suggestions, ideas, and other submissions disclosed or submitted to Johnstone by Licensee in connection with this License Agreement or the Distribution Agreement ("***Feedback***"), as well as any improvements to or derivatives of Johnstone Intellectual Property, will be the exclusive property of Johnstone. Licensee hereby agrees that Johnstone may use, sell, exploit, and disclose such Feedback, improvements, and derivatives in any manner, without restriction, and without compensation to Licensee.

5.7 If, notwithstanding the Parties' intentions set forth in the preceding paragraphs, Licensee acquires any right, title, or interest in or to (a) any Johnstone Intellectual Property, (b) any modifications, improvements, or derivatives of any Johnstone Intellectual Property, (c) any Feedback, or (d) any intellectual property substantially or confusingly similar to any Johnstone Intellectual Property, in the course of carrying out its obligations or exercising its rights under this License Agreement or the Distribution Agreement, then Licensee hereby assigns to Johnstone or any designee of Johnstone all of Licensee's rights, title, and interest in and to any of the foregoing, including the Intellectual Property Rights therein or thereto and any related goodwill incident to any of the foregoing or to any such Intellectual Property Rights. No consideration other than the mutual covenants and considerations of this License Agreement shall be necessary for any such assignment, transfer, or conveyance. Licensee shall, at Licensee's sole cost and expense, execute and deliver such further documents and instruments and shall take such other actions as may be reasonably necessary or desirable to effect the transfer of ownership of any of the foregoing (a) through (d).

5.8 If Licensor deems it necessary for Licensee to modify or discontinue use of any of the Johnstone Intellectual Property, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Licensee shall comply with Licensor's directions within ten (10) business days after notice to Licensee by Licensor. Licensor will not be required to reimburse Licensee for its expenses in modifying or discontinuing the use of any item of Johnstone Intellectual Property or any loss of goodwill associated with any modified or discontinued item of Johnstone Intellectual Property or for any expenditures made by Licensee to promote a modified or substitute item of Johnstone Intellectual Property.

5.9 Licensee shall not, directly or indirectly, during the Term or thereafter, anywhere in the world (a) attack or challenge the validity of the Johnstone Intellectual Property, the Licensor's ownership of the Johnstone Intellectual Property, or the licenses granted to Licensee in this License Agreement; (b) apply to register any of the Johnstone Intellectual Property, any derivative of any Johnstone Intellectual Property, or any component or translation thereof, or any term or design confusingly similar thereto; (c) permit any action or omission in derogation of any of the rights of Licensor in or to the Johnstone Intellectual Property; (d) use the Johnstone Intellectual Property or any other marks that, to any reasonable Person, would be confusingly similar to or a translation thereof, except as permitted in Section 2.1; (e) use the Johnstone Intellectual Property or Licensed Johnstone Marks name in any manner that might dilute the distinctiveness of such assets or otherwise to disparage Licensor; or (f) use the Johnstone Intellectual Property in any manner inconsistent with this License Agreement.

ARTICLE VI
TERM AND TERMINATION

6.1 Unless terminated under Article VII, this License Agreement shall commence on the Effective Date and shall continue in effect until the Distribution Agreement is terminated (the "***Term***").

This License Agreement will automatically terminate upon the termination of the Distribution Agreement without the need for any action by the Parties hereto.

6.2 Upon termination of this License Agreement, (i) such termination shall also be grounds for termination of the Distribution Agreement, (ii) the licenses granted hereunder to Licensee will terminate in their entirety, (iii) Licensee will immediately cease all use of Licensed Johnstone Intellectual Property, (iv) Licensee will take any further actions required under Section 3.03 of the Distribution Agreement, and (v) Licensee shall return to Licensor, or destroy at Licensor's option, all Johnstone Intellectual Property in Licensee's possession.

ARTICLE VII
BREACH

7.1 Johnstone will have the right to terminate this License Agreement on Notice to Licensee:

(a) in the event Licensee breaches any term of this License Agreement and either the breach cannot be cured (as reasonably determined by Johnstone) or, if the breach can be cured, it is not cured by Licensee within thirty (30) days following Licensee's receipt of written Notice of such breach;

(b) in the event Licensee materially fails to comply with applicable Law in (i) its use of the Licensed Johnstone Intellectual Property; or (ii) the conduct of Licensee's business;

(c) in the event of (i) Licensee's voluntary or involuntary insolvency, (ii) Licensee's commission of an action of bankruptcy, (iii) adjudication of Licensee's bankruptcy, (iv) Licensee's filing of a petition for voluntary or involuntary bankruptcy or similar proceeding, (v) an agreement between Licensee and its creditors generally is entered into providing for extension or composition of debt, (vi) a receiver is appointed to administer the assets of Licensee, or (vii) the assets of Licensee are liquidated;

(d) in the event Licensee uses any of the Licensed Johnstone Intellectual Property in any manner that exceeds the scope of the license granted in Section 2.1 or is otherwise inconsistent with the terms of this License Agreement; or

(e) in the event Licensee fails to comply with its obligation to use the Licensed Johnstone Intellectual Property in a manner consistent with Section 3.3 and fails to cure within the period specified in Section 3.3;

7.2 By way of example only and without limiting the generality of the foregoing, Licensee's breach of Section 5.9 will constitute a material breach of this License Agreement that is not capable of cure.

7.3 Any breach of this License Agreement by Licensee will also be considered a breach of the Distribution Agreement.

ARTICLE VIII
INDEMNIFICATION

8.1 **Licensee Indemnification**. Subject to the terms and conditions of this License Agreement, Licensee shall indemnify, defend, and hold harmless Johnstone and its officers, directors, owners, employees, agents, Affiliates, successors, and assigns (each, a "***Johnstone Indemnified Party***") against any and all losses, damages, liabilities, deficiencies, claims, Actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees, the fees and costs of enforcing any right to indemnification under this License Agreement, and the cost of pursuing any

insurance providers, incurred by a Johnstone Indemnified Party arising out of or relating to (a) Licensee's breach of any of its warranties, representations, or covenants in this License Agreement; (b) any act or omission by Licensee or its Personnel, including any negligent acts or omissions, gross negligence, willful misconduct, strict liability, fraud or violation of Law, in connection with this License Agreement; (c) any infringement or misappropriation of any third party Intellectual Property Right or other proprietary right resulting from Licensee's performance of its obligations or exercise of its rights under this License Agreement or the Distribution Agreement (except to the extent such claim solely arises out of and would not have arisen but for Licensee's use of Licensed Johnstone Intellectual Property in strict accordance with this License Agreement and the Distribution Agreement); (d) any personal or bodily injury (including death) or damage to property caused by any act or omission of Licensee or its Personnel; or (e) Licensee's conduct of its business (except for any claim or infringement or misappropriation to the extent it solely arises out of and would not have arisen but for Licensee's use of the Licensed Johnstone Intellectual Property in strict accordance with this License Agreement and the Distribution Agreement).

8.2 Licensee shall have the right to (and shall be responsible to pay for) legal counsel of its own choice to defend any action(s) covered by this subparagraph and should Johnstone elect to retain counsel to consult with it or with Licensee's counsel in connection with any action(s) covered by this subparagraph, Johnstone may do so at its own expense.

8.3 Johnstone will give Licensee reasonable notice of each claim for which it wants indemnity, provided that failure to provide such notice will not release Licensee from any obligations hereunder except to the extent that Licensee is materially prejudiced by such failure. Johnstone will also give Licensee its reasonable cooperation in the defense of each claim, at Licensee's expense. Licensee will use counsel reasonably satisfactory to Johnstone to defend each claim. A Johnstone Indemnified Party may participate in the defense at its own expense. Licensee will not settle any claim without the Johnstone Indemnified Party's prior written consent, which may not be unreasonably withheld. Licensee will see that any settlement it makes of any claim is made confidential, except where not permitted by Law. Licensee's duty to defend is independent of its duty to indemnify.

ARTICLE IX
WARRANTIES BY LICENSEE

9.1 Licensee represents and warrants that (a) this License Agreement has been duly authorized, executed, and delivered by, and constitutes a valid and legally binding obligation of, Licensee and (b) this License Agreement has been and, upon execution and delivery, will be, duly executed and delivered by Licensee, and this License Agreement constitutes, upon execution and delivery, legal, valid and binding obligations of Licensee, enforceable against Licensee in accordance with its terms, subject to the effect of any applicable Law relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Law relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

9.2 Licensee represents and warrants that it will not (a) take any action or conduct its operations in such a manner as to bring public ridicule, contempt, censure, or disparagement upon itself, Johnstone Intellectual Property, Johnstone Product Offerings, or Johnstone; (b) willingly do or cause to be done, using the Johnstone Intellectual Property, (i) any illegal or unethical acts or (ii) any act or thing that disparages, disputes, tarnishes, degrades, injures, attacks, challenges, impairs, dilutes, or is likely to harm the reputation or goodwill associated with Johnstone, or its products or services, or the Licensed Johnstone Marks or the rights of Johnstone therein, including using the Licensed Johnstone Marks in any false, misleading, inaccurate, obscene or scandalous manner; or (c) knowingly use the Licensed Johnstone Marks in

connection with any products or services or advertising, marketing, promotional or other materials that infringe, misappropriate or violate any Intellectual Property Rights of any third party.

9.3 Licensee represents and warrants that there is no pending or threatened litigation that may affect the legality, validity, or enforceability of this License Agreement, or Licensee's ability to fully perform its obligations hereunder.

ARTICLE X
WARRANTIES BY JOHNSTONE

10.1 Johnstone represents and warrants that (a) this License Agreement has been duly authorized, executed, and delivered by, and constitutes a valid and legally binding obligation of, Johnstone and (b) this License Agreement has been and, upon execution and delivery, will be, duly executed and delivered by Johnstone, and this License Agreement constitutes, upon execution and delivery, legal, valid and binding obligations of Johnstone, enforceable against Johnstone in accordance with its terms, subject to the effect of any applicable Law relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Law relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10.2 Johnstone represents and warrants that it is the sole and exclusive legal and beneficial owner of the entire right, title, and interest in and to, or otherwise has the right to license, the Licensed Johnstone Intellectual Property.

10.3 Johnstone represents and warrants that there is no pending or threatened litigation that may affect the legality, validity, enforceability of this License Agreement, or Johnstone's ability to fully perform its obligations hereunder.

10.4 **No Other Warranties**. EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN THIS ARTICLE X, JOHNSTONE DOES NOT MAKE, AND HEREBY DISCLAIMS, ANY AND ALL OTHER EXPRESS AND/OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, AVAILABILITY, AND ANY WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE, OR TRADE PRACTICE.

ARTICLE XI
LAWS, JURISDICTION AND DISPUTES

11.1 This License Agreement, including all documents and exhibits, schedules, attachments, and appendices attached to this License Agreement, and all matters arising out of or relating to this License Agreement, are governed by, and construed in accordance with, the Laws of the State of Delaware, United States of America, without regard to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the Laws of any jurisdiction other than those of the State of Delaware. The Parties agree that jurisdiction and venue in any suit, action or proceeding brought by any Party pursuant to this agreement shall properly and exclusively lie in any federal or state courts located in Delaware. The Parties irrevocably agree that venue would be proper in such court, and hereby waive any objection that any such court is an improper or inconvenient forum for the resolution of such suit, action or proceeding. The Parties further agree that the mailing by certified or registered mail, return receipt requested, of any process required by any such court

shall constitute valid and lawful service of process against them, without necessity for service by any other means provided by statute or rule of court.

11.2 EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION, DIRECTLY OR INDIRECTLY, ARISING OUT OF OR RELATING TO THIS LICENSE AGREEMENT. EACH PARTY ACKNOWLEDGES AND AGREES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; (B) SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY; AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS LICENSE AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.2.

11.3 Each of the Parties acknowledges and agrees that the other Party would be irreparably damaged immediately, extensively and irreparably and no adequate remedy at law would exist in the event that any of the provisions of this License Agreement were not performed in accordance with their specific terms or were otherwise breached or violated. Accordingly, in addition to, and not in limitation of, any other remedy available to any Party at law or in equity, the Parties hereby acknowledge and agree that each Party shall be entitled to an injunction or injunctions to prevent any breaches or violations of the provisions of this License Agreement and to the remedy of specific performance of this License Agreement and the terms and provisions hereof. Each of the Parties hereby waives, and agrees not to assert, to the fullest extent permitted by Law, (a) any defense that a remedy of injunctive relief or specific performance is unenforceable, invalid, contrary to Law or inequitable for any reason; (b) any defense in any action for injunctive relief or specific performance, including the defense that a remedy at law would be adequate or that monetary damages would provide an adequate remedy; (c) any requirement under any Law to post bond or other security as a prerequisite to obtaining equitable relief; and (d) any defense that injunctive relief or specific performance will cause an undue hardship to any Party.

ARTICLE XII
MISCELLANEOUS

12.1 **Entire Agreement**.

(a) This License Agreement, including the Recitals, which are incorporated by this reference, and all schedules to this License Agreement, together with the Distribution Agreement, constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Johnstone has made in the franchise disclosure document that Johnstone has furnished to Licensor.

(b) Licensor acknowledges that they are entering into this Agreement as a result of their own independent investigation of Johnstone's franchised business and not as a result of any representations about Johnstone made by Johnstone's shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this License Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Licensor pursuant to applicable law.

12.2 **Survival**. Provisions of this License Agreement which either are expressed to survive its expiry or termination or from their nature or context it is contemplated that they are to survive such termination, shall remain in full force and effect notwithstanding such expiry or termination.

12.3 **Further Assurances**. The parties shall do and execute all such further acts and things as are reasonably required to give full effect to the rights given and the transactions contemplated by this License Agreement.

12.4 **Modification**. No amendment to or modification of or rescission, termination, or discharge of this License Agreement is effective unless it is in writing, identified as an amendment to or rescission, termination, or discharge of this License Agreement, and signed by an authorized Representative of each Party.

12.5 **Counterparts**. This License Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this License Agreement delivered by facsimile, email, or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this License Agreement.

12.6 **Interpretation**. For purposes of this License Agreement, (a) the words "include," "includes," and "including" are deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; (c) the words "herein," "hereof," "hereby," "hereto," and "hereunder" refer to this License Agreement as a whole; (d) words denoting the singular have a comparable meaning when used in the plural and vice-versa; and (e) words denoting any gender include all genders. Unless the context otherwise requires, references in this License Agreement: (x) to articles, sections, exhibits, schedules, attachments, and appendices mean the articles of, sections of, and exhibits, schedules, attachments, and appendices attached to this License Agreement; (y) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. The Parties drafted this License Agreement without regard to any presumption or rule requiring construction or interpretation against the Party drafting an instrument or causing any instrument to be drafted. The exhibits, schedules, attachments, and appendices referred to herein are an integral part of this License Agreement to the same extent as if they were set forth verbatim herein.

12.7 **Headings**. The headings in this License Agreement are for reference only and do not affect the interpretation of this License Agreement.

12.8 **Severability**. All terms and conditions of this License Agreement will be deemed enforceable to the fullest extent permissible under applicable Law. If any one or more of the provisions of this License Agreement should be ruled wholly or partly invalid or unenforceable by a court or other government body of competent jurisdiction, then: (a) the validity and enforceability of all provisions of this License Agreement not ruled to be invalid or unenforceable shall be unaffected; (b) the effect of the ruling shall be limited to the jurisdiction of the court or other government body making the ruling; (c) the provision(s) held wholly or partly invalid or unenforceable shall be deemed amended, and the court or other government body is authorized and requested to reform such provision(s), to the minimum extent necessary to render them valid and enforceable in conformity with the Parties' intent as manifested herein; (d) if the court or other government body declines or is unable to reform the provision(s), then the Parties shall in good faith negotiate a reformation of the provision(s), to the minimum extent necessary to render them valid and enforceable in conformity with the Parties' intent as manifested herein; and (e) if the ruling and/or the controlling principle of law or equity leading to the ruling, is subsequently overruled, modified, or amended by legislative, judicial, or administrative action, then the provision(s) in question as originally set

forth in this License Agreement shall be deemed valid and enforceable to the maximum extent permitted by the new controlling principle of law or equity. Notwithstanding any other provision of this License Agreement, to the extent that the provisions of this License Agreement provide for periods of Notice less than those required by applicable Law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable Law, such provisions shall, to the extent such are not in accordance with applicable Law, be superseded by said Law.

12.9 **Waiver**.

(a) No waiver under this License Agreement is effective unless it is in writing, identified as a waiver to this License Agreement, and signed by an authorized Representative of the Party waiving its right.

(b) Any waiver authorized on one occasion is effective only in that instance and only for the purpose stated, and does not operate as a waiver on any future occasion.

(c) None of the following constitutes a waiver or estoppel of any right, remedy, power, privilege, or condition arising from this License Agreement:

(i) any failure or delay in exercising any right, remedy, power, or privilege or in enforcing any condition under this License Agreement; or

(ii) any act, omission, or course of dealing between the Parties.

12.10 **Assignment; Change of Control**.

(a) Johnstone may not assign any of its rights or obligations under this License Agreement, in whole or in part, without Licensee's prior written consent; provided that Johnstone may assign any or all of its rights and obligations under this License Agreement without the prior written consent of Licensee (i) to any of its Affiliates, or (ii) in the event Johnstone shall hereafter effect a corporate reorganization, consolidate with, merge into, or be acquired by any Person or transfer of all or substantially all of its properties or assets to any Person.

(b) Licensee shall not sell, assign, or otherwise transfer this License Agreement or any of its rights, interests, duties, obligations, or remedies associated with this License Agreement, whether by operation of law, contract, or otherwise, without prior written approval from Johnstone, and this License Agreement shall not be sold, assigned or otherwise transferred by Licensee except in connection with the simultaneous sale, assignment or transfer, as applicable, of the Distribution Agreement.

12.11 **Successors and Assigns**. This License Agreement is binding on and inures to the benefit of the Parties to this License Agreement and their respective permitted successors and permitted assigns.

12.12 **No Third-Party Beneficiaries**. Except as otherwise expressly provided herein, this License Agreement benefits solely the Parties to this License Agreement and their respective permitted successors and assigns, and nothing in this License Agreement, express or implied, confers on any other Person any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this License Agreement.

12.13 **Independent Contractors**. The Parties are independent contractors and nothing in this License Agreement shall be deemed or constructed as creating a joint venture, employment, partnership, or agency relationship between Johnstone and Licensee. Neither Party, by virtue of this License Agreement,

will have any right, power, or authority to act or create an obligation, express or implied, on behalf of the other Party. Each Party assumes responsibility for the actions of its Personnel under this License Agreement and will be solely responsible for their supervision, daily direction, and control, wage rates, withholding income taxes, disability benefits, or the manner and means through which the work under this License Agreement will be accomplished. Except as provided otherwise in this License Agreement, Licensee has the sole discretion to determine Licensee's methods of operation, Licensee's accounting practices, the types and amounts of insurance Licensee carries, Licensee's Personnel practices, Licensee's advertising and promotion, Licensee's Customers, and Licensee's operational areas and methods. The relationship created hereby between the Parties is intended to be solely that of supplier and distributor.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this License Agreement as of the date written above:

[NAME OF JSBO ENTITY]

By: _____
Name: [Authorized Signatory]
Title: [Title and] Authorized Signatory

JOHNSTONE SUPPLY, LLC

By: _____
Name: Julie Schultz
Title: Chief Financial Officer

SCHEDULE A

LICENSED JOHNSTONE MARKS

U.S. Trademarks:

Mark	Serial/Registration No.	Goods and Services
	1773286	Class 042: wholesale store and catalog services specializing in motors and motor accessories; blowers, fans and ventilation equipment; heating and air conditioning controls; HVAC/refrigeration equipment; refrigeration and air conditioning; pumps; water heater parts; appliance parts; maintenance and installation supplies; electrical; and tools and test instruments.
	1773287	Class 042: wholesale store and catalog services specializing in motors and motor accessories; blowers, fans and ventilation equipment; heating and air conditioning controls; HVAC/refrigeration equipment; refrigeration and air conditioning; pumps; water heater parts; appliance parts; maintenance and installation supplies; electrical; and tools and test instruments.
	3050713	Class 035: wholesale store and catalog services specializing in motors and motor accessories; blowers, fans and ventilation equipment; heating and air conditioning controls; HVAC/refrigeration equipment; refrigeration and air conditioning; pumps; water heater parts; appliance parts; maintenance and installation supplies; electrical; and tools and test instruments.
JOHNSTONE	0949208	Class 006: Kits containing nuts, bolts, and screws

		Class 009: Electrical terminals; generator cartridges Class 008: Motor-driven belts Class 009: Thermocouples and thermostats
JOHNSTONE	1816249	Class 042: wholesale store and catalog services specializing in motors and motor accessories; blowers, fans and ventilation equipment; heating and air conditioning controls; HVAC/refrigeration equipment; refrigeration and air conditioning; pumps; water heater parts; appliance parts; maintenance and installation supplies; electrical; and tools and test instruments.
JOHNSTONE SUPPLY	2172387	Class 035: wholesale store and catalog services specializing in motors and motor accessories; blowers, fans and ventilation equipment; heating and air conditioning controls; HVAC/refrigeration equipment; refrigeration and air conditioning; pumps; water heater parts; appliance parts; maintenance and installation supplies; electrical; and tools and test instruments.
JOHNSTONE UNIVERSITY	6036282	Class 041: Educational and training services provided in connection with the heating, ventilation, air conditioning, and refrigeration (HVACR) industry, namely, classes regarding HVACR goods and services, communications, business, and finance in the HVACR industry, and the installation of HVACR goods.
parallel	3839874	Class 007: Parts for heating, air conditioning and refrigerating systems, namely, electric motors.
PART STOCK	5613820	Class 009: Mobile application program to enable heating and air

		conditioning contractors to ascertain availability and to maintain inventory of heating and air conditioning equipment and parts.
PartStock	6481506	Class 042: Providing a website featuring non-downloadable software for enabling heating and air conditioning contractors to ascertain availability and to maintain inventory of heating and air conditioning equipment and parts.
THE POWER OF JOHNSTONE (Stylized) THE POWER OF JOHNSTONE	Serial No. 90/882,484	Class 008: Pocket knives; Utility knives Class 011: Flashlights Class 016: Desk mats; Paper notebooks; Posters made of paper; Vinyl static cling decals on which the company logos are printed for affixation to windows and doors Class 021: Mugs; Non-electric portable coolers; Water bottles sold empty; Coffee mugs Class 025: Hats; Shirts Class 035: Catalog ordering service featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler accessories, pumps and pump parts, water heater parts, appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test

		instruments; On-line wholesale and retail store services featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler accessories, pumps and pump parts, water heater parts, appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test instruments; Wholesale and retail store services featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler accessories, pumps and pump parts, water heater parts, appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test instruments
THE POWER OF JOHNSTONE & Design 	Serial No. 90/882,504	Class 008: Pocket knives; Utility knives Class 011: Flashlights Class 016: Desk mats; Paper notebooks; Posters made of paper; Vinyl static cling decals on which the company logos are printed for affixation to windows and doors

		Class 021: Mugs; Non-electric portable coolers; Water bottles sold empty; Coffee mugs Class 025: Hats; Shirts Class 035: Catalog ordering service featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler accessories, pumps and pump parts, water heater parts, appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test instruments; On-line wholesale and retail store services featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler accessories, pumps and pump parts, water heater parts, appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test instruments; Wholesale and retail store services featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler accessories, pumps and pump parts, water heater parts,

		appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test instruments
THE POWER OF JOHNSTONE & Design 	Serial No. 97/076,568	Class 011: Flashlights Class 016: Desk mats; Paper notebooks; Posters made of paper; Vinyl static cling decals on which the company logos are printed for affixation to windows and doors Class 021: Mugs; Non-electric portable coolers; Water bottles sold empty; Coffee mugs Class 025: Hats; Shirts Class 035: Catalog ordering service featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler accessories, pumps and pump parts, water heater parts, appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test instruments; Wholesale and retail store services featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler

		accessories, pumps and pump parts, water heater parts, appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test instruments; On-line wholesale and retail store services featuring motors and motor accessories, blowers, fans and ventilation equipment, heating and air conditioning controls, HVAC equipment, refrigeration and air conditioning equipment and appliances, system treatments, boilers and boiler accessories, pumps and pump parts, water heater parts, appliance parts, maintenance and installation supplies, electrical installation and maintenance supplies, training materials, thermostats, and tools and test instruments
U JOHNSTONE UNIVERSITY & Design	Serial No. 97/094,947	Class 041: Educational and training services provided in connection with the heating, ventilation, air conditioning, and refrigeration (HVACR) industry, namely, classes regarding HVACR goods and services, communications, business, and finance in the HVACR industry, and the installation and maintenance of HVACR goods

U.S. Trademarks - Unregistered Marks:

THE POWER OF JOHNSTONE

THE POWER OF JOHNSTONE

JOHNSTONE SUPPLY
System Selector

JOHNSTONE SUPPLY
Mini-Split Selector

MOTOR FINDER

JXI
Supplier
of the MONTH

PRODUCT • KNOWLEDGE • SERVICE •
JOHNSTONE
YOUR HVACR
SOURCE
Helping you get the job done

JOHNSTONE
YOUR HVACR
SOURCE

DIRECT
CONNECT

SCHEDULE B

LICENSED JOHNSTONE INTELLECTUAL PROPERTY AND USAGE PARAMETERS

Product	Description	Additional Limitations	Fee	Fee Type
https://johnstonesupply.com	Internet Domain Name			
AHRI System Selector	Licensed Software			
DirectConnect	Licensed Software			
JEN	Licensed Software			
Johnstone University Content	Licensed Software			
Motor Finder	Licensed Software			
PartStock (current version)	Licensed Software			

SCHEDULE C

JOHNSTONE MANUALS

- Guidelines for Logo and Trademark Usage
- Johnstone University Brand Guidelines

SCHEDULE D

LICENSEE'S SPECIFIC SUBDOMAINS

- [LIST SUBDOMAIN FOR EACH BRANCH STORE IN GROUP HERE]
- johnstonesupply.com/store [xxx]

EXHIBIT 2

JOINDER TO DISTRIBUTION AGREEMENT BY JSBO AFFILIATES

[Separately Executed]

JOINDER TO DISTRIBUTION AGREEMENT BY JSBO AFFILIATES

The undersigned (the "***Company***") has been selected by the JS Business Owner identified below as an authorized JSBO Affiliate of the JS Business Owner in connection with JS Business Owner's distribution of Johnstone Product Offerings pursuant to the Distribution Agreement dated [Month, DD, YYYY] (the "***Agreement***") between JS Business Owner and Johnstone Supply, LLC. Capitalized terms not otherwise defined in this Joinder to Distribution Agreement by JSBO Affiliates (this "***Joinder***") will have the meaning ascribed to them in the Agreement.

1. In consideration of the opportunity to act as a JSBO Affiliate under the Agreement, the Company acknowledges (a) that it has been informed of and agrees to be bound by all terms, covenants and obligations applicable to JS Business Owner under the Agreement, including the License Agreement, Minimum Performance Requirements and Territory guidelines, and all other provisions of the Johnstone Manuals; (b) Johnstone will have the right to enforce the Agreement terms against the Company, including the License Agreement, Minimum Performance Requirements and Territory guidelines, and all other provisions of the Johnstone Manuals; and (c) Company will appoint no sub-distributors or agents or assign any rights or obligations related to the Agreement without Johnstone's written consent.

2. Company certifies that, as of the date hereof (a) all of the representations and warranties applicable to the JS Business Owner, including those contained in Section 14 of the Agreement, are true and correct as if each such representation and warranty had been made by the Company and (b) Company is an Affiliate of JS Business Owner and under Control of JS Business Owner.

3. Company agrees to deliver to Johnstone such security agreements, guarantees and other documents as required by Johnstone's application process and the Johnstone Manuals. Company agrees to, and shall cause its shareholders and members to, execute certain guarantees in favor of Johnstone guaranteeing payment and performance of the guarantied obligations of Company.

4. Company acknowledges and agrees that any and all agreements, rights, and obligations between JS Business Owner and Company are subordinate in all respects to the Agreement's terms.

IN WITNESS WHEREOF, the Company has executed this Agreement as of [Month DD, YYYY].

[JSBO AFFILIATE COMPANY NAME]

By_____
Name:
Title:

JS BUSINESS OWNER:
[JSBO COMPANY NAME]

EXHIBIT B

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
California	Department of Financial Protection and Innovation *Los Angeles* 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 *Sacramento* 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205 *San Diego* 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233 *San Francisco* One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 Toll Free (866) 275-2676	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48909 (517) 335-7567	
Minnesota	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	New York State Department of Law Bureau of Investor Protection and Securities 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236	New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001
North Dakota	Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
South Dakota	Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Director of Dept. of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703

EXHIBIT C

SECURITY AGREEMENT

[*Attached*]

SECURITY AGREEMENT
(PMSI)

THIS SECURITY AGREEMENT is entered into this day of _____ between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company (hereinafter referred to as "Secured Party") and **[Entity Name]**, a **[State] [type of entity]** (hereinafter referred to as "Debtor").

RECITALS:

A. Secured Party is a wholesale seller of HVACR products. Debtor is a an appointed distributor or affiliate of a distributor for Secured Party, and may purchase or receive possession of HVACR products from Secured Party on account.

B. Debtor desires to grant Secured Party a security interest in certain assets of Debtor to secure payment to Secured Party and performance of all obligations of any nature owed to Secured Party by Debtor.

AGREEMENT:

NOW, THEREFORE, it is agreed as follows:

1. Creation of Security Interest. Debtor hereby assigns and grants to Secured Party a security interest in the Collateral (described in Section 2 below) as security for the full, timely and complete performance, payment and fulfillment by Debtor of all debts, obligations, covenants and conditions owed to Secured Party by Debtor (the "Obligations").

2. Collateral. The property subject to this security interest shall constitute all of the following:

2.1 All advertising funds and rebates from vendors or other third parties ("Rebates").

2.2 All of Debtor's now owned and hereafter acquired inventory including, without limitation, all goods, merchandise and other personal property furnished under any contract of service or intended for sale or lease, all raw materials, work-in-process, finished goods, and materials and supplies of any kind, nature or description that are used or consumed in Debtor's business or are or might be used in connection with the sale or delivery of such goods, merchandise, and other personal property and all documents of title or documents representing the same ("Inventory").

2.3 All of Debtor's now owned and hereafter acquired accounts, accounts receivable, contract receivables, contract rights, chattel paper (whether tangible or electronic), instruments (including promissory notes), documents, investment property, letter-of-credit, bankers acceptances, drafts, securities, commercial tort claims, customer lists, and general intangibles (including, without limitation all claims, cause of action, deposit accounts, guaranties, rights in and claim under insurance policies (including rights to premium refunds), rights to tax refunds, copyrights, patents, trademarks, rights in and under license agreements, and all other intellectual property), all other forms of receivables of any nature, and all guarantees and surety agreements relating thereto and all security for payment thereof ("Accounts Receivable").

2.4 All proceeds of the foregoing, including, without limitation, proceeds of any insurance policies and all products of all such Rebates, Inventory and Accounts Receivable.

2.5 All books and records related to any of the foregoing.

2.6 All of the above property described in this Section 2 is referred to in this Security Agreement as the "Collateral."

3. Priority of Lien. The Debtor and the Secured Party intend that the security interest in Debtor's Inventory acquired pursuant to its Distribution Agreement with Secured Party will

constitute a purchase money security interest for all purposes under Section 9-324 of the Uniform Commercial Code. Debtor represents that the Collateral is free and clear of all other security interests, liens or encumbrances except _____

_____

_____

_____.

4. Restrictions on Debtor. During the term of this Security Agreement, except with respect to Inventory sold in the ordinary course of business or with Secured Party's written consent, Debtor shall not sell, transfer, assign, pledge, grant a security interest in or otherwise encumber the Collateral.

5. Representatives, Warranties and Covenants of Debtor. Debtor represents, warrants and covenants to Secured Party as follows:

5.1 Corporate Existence. Debtor is corporation [or limited liability company] duly organized and existing under the laws of the state of [**State]**, and is duly qualified in every other state in which it is doing business. Debtor's chief executive office and principal place of business are located at _____. Debtor's Inventory and Accounts Receivable are located at the following locations:

1	
2	
3	
4	
5	
6	
7	

5.2 Corporate Authority. The execution, delivery and performance of this Security Agreement and all other agreements between Debtor and Secured Party are within Debtor's corporate powers, have been duly authorized, and are not in contravention of law or the terms of Debtor's organizational documents or of any agreement to which Debtor is a party or by which it is bound.

5.3 Ownership of Collateral. Debtor is the sole owner of each and all of the Collateral, and will defend the Collateral against the claims and demands of all other persons at any time claiming any interest therein.

5.4 Removal of Collateral Prohibited. Except for the sale of Inventory in the ordinary course of business, Debtor will not remove any of the Collateral from its current location without the prior written consent of Secured Party in each instance.

5.5 Perfection of Security Interest. Debtor authorizes Secured Party to file financing statements, and do whatever may be necessary under the Uniform Commercial Code in the applicable jurisdiction to perfect and continue Secured Party's interest in the Collateral, all at Debtor's expense. The Debtor authorizes the Secured Party to deliver to others, a copy of this Security Agreement, or any other notice of the existence of this Security Agreement and/or the purchase money security interest granted hereunder, as written notification of the Debtor's grant of a security interest (and a purchase money security interest as applicable) in the Collateral.

5.6 Sale Prohibited. Except with respect to Inventory sold in the ordinary course of business, Debtor will not sell or otherwise transfer or dispose of any Collateral or any interest in the Collateral without the prior written consent of Secured Party.

5.7 Adverse Liens and Use. Except when it has received the prior written consent of Secured Party, Debtor shall keep all the Collateral free from any adverse liens, security

interests (except for valid purchase money security interests) or encumbrances, and in good order and repair, and shall not commit or permit waste or destruction of the Collateral or any portion of it. Debtor will not use or permit anyone to use the Collateral in violation of any federal, state or local statute, ordinance, regulation or code. This Section 5.7 will not apply in the event of a good faith dispute by Debtor as to the reasonableness or validity of any adverse lien, security interest or encumbrance, except that if Secured Party reasonably determines that the adverse claim substantially impairs its security, Secured Party may require Debtor to either pay the claim or deposit with Secured Party cash, a sufficient corporate surety bond or other security satisfactory to Secured Party to provide for the discharge of the claim plus any costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale under the claim.

5.8 Taxes and Assessments. Debtor shall pay or cause to be paid promptly when due all taxes and assessments assessed or levied against or based upon the Collateral. Debtor may, however, withhold payment of any tax, assessment or claim if a good faith dispute exists as to the obligation to pay, provided that if a lien arises as a result of such nonpayment, Debtor shall treat such lien as an adverse claim under Section 5.7.

5.9 Name Change. Debtor shall not change its corporate name or any assumed business name used by Debtor without thirty (30) days' prior written notice to Secured Party.

5.10 Structural Change. Debtor shall not liquidate, dissolve, merge, consolidate or participate in any plan of reorganization or exchange, or commence proceedings therefor, and shall not sell any assets (including any Collateral) or engage in any material transaction not in the ordinary course of business, or agree to do so without Secured Party's prior written consent. Debtor shall not make any change to its organizational documents without Secured Party's prior written consent.

6. Debtor's Right to Possession; Expenditures by Secured Party.

6.1 Until default, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this Security Agreement and any other agreement between Debtor and Secured Party and not inconsistent with any policy of insurance thereon.

6.2 At any time when Secured Party reasonably feels insecure, Secured Party, at its option (but without obligation), may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral, and may pay for the maintenance and preservation of the Collateral, and all such payments shall become a part of the Obligations secured hereby, payable on demand, with interest at the rate of 12% per annum from the date of payment by Secured Party. Such right shall be in addition to any other rights or any remedies to which Secured Party may be entitled on account of Debtor's default.

7. Default and Remedies. A default shall occur if:

7.1 Debtor shall be in default under any Obligations, or

7.2 There shall be a default by the Debtor in any of its obligations, covenants, warranties or representations under this Security Agreement or any other agreement with Secured Party, which default the Debtor does not cure, or commence and diligently prosecute to cure, within ten (10) days after written notice from the Secured Party.

7.3 Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished.

7.4 Any levy, seizure, attachment, lien or encumbrance of or on the Collateral occurs which is not discharged by Debtor within 10 days or, with the exception of Inventory sold

in the ordinary course of business, any sale, transfer or disposition of any interest in the Collateral occurs without the prior written consent of Secured Party pursuant to Sections 5.6 and 5.7.

7.5 Dissolution, termination of existence, insolvency, business failure, discontinuance as a going business, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor, or entry of any judgment that in the opinion of Secured Party would reasonably jeopardize the security interest given by this Security Agreement occurs.

If a default shall occur, the whole principal sum then due or unpaid under the Obligations or any obligation owed to Secured Party by Debtor, together with all interest accrued thereon, at the option of the Secured Party, and without further notice or demand, shall immediately become due and payable. In such event, the Secured Party and Debtor shall have all of the rights and remedies granted to them by the Uniform Commercial Code of Oregon. The rights, powers and remedies given to Secured Party by this Security Agreement shall be in addition to all rights, powers and remedies given to it by virtue of any statute or rule of law.

8. Time is of the Essence. Time is of the essence of this Security Agreement.

9. Costs and Expenses. Debtor shall pay to Secured Party on demand, together with interest at the rate of 12% per annum, any and all expenses (including reasonable attorneys' fees and legal expenses and costs, whether or not litigation is commenced, and also such fees, expenses and costs in any bankruptcy or insolvency proceeding and on appeal) reasonably incurred and extended by Secured Party in insuring, maintaining and/or protecting any Collateral and discharging encumbrances as provided by Section 6.2, in protecting, storing, maintaining and

liquidating the Collateral, in collecting or attempting to collect proceeds thereof and in protecting and enforcing the covenants and other rights of Secured Party under this Security Agreement.

10. Termination. This Security Agreement shall terminate when Debtor is no longer a distributor appointed by Secured Party and Debtor has paid to Secured Party all amounts of any nature due under the Obligations or otherwise owed to Secured Party by Debtor.

11. Binding Effect. This Security Agreement shall be binding upon the parties, their respective heirs, legal representatives, successors and assigns. Each party agrees to perform any further acts and execute and deliver any further documents which may be reasonably necessary to carry out the provisions of this Security Agreement.

12. Validity. If for any reason any clause or provision of this Security Agreement, or the application of any such clause or provision in a particular situation, circumstance or person, shall be held to be unenforceable, invalid or in violation of law by any court or other tribunal, then the application of such clause or provision in contexts or to situations, circumstances or persons other than that in or to which it is held unenforceable, invalid or in violation of law, shall not be affected thereby, and the remaining clauses and provisions hereof shall nevertheless remain in full force and effect.

13. Notices. All notices, requests, demands and other communications required or permitted to be given under this Security Agreement shall be in writing and shall be served either personally on the party to whom notice is to be given (in which case such notice shall be deemed to have been duly given on the date of such service), or mailed to the party to whom notice is to be given, by first class mail, registered or certified, return receipt requested, postage prepaid, and properly addressed as follows (in which case such notice shall be deemed to have been duly given on the second day following the date of such mailing):

To Secured Party:	Johnstone Supply, LLC Attn: Chief Executive Officer and Chief Financial Officer P.O. Box 3010 Portland, OR 97208
To Debtor:	[**Entity Name]** **[Attn:]** **[Street Address]** **[City, State, Zip Code]**

Any party by giving written notice to the other in the manner provided above may change his or its address for purposes of this Section.

14. Survival of Representation. All representations, warranties, covenants and agreements of the partied contained in this Security Agreement, or in any instrument, certificate, opinion or other writing provided for in it, shall survive the closing of any transaction related hereto and shall continue in effect until this Security Agreement is terminated pursuant to Section 10.

15. Effect of Headings. The titles or headings of the various Sections hereof are intended solely for convenience of reference and are not intended and shall not be deemed to modify, explain or place any construction upon any of the provisions of this Security Agreement.

16. General.

16.1 Secured Party shall not be deemed to have waived any rights under this Security Agreement or any other writing signed by Debtor unless such waiver is in writing and signed by Secured Party. No delay or omission on the part of Secured Party shall operate as a waiver of any right of Secured Party. A waiver by any party of a breach of a provision of this Security Agreement shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Secured Party to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make

expenditures or to take action to perform an obligation of Debtor under this Security Agreement after failure of Debtor to perform shall not affect Secured Party's right to declare a default and exercise the remedies under Section 7.

16.2 All Secured Party's rights and remedies, whether evidenced here or by any other writing or law, shall be cumulative and may be exercised singularly or concurrently.

16.3 Secured Party may, at any time and at its option without further authorization from Debtor, file a copy or copies of this Security Agreement as a financing statement.

17. Applicable Law. Except for filing requirements, Debtor agrees that the laws of the state of Oregon shall apply for the purpose of construing this instrument, determining its validity, and, to the fullest extent permitted by applicable law of any state in which the Debtor or any of the Collateral is located, the rights and remedies of Secured Party in the event of default under this Security Agreement. DEBTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT DEBTOR MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, CAUSE OF ACTION OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the undersigned have executed this Security Agreement the day and year first above written.

Secured Party: JOHNSTONE SUPPLY, LLC

By _____
Title _____

Debtor: [**ENTITY NAME]**

By: _____
Signature

Print Name:_____
Title: _____

EXHIBIT D

PERSONAL GUARANTY

[*Attached*]

PERSONAL CONTINUING GUARANTY (MULTIPLE OBLIGORS)

_____ "**Guarantor**"
a_____

_____ **"Obligor"**
a_____
JS Business Owner

_____ **"Obligor"**
a_____
JSBO Affiliate

_____ **"Obligor"**
a_____
JSBO Affiliate

_____ **"Obligor"**
a_____
JSBO Affiliate

_____ **"Obligor"**
a_____
JSBO Affiliate

_____ **"Obligor"**
a_____
JSBO Affiliate

(Each of the above-named JS Business Owner and JSBO Affiliates are individually and collectively referred to herein as an "**Obligor**.")

In consideration for the benefits and rights to granted to each Obligor by Johnstone Supply, LLC, a Delaware limited liability company (**"Johnstone"**), the present and future benefits bestowed upon and credit advanced to Obligors, and in order to induce Johnstone to extend present or future credit to Obligors, which Johnstone is unwilling to do without this further assurance of payment Guarantor hereby unconditionally and irrevocably guarantees to Johnstone, its successors and assigns, the due and punctual payment of any and all indebtedness and the full performance of any and all obligations to be paid and performed by Obligors to Johnstone, whether presently existing or incurred in the future (the **"Guaranteed Obligations"**).

This Personal Continuing Guaranty (this "**Guaranty**") is an absolute, present, and continuing guaranty of payment and performance of the Guaranteed Obligations and not of collectability. In the event that Obligor fails to timely pay or perform any Guaranteed Obligation, the Guarantor will immediately pay or perform the same to Johnstone without presentment, protest, or demand for performance.

Without limiting the generality of any of the other provisions hereof, this Guaranty and the liability and obligations of Guarantor hereunder shall remain in full force and effect without regard to, and shall not be impaired or in any way affected by, nor shall Guarantor be exonerated or Guarantor's liabilities and obligations discharged by any of the following events:

(a) Any insolvency, bankruptcy, reorganization arrangement, liquidation, winding up or dissolution or any assignment for the benefit of creditors by any Obligor, or any discharge of any Obligor in connection with any of the foregoing;

(b) Any limitation, discharge, or cessation of the liability of any Obligor for the Guaranteed Obligations due to any statute, regulation, rule of law, proceeding, action, or inaction by any other person, court, governmental authority or other entity, or any other reason whatsoever;

(c) Any merger, acquisition, consolidation or change in structure of or affecting any Obligor or any sale, lease, transfer or other disposition of any or all of the assets or capital stock of any Obligor;

(d) Any amendment or change in the time, manner or place of payment of, or any other term of, the Guaranteed Obligations, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Obligor;

(e) Johnstone's waiver of, exercise, or non-exercise of or delay in exercising, any power, right or remedy with respect to the Guaranteed Obligations; or

(f) The cessation or termination of any Obligor's relationship with Johnstone or the termination of any Obligor's Distribution Agreement with Johnstone or Joinder to Distribution Agreement by JSBO Affiliates.

Guarantor hereby waives the right to require Johnstone to first pursue the Obligors or to pursue any other recourse of any kind against any property or person which Johnstone may have (including any offset of any Obligor funds or amounts held by Johnstone) before seeking payment in full of the obligations under this Guaranty from Guarantor.

Guarantor waives all presentments, demands for performance, notices of nonperformance, protests, notices of protests, notices of dishonor, notices of acceptance of this Guaranty, notices of amendment of or waiver of any of Johnstone's rights related to the Guaranteed Obligations, and any notice of the existence, creation, or incurring of new or additional indebtedness between any Obligor and Johnstone.

Guarantor assumes the responsibility for keeping informed of the financial condition of Obligors and of all other circumstances bearing upon the risk of nonpayment or nonperformance of the Guaranteed Obligation that diligent inquiry would reveal. Guarantor agrees that Johnstone has no duty or obligation to advise Guarantor of any information known to it regarding Obligors' financial condition or any other such circumstances.

All obligations of Guarantor hereunder are primary and unconditional and, independent of the obligations of Obligor and shall be deemed to be for all purposes (including, without limitation, Johnstone's entitlement to provisional process in any suit or action hereon) obligations for the direct payment of money. If this Guaranty is signed by more than one party, all obligations and liability hereunder shall be joint and several.

Guarantor waives any claim or other right now existing or hereafter acquired against the Obligors on the Guaranteed Obligations, that arises from Guarantor's performance of the obligations under this Guaranty, including, without limitation, any right of contribution, indemnity, subrogation, reimbursement, or exoneration, whether or not such claim, right or remedy arises under contract, law, or equity.

Guarantor hereby agrees to indemnify Johnstone and hold it harmless from and against all loss and expense, including legal fees, suffered or incurred by Johnstone as a result of any actions or claims to avoid any payment received by Johnstone or its successors from Obligors or for its account with respect to the Guaranteed Obligations.

The Guaranteed Obligations shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of Obligors is rescinded or avoided, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and Guarantor agrees to indemnify Johnstone on demand for all reasonable payments, cost and expenses, including legal fees, incurred by Johnstone in connection with such rescission or avoidance.

Guarantor hereby expressly and irrevocably releases and waives any and all "claims" (as now or hereafter defined in the United States Bankruptcy Code, 11 USC 101 *et. seq.*) of any nature whatsoever, whether known or unknown and whether now existing or hereafter acquired, against the Obligor or the estate of the Obligor in any existing or future bankruptcy case in which the debtors include the Obligor or any other person or entity with respect to which Guarantor is an "insider" (as defined in the Bankruptcy Code), to the extent such claims in any manner relate to or arise out of this Guaranty or any Guaranteed Obligation (including, but not limited to, fixed or contingent claims based on subrogation, indemnity, reimbursement, contribution, or contract).

Guarantor agrees to reimburse Johnstone for all reasonable costs and expenses, including reasonable attorneys' fees, incurred by Johnstone in connection with the enforcement of this Guaranty, whether or not any suit or action is instituted. If Johnstone institutes any suit or action in connection with this Guaranty, the Guarantor agrees to pay Johnstone reasonable costs and expenses of such suit or action, including Johnstone's reasonable attorneys' fees as determined by any trial or appellate court, or in any bankruptcy or insolvency proceeding, whether or not such amounts are allowed in any such proceeding.

These obligations of Guarantor under this Guaranty shall be binding upon Guarantor, their heirs, legal representatives, successors, and assigns.

Except as otherwise provided herein, Guarantor agrees that this Guaranty is a continuing guaranty and shall remain in full force and effect until the payment and performance in full of the Guaranteed Obligations. This Guaranty shall bind the estate of Guarantor as to Guaranteed Obligations created both before and after the death or incapacity of Guarantor.

This Guaranty shall be governed by the laws of the state of Oregon. Guarantor irrevocably and unconditionally submits to the exclusive jurisdiction of, and venue in, the U.S. District Court for the District of Oregon and the courts of the State of Oregon sitting in Multnomah County. GUARANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT GUARANTOR MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, CAUSE OF ACTION OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY, OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the Guarantor has executed this Personal Continuing Guaranty as of _____.

GUARANTOR:

_____
Signature

By:_____
Print Name

EXHIBIT E

CROSS-CORPORATE GUARANTY

[*Attached*]

CROSS CORPORATE GUARANTY

_____ "**Guarantor/Obligor**"
a_____
JS Business Owner

_____ "**Guarantor/Obligor**"
a_____
JSBO Affiliate

_____ "**Guarantor/Obligor**"
a_____
JSBO Affiliate

_____ "**Guarantor/Obligor**"
a_____
JSBO Affiliate

_____ "**Guarantor/Obligor**"
a_____
JSBO Affiliate

_____ "**Guarantor/Obligor**"
a_____
JSBO Affiliate

(Each of the above-named entities being collectively, and individually, both a Guarantor and an Obligor in this Cross Corporate Guaranty.)

All of the above entities purchase HVAC/R products and services directly from or through Johnstone Supply, LLC, a Delaware limited liability company ("**Johnstone**") and are either the a distributor appointed by Johnstone and/or an affiliate of that distributor. By this Cross Corporate Guaranty, the parties all intend and hereby agree to guarantee full and complete payment and performance of the Guaranteed Obligations (as defined below) of each of the entities named above.

In consideration for the benefits and rights granted to each Obligor named above by Johnstone, for the present and future benefits bestowed upon and credit advanced to each Obligor, and in order to induce Johnstone to extend present or future credit to each Obligor, which Johnstone is unwilling to do without this further assurance of payment, each entity, as a Guarantor hereunder hereby unconditionally and irrevocably guarantees to Johnstone, its successors and assigns, the due and punctual payment of any and all indebtedness and the full performance of any and all obligations to be paid and performed by each Obligor named above to Johnstone, whether presently existing or incurred in the future (the **"Guaranteed Obligations"**).

This Cross Corporate Guaranty (this "**Guaranty**") is an absolute, present, and continuing guaranty of payment and performance of the Guaranteed Obligations and not of collectability. In the event that an Obligor fails to timely pay or perform any Guaranteed Obligation, each Guarantor will immediately pay or perform the same to Johnstone without presentment, protest, or demand for performance.

Without limiting the generality of any of the other provisions hereof, this Guaranty and the liability and obligations of each Guarantor hereunder shall remain in full force and effect without regard to, and shall not be impaired or in any way affected by, nor shall any Guarantor be exonerated, or any Guarantor's liabilities and obligations discharged, by any of the following events:

(a) Any insolvency, bankruptcy, reorganization arrangement, liquidation, winding up or dissolution or any assignment for the benefit of creditors by any Obligor or Guarantor, or any discharge of any Obligor or Guarantor in connection with any of the foregoing;

(b) Any limitation, discharge, or cessation of the liability of an Obligor for the Guaranteed Obligations due to any statute, regulation, rule of law, proceeding, action, or inaction by any other person, court, governmental authority or other entity, or any other reason whatsoever;

(c) Any merger, acquisition, consolidation or change in structure of or affecting any Obligor or any sale, lease, transfer or other disposition of any or all of the assets or capital stock of any Obligor;

(d) Any amendment or change in the time, manner or place of payment of, or any other term of, the Guaranteed Obligations, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Obligor;

(e) Johnstone's waiver of, exercise, or non-exercise of or delay in exercising, any power, right or remedy with respect to the Guaranteed Obligations; or

(f) The cessation or termination any Obligor's relationship with Johnstone or the termination of any Obligor's Distribution Agreement with Johnstone or Joinder to Distribution Agreement by JSBO Affiliates.

Each Guarantor hereby waives the right to require Johnstone to first pursue any Obligor or to pursue any other recourse of any kind against any property or person (including any recourse against other Guarantors named herein) which Johnstone may have (including any offset of any Obligor funds or amounts held by Johnstone) before seeking payment in full of the obligations under this Guaranty from any Guarantor.

Each Guarantor waives all presentments, demands for performance, notices of nonperformance, protests, notices of protests, notices of dishonor, notices of acceptance of this Guaranty, notices of amendment of or waiver of any of Johnstone's rights related to the Guaranteed Obligations, and notice of the existence, creation, or incurring of new or additional indebtedness between any Obligor and Johnstone.

Each Guarantor assumes the responsibility for keeping informed of the financial condition of each Obligor and of all other circumstances bearing upon the risk of nonpayment or nonperformance of the Guaranteed Obligation that diligent inquiry would reveal. Each Guarantor agrees that Johnstone has no duty or obligation to advise each Guarantor of any information known to Johnstone regarding any Obligor's financial condition or any other such circumstances.

All obligations of each Guarantor hereunder are primary and unconditional and, independent of the obligations of the other Obligors and Guarantors and shall be deemed to be for all purposes (including, without limitation, Johnstone's entitlement to provisional process in any suit or action hereon) obligations for the direct payment of money. All obligations and liability hereunder shall be joint and several.

Each Guarantor waives any claim or other right now existing or hereafter acquired against all Obligors on the Guaranteed Obligations, that arises from Guarantor's performance of the obligations under this Guaranty, including, without limitation, any right of contribution, indemnity, subrogation, reimbursement, or exoneration, whether or not such claim, right or remedy arises under contract, law, or equity.

Each Guarantor hereby agrees to indemnify Johnstone and hold it harmless from and against all loss and expense, including legal fees, suffered or incurred by Johnstone as a result of any actions or claims to avoid any payment received by Johnstone or its successors from any Obligor or for its account with respect to the Guaranteed Obligations.

The Guaranteed Obligations shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Obligor is rescinded or avoided, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor agrees to indemnify Johnstone on demand for all reasonable payments, cost and expenses, including legal fees, incurred by Johnstone in connection with such rescission or avoidance.

Each Guarantor hereby expressly and irrevocably releases and waives any and all "claims" (as now or hereafter defined in the United States Bankruptcy Code, 11 USC 101 *et. seq.*) of any nature whatsoever, whether known or unknown and whether now existing or hereafter acquired, against any Obligor or the estate of any Obligor in any existing or future bankruptcy case in which the debtors include any Obligor or any other person or entity with respect to which Guarantor is an "insider" (as defined in the Bankruptcy Code), to the extent such claims in any manner relate to or arise out of this Guaranty or any Guaranteed Obligation (including, but not limited to, fixed or contingent claims based on subrogation, indemnity, reimbursement, contribution, or contract).

Each Guarantor agrees to reimburse Johnstone for all reasonable costs and expenses, including reasonable attorneys' fees, incurred by Johnstone in connection with the enforcement of this Guaranty, whether or not any suit or action is instituted. If Johnstone institutes any suit or action in connection with this Guaranty, each Guarantor agrees to pay Johnstone reasonable costs and expenses of such suit or action, including Johnstone's reasonable attorneys' fees as determined by any trial or appellate court or in any bankruptcy or insolvency proceeding, whether or not such amounts are allowed in any such proceeding.

The obligations of each Guarantor under this Guaranty shall be binding upon that Guarantor, his heirs, legal representatives, successors, and assigns.

Except as otherwise provided herein, Guarantor agrees that this Guaranty is a continuing guaranty and shall remain in full force and effect until the payment and performance in full of the Guaranteed Obligations. This Guaranty shall bind the successors and assigns of each Guarantor.

Termination or expiration of this Guaranty by one Guarantor of the Guaranteed Obligations shall not affect the liability of any other Guarantor of the Guaranteed Obligations.

This Guaranty shall be governed by the laws of the state of Oregon. Each Guarantor irrevocably and unconditionally submits to the exclusive jurisdiction of, and venue in, the U.S. District Court for the District of Oregon and the courts of the State of Oregon sitting in Multnomah County. EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, CAUSE OF ACTION OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY, OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, each Guarantor named above as a Guarantor/Obligor has executed this Cross Corporate Guaranty as of the _____.

_____(Guarantor)

By:_____
Printed or Typed Name

_____
Signature

_____
Title

_____(Guarantor)

By:_____
Printed or Typed Name

_____
Signature

_____
Title

_____(Guarantor)

By:_____
Printed or Typed Name

_____
Signature

_____
Title

_____(Guarantor)

By:_____
Printed or Typed Name

_____
Signature

_____
Title

_____(Guarantor)

By:_____
Printed or Typed Name

_____
Signature

_____
Title

_____(Guarantor)

By:_____
Printed or Typed Name

_____
Signature

_____
Title

EXHIBIT F

CURRENT JS BUSINESS OWNERS AND THEIR BRANCHES

Company Name	Address	City	State	Zip Code	Phone
PAA104, LLC	1248 MONTLIMAR DRIVE	MOBILE	AL	36609	(251) 343-3899
Davis Service Supply, Inc.	3801 1ST AVENUE NORTH	BIRMINGHAM	AL	35222	(205) 251-2154
Davis Service Supply, Inc.	1120 PUTMAN DRIVE N.W.	HUNTSVILLE	AL	35816	(256) 430-3440
Davis Service Supply, Inc.	2200 COMMERCE CIRCLE	PELHAM	AL	35124	(205) 988-3440
Hand Supply Co., Inc.	739 S. OATES STREET	DOTHAN	AL	36301	(334) 792-3148
Refrigeration Supplies, Inc.	4405 NORTHCHASE BLVD	MONTGOMERY	AL	36110	(706) 322-6789
Refrigeration Supplies, Inc.	3195 SOCIETY HILL ROAD	OPELIKA	AL	36804	(334) 203-1797
Hoffman Supply Company, Inc.	2400 INGERSOLL CIRCLE	FORT SMITH	AR	72908	(479) 648-9700
Hoffman Supply Company, Inc.	3110 PROSPERITY	JONESBORO	AR	72404	(870) 935-8775
Hoffman Supply Company, Inc.	3400 W. 65TH STREET	LITTLE ROCK	AR	72209	(501) 562-8484
Hoffman Supply Company, Inc.	5700 N, THOMPSON	SPRINGDALE	AR	72764	(479) 750-3550
AZ-JS, LLC	650 NORTH 99TH AVENUE	AVONDALE	AZ	85323	(623) 925-9200
AZ-JS, LLC	5004 SOUTH 71ST STREET	MESA	AZ	85212	(602) 837-1400
AZ-JS, LLC	709 EAST AUTO CENTER DR	MESA	AZ	85204	(480) 962-7972
AZ-JS, LLC	3834 E ROESER RD	PHOENIX	AZ	85040	(602) 603-7101
AZ-JS, LLC	2034 W. ROSE GARDEN LN.	PHOENIX	AZ	85027	(623) 516-4701
AZ-JS, LLC	3451 N. 35TH AVENUE	PHOENIX	AZ	85017	(602) 269-9354
AZ-JS, LLC	850 E. 18TH STREET	TUCSON	AZ	85719	(520) 624-0991
Pritchard Supply, Inc.	23211 DEL LAGO DRIVE	LAGUNA HILLS	CA	92653	(714) 361-1060
LA Pritchard Supply, Inc.	2810 TEMPLE AVENUE	LONG BEACH	CA	90806	(562) 595-4822
Pritchard Supply, Inc.	520 E DYER ROAD	SANTA ANA	CA	92707	(714) 361-1050
JYJ Supply, Inc.	11725 INGLEWOOD AVENUE	HAWTHORNE	CA	90250	(310) 644-7711
JJJ Supply Inc.	1433 VENICE BLVD	LOS ANGELES	CA	90006	(213) 383-5500
Sunny Enterprises, Inc.	2231 COMMERCE AVE.	CONCORD	CA	94520	(925) 682-6100
Sunny Enterprises, Inc.	1497 ZEPHYR AVE	HAYWARD	CA	94544	(510) 285-1624
Sunny Enterprises, Inc.	1384 14TH ST	OAKLAND	CA	94607	(510) 285-1624
Sunny Enterprises, Inc.	1445 SAN MATEO AVENUE	S SAN FRANCISCO	CA	94080	(650) 589-5800
Sunny Enterprises, Inc.	1070 COMMERCIAL ST SUITE 104	SAN JOSE	CA	95112	(408) 467-0400
Atwater Supply Inc.	518 E. BALL RD.	ANAHEIM	CA	92805	(714) 533-8413
Atwater Supply Inc.	1000 EL SOBRANTE RD.	CORONA	CA	92879	(951) 273-9791
Atwater Supply Inc.	1903 FRIENDSHIP DRIVE	EL CAJON	CA	92020	(619) 579-9575
Atwater Supply Inc.	77524 EL DUNA COURT	PALM DESERT	CA	92211	(760) 360-0720
Atwater Supply Inc.	4320 PACIFIC HWY	SAN DIEGO	CA	92110	(619) 298-7168
Temecula Supply LLC	42655 RIO NEDO STREET	TEMECULA	CA	92590	(951) 252-9770
Atwater Supply Inc.	2750 LA MIRADA DRIVE	VISTA	CA	92081	(760) 746-4746

Company Name	Address	City	State	Zip Code	Phone
Orion Distributing, Inc.	2130 V STREET	BAKERSFIELD	CA	93301	(661) 861-1100
Orion Distributing, Inc.	5658 E. CLINTON AVENUE	FRESNO	CA	93727	(559) 237-9000
Orion Distributing, Inc.	8871 MURAOKA DRIVE	GILROY	CA	95020	(408) 680-0697
Orion Distributing, Inc.	7066 LAS POSTITAS ROAD SUITE D	LIVERMORE	CA	94551	(925) 667-4670
Orion Distributing, Inc.	1755 GROGAN AVE	MERCED	CA	95341	(209) 386-1000
Orion Distributing, Inc.	1900 BLUE GUM AVE	MODESTO	CA	95358	(800) 446-6754
Orion Distributing, Inc.	3301 ORANGE GROVE AVENUE	NORTH HIGHLANDS	CA	95660	(916) 484-0490
Orion Distributing, Inc.	940 WALL STREET	REDDING	CA	96002	(530) 222-6421
Orion Distributing, Inc.	1528 MOFFETT STREET	SALINAS	CA	93905	(831) 757-9000
Orion Distributing, Inc.	2790 E CHEROKEE ROAD	STOCKTON	CA	95205	(800) 822-6061
Orion Distributing, Inc.	751 N ELKO	VISALIA	CA	93291	(558) 802-1160
JOHNBP, INC	161647 AVENIDA PADILLA	IRWINDALE	CA	91702	(626) 962-7138
SEJO, LLC	42033 6TH ST. WEST	LANCASTER	CA	93534	(661) 940-1169
JOHNSV, Inc.	19005 PARTHENIA STREET	NORTHRIDGE	CA	91324	(818) 701-6951
JOHNCOM, INC.	9143 PERKINS STREET	PICO RIVERA	CA	90640	(323) 722-6500
JohnSB, Inc.	584 INLAND CENTER DRIVE	SAN BERNARDINO	CA	92408	(909) 383-3737
SKD Corporation	740 CACIQUE STREET	SANTA BARBARA	CA	93103	(805) 564-8555
JOHNSV, Inc.	8639 TAMARACK AVENUE	SUN VALLEY	CA	91352	(818) 768-8890
JOHNUP, INC	2132 AVIATION DRIVE	UPLAND	CA	91786	(909) 949-2215
JOHNSV, Inc.	25027 ANZA DRIVE	VALENCIA	CA	91355	(661) 775-8981
Western Metropolitan Industries, Inc.	5960 VALENTINE ROAD	VENTURA	CA	93003	(805) 658-6555
Jesdan Inc.	31240 LA BAYA DRIVE	WESTLAKE VILLAGE	CA	91362	(805) 371-0444
G-A-P Supply Corp.	2860 CORDELIA ROAD	FAIRFIELD	CA	94534	(503) 597-7240
G-A-P Supply Corp.	200 TALMADGE DRIVE	SANTA ROSA	CA	95407	(707) 528-1991
Certified Supply of Colorado Springs, Inc.	3720 PIKES PEAK AVENUE	COLORADO SPRINGS	CO	80909	(719) 550-0123
Certified Supply, Inc.	2701 WEST 7th AVE	DENVER	CO	80204	(303) 573-5626
KBC, Inc.	120-B GIRARD STREET	DURANGO	CO	81303	(970) 382-8076
KBC, Inc.	3192 HALL AVENUE	GRAND JUNCTION	CO	81504	(970) 434-1374
B&F Electric Motors, LLC	255 LOCUST STREET	HARTFORD	CT	06114	(860) 727-9699
B&F Electric Motors, LLC	21 SHADY STREET	MILFORD	CT	06460	(203) 882-5550
B&F Electric Motors, LLC	156 MAGEE AVENUE	STAMFORD	CT	06902	(203) 359-2626
W.J.C. of Delaware, L.L.C.	890 NEW BURTON RD	DOVER	DE	19904	(302) 883-6300
W.J.C. of Delaware, L.L.C.	19 E. COMMONS BOULEVARD	NEW CASTLE	DE	19720	(609) 272-8222
Advanced Equipment Inc.	3650 WEST SPRUCE STREET	TAMPA	FL	33607	(813) 875-4545
JSFM Inc.	1406 SE 10th STREET	CAPE CORAL	FL	33990	(239) 242-8796
JSFM Inc.	6400 METRO PLANTATION RD	FT. MYERS	FL	33966	(239) 275-3533

Company Name	Address	City	State	Zip Code	Phone
JSFM Inc.	3484 DOMESTIC AVENUE	NAPLES	FL	34104	(239) 643-3446
The Ware Group Inc.	1147 GATEWAY AVE	BOYNTON BEACH	FL	33426	(561) 572-2507
The Ware Group Inc.	203 KELSEY LANE	BRANDON	FL	33619	(813) 424-3180
The Ware Group Inc.	11116 47TH STREET NORTH	CLEARWATER	FL	33762	(727) 561-9309
The Ware Group Inc.	1871 MASON AVE	DAYTONA BEACH	FL	32117	(904) 641-2282
The Ware Group Inc.	550 SW 12TH AVE	DEERFIELD BEACH	FL	33442	(754) 218-9667
The Ware Group Inc.	3224 SW 30TH AVE	FORT LAUDERDALE	FL	33312	(954) 921-8070
The Ware Group Inc.	5620 NW 12TH AVENUE, SUITE 101	FT LAUDERDALE	FL	33309	(954) 971-9350
The Ware Group Inc.	2303 NE 27TH AVENUE	GAINESVILLE	FL	32609	(352) 378-2430
The Ware Group Inc.	11710 CENTRAL PARKWAY	JACKSONVILLE	FL	32224	(904) 641-2282
The Ware Group Inc.	500 - 100 PARK STREET	JACKSONVILLE	FL	32204	(904) 354-0282
The Ware Group Inc.	2330 SOUTH COMBEE RD	LAKELAND	FL	33801	(863) 665-4045
The Ware Group Inc.	610 ATLANTIS ROAD	MELBOURNE	FL	32904	(321) 676-4177
The Ware Group Inc.	14350 NW 56TH COURT	MIAMI	FL	33054	(786) 476-7340
The Ware Group Inc.	12390 SW 131 AVE	MIAMI	FL	33186	(786) 249-4828
The Ware Group Inc.	2700 SW 3rd PLACE	OCALA	FL	34471	(352) 873-4443
The Ware Group Inc.	1651 SOUTH RIO GRANDE AVE	ORLANDO	FL	32805	(407) 849-0573
The Ware Group Inc.	6041-9 SIESTA LANE	PORT RICHEY	FL	34668	(727) 817-0248
The Ware Group Inc.	321 NW PEACOCK BLVD	PORT ST. LUCIE	FL	34986	(772) 468-0211
The Ware Group Inc.	4200 ST JOHNS PARKWAY	SANFORD	FL	32771	(407) 324-8003
The Ware Group Inc.	2217 72ND AVE E	SARASOTA	FL	34243	(941) 753-8491
The Ware Group Inc.	1501 DECKERS AVE SUITE 403	STUART	FL	34994	(772) 781-0102
The Ware Group Inc.	2929 HARTSFIELD RD.	TALLAHASSEE	FL	32303	(850) 576-5922
The Ware Group Inc.	1819 OLD OKEECHOBEE RD	WEST PALM BEACH	FL	33409	(561) 689-3366
L.L. Berky, Inc.	117 HOLLYWOOD BLVD. NE	FORT WALTON BEACH	FL	32548	(850) 362-6880
Lynn A. Berky Inc.	3900 NORTH “W” STREET	PENSACOLA	FL	32505	(850) 436-2008
Hand Supply Co., Inc.	363 BULLDOG ROAD	FREEPORT	FL	32439	(334) 792-3148
Hand Supply Co., Inc.	1911 CAULEY AVENUE	PANAMA CITY BEACH	FL	32407	(850) 235-8050
Kehoe-Morgan, Inc.	1910 MILLS B LANE BLVD.	SAVANNAH	GA	31405	(912) 238-4822
DMM Supply, Inc.	703 MC KNIGHT INDUSTRIAL BLVD	AUGUSTA	GA	30907	(706) 922-9590
AARP, Inc.	1870 McFARLAND PKWY STE 250	ALPHARETTA	GA	30005	(770) 740-1300
AARP, Inc.	686 ELEVENTH STREET, N.W.	ATLANTA	GA	30318	(404) 875-9940
AARP, Inc.	4820 CLARK HOWELL HIGHWAY	COLLEGE PARK	GA	30349	(404) 768-7337

Company Name	Address	City	State	Zip Code	Phone
AARP, Inc.	821 PROGRESS CENTER COURT	LAWRENCEVILLE	GA	30043	(770) 962-2221
AARP, Inc.	240-A THORNTON ROAD	LITHIA SPRINGS	GA	30122	(770) 941-6556
AARP, Inc.	129 WOODFIELD DRIVE	MACON	GA	31210	(478) 471-2350
AARP, Inc.	3061-B KINGSTON COURT, S.E.	MARIETTA	GA	30067	(770) 859-0660
AARP, Inc.	5715-B OAKBROOK PARKWAY	NORCROSS	GA	30093	(770) 446-0400
AARP, Inc.	150 OSIGIAN BLVD, SUITE 500	WARNER ROBINS	GA	31088	(478) 273-6036
Refrigeration Supplies, Inc.	950 16TH STREET	COLUMBUS	GA	31901	(706) 322-6789
Aloha Supply, Inc.	1320 Kalani Street	Honolulu	HI	96817	(808) 531-6633
Mahalo Supply, Inc.	269 E. Papa Place	Kahului	HI	96732	(844) 404-3300
Appliance Parts Center	145 E. Harmon Industrial Park	Tamuning	GU	96913	(671) 649-0581
KBC, Inc.	2701 FORD ST	AMES	IA	50010	(515) 233-5596
KBC, Inc.	5001 NORTH BRADY STREET	DAVENPORT	IA	52806	(563) 388-7777
KBC, Inc.	11000 JUSTIN DRIVE	DES MOINES	IA	50322	(515) 253-0000
Dakwa, Inc.	1401 CUNNINGHAM DR	SIOUX CITY	IA	51106	(712) 277-2200
Cooperative Endeavors Inc.	5040 BLAIRS FOREST WAY	CEDAR RAPIDS	IA	52402	(319) 294-3140
Cooperative Endeavors Inc.	2661 GERALDINE ROAD	WATERLOO	IA	50703	(319) 233-0525
E. H. Arbuckle Distributing, Inc.	2565 BOGE AVE, SUITE 1	IDAHO FALLS	ID	83401	(208) 523-7755
F. W. Kauphusman, Inc.	10943 WEST EXECUTIVE DRIVE	BOISE	ID	83713	(208) 377-1600
JSRM, Inc.	3358 PYRAMID DR.	ROCKFORD	IL	61109	(815) 874-8256
Pennant Supply Company	137 JOHNSTONE ROAD	MURPHYSBORO	IL	62966	(618) 549-7365
TBGIL, LLC	1000 ALEXANDER COURT	CARY	IL	60013	(847) 383-6997
TBGIL, LLC	1200 W CERMAK STREET	CHICAGO	IL	60608	(847) 966-2700
TBGIL, LLC	4150 N KNOX AVE	CHICAGO	IL	60641	(952) 853-9898
TBGIL, LLC	5375 WALNUT AVE	DOWNERS GROVE	IL	60515	(630) 427-6200
TBGIL, LLC	1090 PRATT BLVD	ELK GROVE VILLAGE	IL	60007	(847) 966-0810
TBGIL, LLC	5109 W LAKE STREET	MELROSE PARK	IL	60160	(952) 853-9898
TBGIL, LLC	6153 WEST MULFORD STREET	NILES	IL	60714	(847) 966-2700
P.G. Danos & Associates, Inc.	3895 GROVE AVENUE	GURNEE	IL	60031	(847) 623-8460
Reliable Products Corporation	2900 Eastport Plaza Drive	COLLINSVILLE	IL	62234	(618) 346-7650
A & J Appliance Parts, Inc.	3841 W. COLUMBUS AVENUE	CHICAGO	IL	60652	(773) 476-7545
A & J Appliance Parts, Inc.	4606 W. 138TH STREET	CRESTWOOD	IL	60418	(708) 385-3070
A & J Appliance Parts, Inc.	2302 OAK LEAF ST	JOLIET	IL	60436	(815) 215-1170
A & J Appliance Parts, Inc.	480 INDUSTRIAL DRIVE	NAPERVILLE	IL	60563	(630) 983-9373
Mehrings Supply Company	804 SOUTH BUNN STREET	BLOOMINGTON	IL	61701	(309) 827-6002

Company Name	Address	City	State	Zip Code	Phone
Mehrings Supply Company	2021 SW WASHINGTON ST	PEORIA	IL	61602	(309) 673-7483
Mehrings Supply Company	308 E ANTHONY DRIVE	URBANA	IL	61801	(309) 673-7483
U.S. Refrigeration Co.	301 N. FIRST STREET	SPRINGFIELD	IL	62702	(217) 528-9643
Comfort Control Supply Co., Inc.	3314 MIDDLEBURY STREET	ELKHART	IN	46516	(574) 970-0628
Comfort Control Supply Co., Inc.	3220 W. ROSETTA DRIVE	SOUTH BEND	IN	46628	(574) 288-2843
Controls Center, Inc.	10640 E 59TH STREET	INDIANAPOLIS	IN	46236	(513) 772-2665
Controls Center, Inc.	7427 COMPANY DR	INDIANAPOLIS	IN	46237	(800) 537-1111
Controls Center, Inc.	2460 N SHADELAND AVE	INDIANAPOLIS	IN	46219	(513) 772-4328
Controls Center, Inc.	1125 WESTERN DRIVE	INDIANAPOLIS	IN	46241	(317) 634-2665
Controls Center, Inc.	2803 PARK EAST BLVD STE E	LAFAYETTE	IN	47905	(765) 297-2665
Universal Service Supply, Inc.	310 S. EVANS AVENUE	EVANSVILLE	IN	47713	(812) 422-7575
Universal Service Supply II, Inc.	810 S 10th St	TERRE HAUTE	IN	47807	(812) 235-7575
A & J Appliance Parts, Inc.	8000 NEW JERSEY AVE.	HAMMOND	IN	46323	(219) 989-9000
Chester Limited Midwest, LLC	2530 INDEPENDENCE DRIVE	FORT WAYNE	IN	46808	(260) 482-3778
KBC, Inc.	241 SW 32ND TERRACE	TOPEKA	KS	66611	(402) 339-2342
Uhlig Supply, Inc.	14530 WEST 101ST TERRACE	LENEXA	KS	66215	(913) 541-0079
Temple Enterprises of Wichita, LLC	1320 E 2ND STREET N.	WICHITA	KS	67214	(316) 267-3629
Controls Center, Inc.	100 31ST STREET	ASHLAND	KY	41101	(606) 326-0078
Controls Center, Inc.	7472 INDUSTRIAL BLVD	FLORENCE	KY	41042	(859) 525-2665
Controls Center, Inc.	524 CODELL DRIVE	LEXINGTON	KY	40509	(859) 269-7244
Controls Center, Inc.	220 COMMERCIAL DRIVE	LONDON	KY	40744	(606) 864-1403
Universal Service Supply IV, Inc.	925 PAR MAKERS RD	BOWLING GREEN	KY	42101	(270) 843-4545
Universal Service Supply III, Inc.	1126 SWEENEY STREET	OWENSBORO	KY	42303	(270) 240-4678
S & K Distributors, Inc.	470 SOUTH MULBERRY STREET	ELIZABETHTOWN	KY	42701	(502) 459-5556
S & K Distributors, Inc.	11215 DECIMAL DRIVE	LOUISVILLE	KY	40299	(502) 459-5556
S & K Distributors, Inc.	4434 POPLAR LEVEL ROAD	LOUISVILLE	KY	40213	(502) 459-5556
Paducah Supply Company	595 WHITTINGTON DRIVE	MADISONVILLE	KY	42431	(270) 821-6636
Paducah Supply Company	1704 KENTUCKY AVENUE	PADUCAH	KY	42003	(270) 538-5000
Hoffman Supply Company, Inc.	730 W BERT KOUNS INDST. LOOP	SHREVEPORT	LA	71118	(318) 686-2606
Petit and Associates, LLC	1688 WOODDALE BLVD	BATON ROUGE	LA	70806	(225) 925-1680
KIPO, L.L.C.	11030 COURSEY BLVD	BATON ROUGE	LA	70816	(225) 295-7019
Petit and Associates, LLC	1988 INDUSTRIAL BLVD	HARVEY	LA	70058	(504) 704-5911
Petit and Associates, LLC	516 ERASTE LANDRY ROAD	LAFAYETTE	LA	70506	(337) 294-8857
KIPO, L.L.C.	1400 EDWARDS AVENUE	NEW ORLEANS	LA	70123	(504) 733-1495

Company Name	Address	City	State	Zip Code	Phone
KIPO, L.L.C.	530 JOHNNY F. SMITH AVENUE	SLIDELL	LA	70460	(985) 641-8151
J.R. Balsan Inc.	91 HICKS AVENUE	MEDFORD	MA	02155	(781) 391-5550
J.R. Balsan Inc.	105 AVOCADO STREET	SPRINGFIELD	MA	01104	(413) 781-1721
J.R. Balsan Inc.	35 INDUSTRIAL PARKWAY	WOBURN	MA	01801	(781) 933-8506
Encephalon Neurolink Advanced Surgical Institute, Inc.	50 ROCSAM PARK ROAD	BRAINTREE	MA	02184	(781) 427-7777
Mill City Aviation, Inc.	588 GORHAM STREET	LOWELL	MA	01852	(978) 656-0000
WSI Manufacturing, Inc.	303 BEAR HILL ROAD	WALTHAM	MA	02451	(781) 487-7777
Wormtown Atomic Propulsion Systems Inc.	4 QUINSIGAMOND AVENUE	WORCESTER	MA	01608	(508) 795-7777
RAC Distributors, Inc.	313 WHITES PATH	YARMOUTH	MA	02664	(508) 394-3500
JLM Supply, Inc.	15 SCOTLAND BOULEVARD	BRIDGEWATER	MA	02324	(508) 279-1661
J.R. Balsan Inc.	1981 MORELAND PARKWAY STE 101	ANNAPOLIS	MD	21401	(410) 280-0101
J.R. Balsan Inc.	5760 SUNNYSIDE AVENUE	BELTSVILLE	MD	20705	(240) 713-3309
J.R. Balsan Inc.	4330 CHARLES CROSSING ROAD	WHITE PLAINS	MD	20695	(301) 818-0700
Wallace Supply, LLC	1660 SULPHUR SPRING ROAD	BALTIMORE	MD	21227	(410) 568-7390
Wallace Supply, LLC	9172 GAITHER ROAD	GAITHERSBURG	MD	20877	(610) 258-5651
Wallace Supply, LLC	9100 YELLOW BRICK ROAD	ROSEDALE	MD	21237	(610) 258-5651
W.J.C. of Maryland, L.L.C.	2128 NORTHWOOD DRIVE	SALISBURY	MD	21801	(609) 272-8222
J.R. Balsan Inc.	195 THATCHER STREET	BANGOR	ME	04401	(207) 942-0293
J.R. Balsan Inc.	238 RIVERSIDE STREET	PORTLAND	ME	04103	(207) 321-2224
Comfort Control Supply Co., Inc.	2106 M-139 & 810 STARLITE DR	BENTON HARBOR	MI	49022	(231) 777-2727
Comfort Control Supply Co., Inc.	3642 MILL CREEK AVE. NE	COMSTOCK PARK	MI	49321	(616) 784-0808
Comfort Control Supply Co., Inc.	4757 CLYDE PARK SW	GRAND RAPIDS	MI	49509	(616) 532-8188
Comfort Control Supply Co., Inc.	2127 112th AVE	HOLLAND	MI	49424	(616) 392-9239
Comfort Control Supply Co., Inc.	903 BELDEN ROAD	JACKSON	MI	49203	(517) 482-8478
Comfort Control Supply Co., Inc.	1000 KING HIGHWAY	KALAMAZOO	MI	49001	(269) 978-1600
Comfort Control Supply Co., Inc.	3244 WEST ST. JOSEPH	LANSING	MI	48917	(517) 482-8478
Comfort Control Supply Co., Inc.	1840 INDUSTRIAL BLVD.	MUSKEGON	MI	49442	(231) 777-2727
Chester Limited Midwest, LLC	2460 S INDUSTRIAL HIGHWAY	ANN ARBOR	MI	48104	(734) 995-3500
Chester Limited Midwest, LLC	12800 LYNDON STREET	DETROIT	MI	48227	(313) 491-4911
Chester Limited Midwest, LLC	32458 W EIGHT MILE ROAD	FARMINGTON HILLS	MI	48336	(248) 987-6988

Company Name	Address	City	State	Zip Code	Phone
Chester Limited Midwest, LLC	1900 NORTH SAGINAW STREET	FLINT	MI	48505	(810) 686-8388
Chester Limited Midwest, LLC	850 GRAND OAKS DRIVE	HOWELL	MI	48843	(517) 586-2220
Chester Limited Midwest, LLC	16260 23 MILE ROAD	MACOMB TWP	MI	48044	(586) 207-1635
Chester Limited Midwest, LLC	4658 SOUTH CUSTER RD.	MONROE	MI	48161	(734) 636-5020
Chester Limited Midwest, LLC	927 BROWN ROAD, UNIT D	ORION	MI	48359	(248) 391-4543
Chester Limited Midwest, LLC	2654 20TH STREET	PORT HURON	MI	48060	(810) 479-8200
Chester Limited Midwest, LLC	28141 GROESBECK HWY	ROSEVILLE	MI	48066	(586) 774-8000
Chester Limited Midwest, LLC	2858 ENTERPRISE COURT	SAGINAW	MI	48603	(989) 401-3043
Chester Limited Midwest, LLC	27050 WICK ROAD	TAYLOR	MI	48180	(734) 947-1111
Chester Limited Midwest, LLC	1900 STEPHENSON HIGHWAY	TROY	MI	48083	(248) 589-3130
Austin Supply, Inc.	105 E SHERIDAN	PETOSKEY	MI	49770	(231) 347-4440
Austin Supply, Inc.	1666 NORTHERN STAR DRIVE	TRAVERSE CITY	MI	49696	(231) 935-4444
TJ3, LLC	1401 W 94th STREET	BLOOMINGTON	MN	55431	(952) 853-9898
TJ3, LLC	4415 VENTURE AVENUE	DULUTH	MN	55811	(218) 623-6623
TJ3, LLC	1929 7TH ST NW	ROCHESTER	MN	55901	(507) 780-1600
TJ3, LLC	3730 QUAIL ROAD NE	SAUK RAPIDS	MN	56379	(320) 443-6050
TJ3, LLC	2550 WABASH AVENUE	ST PAUL	MN	55114	(651) 641-0602
Audrann, Inc.	870 DECATUR AVENUE N.	GOLDEN VALLEY	MN	55427	(763) 542-8820
Hoffman Supply Company, Inc.	108 CHIEFS COURT	BRANSON	MO	65616	(417) 335-8299
Hoffman Supply Company, Inc.	2717 MERCHANT DRIVE	JEFFERSON CITY	MO	65109	(573) 556-5544
Hoffman Supply Company, Inc.	1022 E. 4TH STREET	JOPLIN	MO	64801	(417) 206-6640
Hoffman Supply Company, Inc.	408 W. LEE ST	NIXA	MO	65714	(417) 724-2136
Hoffman Supply Company, Inc.	11213 TWITTY DRIVE	ROLLA	MO	65401	(573) 364-4627
Hoffman Supply Company, Inc.	501 N. BELCREST AVENUE	SPRINGFIELD	MO	65802	(417) 862-6771
Uhlig Supply, Inc.	13715 E. 42ND TERRACE	INDEPENDENCE	MO	64055	(816) 373-0203
Uhlig Supply, Inc.	1760 WEST 29TH STREET	KANSAS CITY	MO	64108	(816) 756-3250
Reliable Products Corporation	900 SMILEY LANE	COLUMBIA	MO	65202	(573) 214-9050
Reliable Products Corporation	50 ATHLETIC DRIVE	EARTH CITY	MO	63045	(314) 291-8788
Reliable Products Corporation	1536 FENPARK DRIVE	FENTON	MO	63026	(636) 343-0136

Company Name	Address	City	State	Zip Code	Phone
Reliable Products Corporation	3120 INDUSTRIAL PRK PL WEST DR	ST. PETERS	MO	63376	(314) 447-0603
Paducah Supply Company	2043 RUST AVENUE	CAPE GIRARDEAU	MO	63703	(573) 339-9544
MS-JS, Inc.	12180 INTRAPLEX PARKWAY	GULFPORT	MS	39503	(228) 896-1111
MS-JS, Inc.	520 HWY 80 WEST	JACKSON	MS	39204	(601) 948-4335
Harken Supply, Inc.	5253 SOUTHGATE DRIVE	BILLINGS	MT	59101	(406) 252-1207
Harken Supply, Inc.	734 HOLMES	MISSOULA	MT	59802	(406) 542-1418
CDBM Inc.	3610 CENTURY PLACE	CHARLOTTE	NC	28206	(704) 632-1645
CDBM Inc.	2901 ZION CHURCH ROAD	CONCORD	NC	28025	(704) 788-1348
BM Supply, Inc.	810 S. EASTERN BLVD.	FAYETTEVILLE	NC	28301	(910) 483-5517
CDBM Inc.	2222 PLASTICS DRIVE	GASTONIA	NC	28054	(704) 833-8035
CDBM Inc.	1707 WILLIAMS ROAD EXT.	MONROE	NC	28110	(704) 283-2102
RFC Company	11 OVERLAND INDUSTRIAL BLVD	ASHEVILLE	NC	28806	(828) 771-0258
Megaman Enterprises, LLC	3172 HILLSBOROUGH ROAD	DURHAM	NC	27705	(919) 383-0059
JonGrn, LLC	3706 BOREN DRIVE	GREENSBORO	NC	27407	(336) 553-0024
HNC Supply, LLC	1268 27TH STREET DRIVE SE	HICKORY	NC	28602	(828) 624-0155
JS Jr., LLC	3650 JUNCTION BOULEVARD	RALEIGH	NC	27603	(919) 661-5565
Melhinch, LLC	1212 FRONT STREET	RALEIGH	NC	27609	(919) 829-3511
RM Supply, LLC	3061 N CHURCH STREET	ROCKY MOUNT	NC	27804	(252) 937-4089
Downtown Supply, LLC	2105 PETERS CREEK PARKWAY	WINSTON-SALEM	NC	27127	(336) 723-1122
R & M McInnis, Inc.	110 BRYNN MARR RD	JACKSONVILLE	NC	28546	(910) 989-0800
R & M McInnis, Inc.	4905 US HWY 70 EAST	NEW BERN	NC	28562	(252) 631-4555
Joyner Supply Company, Inc.	315 MARLBORO STREET	WILMINGTON	NC	28403	(910) 762-5773
Outer Banks Three, LLC	111 KITTY HAWK LANE	ELIZABETH CITY	NC	27909	(252) 621-5220
Outer Banks Three, LLC	2801 S MEMORIAL DRIVE	GREENVILLE	NC	27834	(252) 830-0600
Midland, Inc.	802 MAIN AVE, WEST	WEST FARGO	ND	58078	(701) 277-0610
KBC, Inc.	89 CENTRAL AVENUE	KEARNEY	NE	68847	(308) 238-0606
KBC, Inc.	2829 NORTH 33RD STREET	LINCOLN	NE	68504	(402) 466-5122
KBC, Inc.	9800 J STREET	OMAHA	NE	68127	(402) 339-2342
KBC, Inc.	4747 SOUTH 3OTH STREET	OMAHA STOCKYARDS	NE	68107	(402) 344-8900
Z & Z VII Supply, LLC	3 CORPORATE DRIVE	CRANBURY	NJ	08512	(609) 495-1500
Z & Z Supply, Inc.	370 MARKET STREET	KENILWORTH	NJ	07033	(908) 298-1212
Z & Z IX Supply, LLC	97 McKEE DRIVE	MAHWAH	NJ	07430	(201) 335-3100
Z & Z V Supply Company, Inc.	280 N MIDLAND AVE.	SADDLE BROOK	NJ	07663	(201) 796-0222
Z & Z 2 Supply, Co., Inc.	120 CORPORATE BLVD.	SOUTH PLAINFIELD	NJ	07080	(908) 561-9300
Z & Z III Supply Co., Inc.	201 TORNILLO WAY	TINTON FALLS	NJ	07712	(732) 935-7800

Company Name	Address	City	State	Zip Code	Phone
Z & Z VI Supply LLC	1001 CORPORATE CIRCLE	TOMS RIVER	NJ	08755	(732) 575-1010
Z & Z IV Supply Company, Inc.	48 SOUTH JEFFERSON ROAD	WHIPPANY	NJ	07981	(973) 560-4747
T & T Supply of PA, Inc.	131 HELLER PLACE	BELLMAWR	NJ	08031	(856) 208-3600
T & T Supply Company	1801 GARDEN AVENUE	CHERRY HILL	NJ	08003	(856) 751-0100
T & T Supply Company	2100 EAST STATE STREET	HAMILTON	NJ	08619	(609) 584-1200
T & T Supply Company	230 W ELMER ROAD	VINELAND	NJ	08360	(856) 691-6740
WJC Electronics and Appliance Parts, Inc.	23 CLINTON AVENUE	PLEASANTVILLE	NJ	08232	(609) 272-8222
Ketner Enterprises of Las Cruces, LLC	2050 WEST AMADOR AVENUE	LAS CRUCES	NM	88005	(575) 512-8898
JMT, Inc.	2501 PHOENIX AVE NE	ALBUQUERQUE	NM	87107	(505) 884-4822
JMT Four Corners, Inc.	210 So FAIRVIEW AVENUE	FARMINGTON	NM	87401	(505) 564-2665
JMT West, Inc.	5115 INDUSTRIAL PARK LOOP	RIO RANCHO	NM	87124	(505) 312-4344
JMT South, Inc.	401 SO MAIN ST	ROSWELL	NM	88203	(575) 622-1232
JMT North, Inc.	1259 SILER ROAD	SANTA FE	NM	87507	(505) 424-4328
Orion Distributing, Inc.	1395 GREG STREET	SPARKS	NV	89431	(800) 225-9880
BCGM Company	671 MIDDLEGATE RD	HENDERSON	NV	89011	(702) 558-2323
BCGM Company	4144 WEST SUNSET ROAD	LAS VEGAS	NV	89118	(702) 384-3980
BCGM Company	2319 S. WESTERN AVENUE	LAS VEGAS	NV	89102	(702) 387-6940
Bejian Century Supply Inc.	2600 6TH AVE.	TROY	NY	12180	(518) 272-5922
ACP Distribution, Inc.	845 EAST 138TH STREET	BRONX	NY	10454	(718) 402-3707
ACP Distribution, Inc.	2701 BROOKLYN-QUEENS	WOODSIDE	NY	11377	(718) 545-4896
Z & Z Supply NY, LLC	355 INDUSTRIAL LOOP	STATEN ISLAND	NY	10309	(929) 284-3000
Wallace Supply, LLC	3950 BROADWAY	DEPEW	NY	14043	(716) 683-7435
Wallace Supply, LLC	95 HALSTEAD STREET	ROCHESTER	NY	14610	(585) 482-8000
Wallace Supply, LLC	835 CANAL STREET	SYRACUSE	NY	13210	(315) 479-8800
Wallace Supply, LLC	9 COOPER AVENUE	TONAWANDA	NY	14150	(716) 447-0285
B & F Electric Motors, Inc.	1593 GRAND AVENUE	BALDWIN	NY	11510	(516) 223-5511
B & F Electric Motors, Inc.	540 JOHNSON AVENUE	BOHEMIA	NY	11716	(631) 567-4800
B & F Electric Motors, Inc.	1600 CONEY ISLAND AVENUE	BROOKLYN	NY	11230	(718) 252-2700
B & F Electric Motors, Inc.	135 SCHMITT BLVD.	FARMINGDALE	NY	11735	(631) 293-2566
B & F Electric Motors, Inc.	11A DENTON AVENUE SOUTH	NEW HYDE PARK	NY	11040	(516) 216-1809
B & F Electric Motors, Inc.	323 W 39TH ST	NEW YORK	NY	10018	(212) 203-3808
Three B Supply, Inc.	66 BROCKWAY PLACE	WHITE PLAINS	NY	10601	(914) 285-9244
G D Supply, Inc.	1500 FIRESTONE PKWY STE H	AKRON	OH	44301	(330) 535-4499
G D Supply, Inc.	4689 SPRING ROAD	CLEVELAND	OH	44131	(216) 661-9922
G D Supply, Inc.	700 PARKWOOD AVENUE	COLUMBUS	OH	43219	(614) 258-1111
G D Supply, Inc.	7780 METRIC DRIVE	MENTOR	OH	44060	(440) 205-7221

Company Name	Address	City	State	Zip Code	Phone
Controls Center, Inc.	1212 DALTON AVENUE	CINCINNATI	OH	45203	(513) 651-2665
Controls Center, Inc.	1640 EAST KEMPER RD	CINCINNATI	OH	45246	(513) 772-2665
Controls Center, Inc.	15 TROY STREET	DAYTON	OH	45404	(937) 222-4311
Controls Center, Inc.	255 WRIGHT DRIVE	MIDDLETOWN	OH	45044	(513) 360-2665
Chester Limited Midwest, LLC	26974 ECKEL ROAD	PERRYSBURG	OH	43551	(419) 893-1043
Chester Limited Midwest, LLC	138 W SYLVANIA AVENUE	TOLEDO	OH	43612	(419) 476-1133
Ketner Enterprises of Moore, Inc.	2050 SOUTH BROADWAY AVENUE	MOORE	OK	73160	(405) 799-8576
Ketner Enterprises of Edmond, Inc.	13541 N. INDIANA AVENUE	OKLAHOMA CITY	OK	73120	(405) 752-8576
Ketner Enterprises of Oklahoma City, Inc.	2120 SW 15TH	OKLAHOMA CITY	OK	73108	(405) 232-8576
Temple Enterprises of Muskogee, LLC	1615 W OKMULGEE ST	MUSKOGEE	OK	74401	(918) 913-9425
Temple Enterprises of Owasso, LLC	1301 N. MAIN STREET	OWASSO	OK	74055	(918) 272-6100
Temple Enterprises of Ponca City, LLC	700 E. PROSPECT AVE	PONCA CITY	OK	74601	(580) 762-2600
Temple Enterprises of Stillwater, LLC	318 E THOMAS AVENUE	STILLWATER	OK	74075	(405) 338-9462
Temple Enterprises of Tulsa, Inc.	9955 EAST 55TH PLACE	TULSA	OK	74146	(918) 664-1990
Boutette and Barnett, Inc.	BOUTETTE AND BARNETT	HAMILTON	ON	L8L3H	(905) 523-4466
Boutette and Barnett, Inc.	BOUTETTE AND BARNETT	LONDON	ON	N5V2Z	(519) 679-1770
Boutette and Barnett, Inc.	BOUTETTE AND BARNETT	OAKVILLE	ON	L6H6Z	(905) 829-1230
Boutette and Barnett, Inc.	BOUTETTE AND BARNETT	WINDSOR	ON	N8X3J	(519) 969-4400
G-A-P Supply Corp.	1096 SE 9th, SUITE 100	BEND	OR	97702	(541) 318-6135
G-A-P Supply Corp.	11773 SE CAPPS ROAD	CLACKAMAS	OR	97015	(503) 234-7221
G-A-P Supply Corp.	4027 W. 1st AVENUE	EUGENE	OR	97402	(541) 342-4861
G-A-P Supply Corp.	3080 22nd S.E.	SALEM	OR	97302	(503) 779-1094
G-A-P Supply Corp.	16650 SW 72ND AVENUE	TIGARD	OR	97224	(503) 597-7240
J.R. Balsan Inc.	505 PARKWAY	BROOMALL	PA	19008	(610) 605-4150
J.R. Balsan Inc.	1000 BETHLEHEM PIKE	COLMAR	PA	18915	(215) 997-9002
J.R. Balsan Inc.	299 BOOT RD	DOWNINGTOWN	PA	19335	(610) 873-6100
J.R. Balsan Inc.	2578 INDUSTRY LANE	EAGLEVILLE	PA	19403	(610) 539-0930
Controls Center, Inc.	5407 PROGRESS BLVD	BETHEL PARK	PA	15102	(412) 831-8188
Controls Center, Inc.	140 HOLLYWOOD DR	BUTLER	PA	16001	(724) 283-9100
Controls Center, Inc.	1628 ROSEYTOWN ROAD	GREENSBURG	PA	15601	(724) 775-8041
Controls Center, Inc.	1548 PENNSYLVANIA AVENUE	MONACA	PA	15061	(724) 775-8041
Controls Center, Inc.	1006 SECO ROAD BLDG 10	MONROEVILLE	PA	15146	(412) 373-6360
Controls Center, Inc.	3140 SASSAFRAS WAY	PITTSBURGH	PA	15201	(412) 690-2388

Company Name	Address	City	State	Zip Code	Phone
Controls Center, Inc.	3470 BABCOCK BOULEVARD	PITTSBURGH	PA	15237	(412) 367-8040
A & B Supply Co., Inc.	2609 DEARBORN ST.	EASTON	PA	18045	(610) 258-5651
A & B Supply Co., Inc.	2221 SYCAMORE STREET	HARRISBURG	PA	17111	(717) 233-7593
Wallace Supply, LLC	340 WEST ROSEVILLE RD	LANCASTER	PA	17603	(610) 258-5651
A & B Supply Co., Inc.	2300-A N. 5TH ST. HIGHWAY	READING	PA	19605	(610) 373-3665
Green Lane Hosiery Co. Inc.	73 ASH CIRCLE	WARMINSTER	PA	18974	(215) 675-8585
T & T Supply of PA, Inc.	350-352 DUNKS FERRY ROAD	BENSALEM	PA	19020	(215) 642-6190
T & T Supply of PA, Inc.	455 N 7TH STREET	PHILADELPHIA	PA	19123	(215) 558-4210
RAC Distributors, Inc.	50 NIANTIC AVENUE	PROVIDENCE	RI	02907	(401) 946-9444
The Ware Group Inc.	850 ROSEWOOD DRIVE	COLUMBIA	SC	29201	(803) 724-6223
The Ware Group Inc.	145 WINDHILL DRIVE	COLUMBIA	SC	29203	(803) 735-9979
The Ware Group Inc.	2572 OSCAR JOHNSON DRIVE	NORTH CHARLESTON	SC	29405	(843) 744-8404
The Ware Group Inc.	1330 COLLEGE PARK ROAD	SUMMERVILLE	SC	29483	(843) 873-8199
D & D Distributing, LLC	203 COMMERCE BOULEVARD	ANDERSON	SC	29625	(864) 288-5426
D & D Distributing, LLC	1261 POWDERSVILLE ROAD	EASLEY	SC	29642	(864) 272-0500
D & D Distributing, LLC	301 INDUSTRIAL DRIVE	GREENVILLE	SC	29607	(864) 288-5426
D & D Distributing, LLC	135 DEXTER ROAD	SPARTANBURG	SC	29303	(864) 327-0238
BW Supply, Inc.	850 GATOR LANE	MURRELLS INLET	SC	29576	(843) 651-9437
Blue Marlin Supply, Inc.	1802 TRADE STREET	FLORENCE	SC	29501	(843) 662-8781
Blue Marlin Supply, Inc.	1047 REDI-MIX ROAD	LITTLE RIVER	SC	29566	(843) 399-2000
Blue Marlin Supply, Inc.	2060 BURKETT ROAD	ROCK HILL	SC	29730	(803) 980-4822
SF2RC, Inc.	1962 DEADWOOD AVE.	RAPID CITY	SD	57702	(605) 791-1602
Midland, Inc.	335 N. WEBER AVENUE	SIOUX FALLS	SD	57103	(605) 338-2652
RFC Company	1524 E MAIN STREET	CHATTANOOGA	TN	37404	(423) 697-4908
RFC Company	1401 S LEE HWY	CLEVELAND	TN	37311	(865) 525-6296
RFC Company	70 WEST DAVIS RD.	COOKEVILLE	TN	38506	(931) 520-0885
RFC Company	3115 N ROAN ST.	JOHNSON CITY	TN	37601	(423) 218-1202
RFC Company	1909 Brookside Lane	KINGSPORT	TN	37660	(423) 246-6995
RFC Company	5012 S. MIDDLEBROOK PIKE	KNOXVILLE	TN	37921	(865) 525-6296
RFC Company	1039 CHARLOTTES COURT	PIGEON FORGE	TN	37863	(865) 286-5982
HPG, Inc.	5253 PLESANT VIEW DR	MEMPHIS	TN	38134	(901) 507-4505
HPG, Inc.	3660 AIR PARK STREET	MEMPHIS	TN	38118	(901) 795-3800
HPG, Inc.	3078 BROAD AVENUE	MEMPHIS	TN	38112	(901) 324-1111
Davis Service Supply, Inc.	231 WEST DUNBAR CAVE RD	CLARKSVILLE	TN	37040	(931) 920-3440
Davis Service Supply, Inc.	1207 FESSLERS LANE	NASHVILLE	TN	37210	(615) 259-3440
Paducah Supply Company	1123 FORREST STREET	DYERSBURG	TN	38024	(731) 286-5663

Company Name	Address	City	State	Zip Code	Phone
Ketner Enterprises of El Paso, LLC	800 B TONY LAMA	EL PASO	TX	79915	(915) 779-5736
EPMA Corporation	675 N. M.L. KING JR. PARKWAY	BEAUMONT	TX	77701	(409) 832-7409
EPMA Corporation	800 OLD MONTGOMERY RD	CONROE	TX	77301	(713) 868-8967
EPMA Corporation	6630 ROXBURGH DR SUITE 175	HOUSTON	TX	77041	(713) 466-5716
EPMA Corporation	15631 BLUE ASH #160	HOUSTON	TX	77090	(281) 872-5200
EPMA Corporation	8304 WESTPARK	HOUSTON	TX	77063	(713) 952-4601
EPMA Corporation	5935A SOUTH LOOP EAST	HOUSTON	TX	77033	(713) 645-0085
EPMA Corporation	2120 SHEPHERD DRIVE	HOUSTON	TX	77007	(713) 868-8967
EPMA Corporation	22110 MERCHANTS WAY	KATY	TX	77449	(713) 803-6240
EPMA Corporation	10650 WEST AIRPORT BLVD.	STAFFORD	TX	77477	(281) 988-5584
EPMA Corporation	16910 TEXAS AVE	WEBSTER	TX	77598	(713) 868-8967
Austin Red Cedar Supply, Inc.	4114 TODD LANE	AUSTIN	TX	78744	(512) 440-7229
Austin Red Cedar Supply, Inc.	10620 METRIC BLVD	AUSTIN	TX	78758	(512) 834-0346
Austin Red Cedar Supply, Inc.	2009 RANCH ROAD 620 NORTH	LAKEWAY	TX	78734	(512) 296-2424
Stephens Consolidated Brazos, Inc.	12201 STATE HWY 30	COLLEGE STATION	TX	77845	(979) 731-5700
Stephens Consolidated South, Inc.	4635 MAR STREET	BROWNSVILLE	TX	78521	(956) 838-0542
Stephens Consolidated East, Inc.	8051 SOUTH PADRE ISLAND DRIVE	CORPUS CHRISTI	TX	78412	(361) 986-0613
Airtrol Supply, Inc.	2701 AGNES STREET	CORPUS CHRISTI	TX	78405	(361) 882-8896
Stephens Consolidated Mid-Valley, Inc.	13422 E EXPRESSWAY 83	LA FERIA	TX	78559	(956) 968-7700
Stephens Consolidated West, Inc.	4114 AIRPARK DRIVE 4A	LAREDO	TX	78041	(956) 727-2235
Stephens Consolidated, Inc.	3107 NORTH SUGAR ROAD	PHARR	TX	78577	(956) 783-1036
Stephens Consolidated North, Inc.	3704 BILLY DRIVE	VICTORIA	TX	77901	(361) 574-8349
The Petit Group, LLC	6039 W. 45TH STREET	LUBBOCK	TX	79407	(806) 792-2493
The Petit Group, LLC	6900 ALAMO DOWNS	SAN ANTONIO	TX	78238	(210) 680-6500
The Petit Group, LLC	9311 BROADWAY STREET	SAN ANTONIO	TX	78217	(210) 829-1934
Custom Wholesale Supply Co. Inc.	2050 BUTTERNUT	ABILENE	TX	79602	(432) 332-8972
Custom Wholesale Supply Co. Inc.	901 SOUTH WILLIAMS	AMARILLO	TX	79102	(432) 332-8972
Custom Wholesale Supply Co. Inc.	3405 BANKHEAD HWY	MIDLAND	TX	79701	(432) 694-6621
Custom Wholesale Supply Co. Inc.	2324 KERMIT HWY	ODESSA	TX	79761	(432) 332-8972
Custom Wholesale Supply Co. Inc.	120 S. MADISON	SAN ANGELO	TX	76901	(325) 703-6369

Company Name	Address	City	State	Zip Code	Phone
Custom Wholesale Supply Co. Inc.	3705 GREGORY	WICHITA FALLS	TX	76308	(940) 691-7278
E. H. Arbuckle Distributing, Inc.	2979 COMMERCE WAY	OGDEN	UT	84401	(801) 393-3911
E. H. Arbuckle Distributing, Inc.	615 SOUTH 1325 WEST	OREM	UT	84058	(801) 221-5858
E. H. Arbuckle Distributing, Inc.	2940 S. 300 WEST, UNIT A	SALT LAKE CITY	UT	84115	(801) 486-4401
Freemac, Inc.	3732 COOK BLVD STE 101	CHESAPEAKE	VA	23323	(757) 844-6722
Freemac, Inc.	723 BLUE CRAB ROAD	NEWPORT NEWS	VA	23606	(757) 873-0092
Freemac, Inc.	5781 ARROWHEAD DRIVE, SUITE A	VIRGINIA BEACH	VA	23462	(757) 499-6600
Freemac, Inc.	1590 PENNIMAN ROAD	WILLIAMSBURG	VA	23185	(757) 499-6600
Wallace Supply, LLC	6584 FLEET DRIVE	ALEXANDRIA	VA	22310	(703) 719-7770
Wallace Supply, LLC	14205 JOHN MARSHALL HWY	GAINESVILLE	VA	20155	(703) 530-8990
Wallace Supply, LLC	22650 EXECUTIVE DR SUITE #100	STERLING	VA	20166	(571) 346-3797
Lynchburg Supply, LLC	3107 ODD FELLOWS ROAD	LYNCHBURG	VA	24501	(434) 237-2393
Richmond Supply, LLC	2100 DABNEY ROAD	RICHMOND	VA	23230	(804) 257-5475
Roanoke VA Supply, LLC	817 CONNECTICUT AVE NE	ROANOKE	VA	24012	(540) 958-4822
J.R. Balsan Inc.	557 RIVERSIDE AVENUE	BURLINGTON	VT	05401	(802) 566-0503
Willar Corporation	7500 Old Seward Hwy	Anchorage	AK	99518	(907) 563-4004
Willar Corporation	1212 EAST FRONT AVE	SPOKANE	WA	99202	(509) 533-9911
Sadlier Enterprises, Inc.	13200 SE 30TH STREET	BELLEVUE	WA	98005	(425) 641-5732
Sadlier Enterprises, Inc.	250 WILKES AVENUE	BREMERTON	WA	98312	(360) 373-2500
Sadlier Enterprises, Inc.	5220 INDUSTRIAL PLACE	FERNDALE	WA	98248	(253) 627-0125
Sadlier Enterprises, Inc.	9045 ORION DRIVE NE	LACEY	WA	98516	(253) 627-0125
Sadlier Enterprises, Inc.	2134 TACOMA AVE S	TACOMA	WA	98402	(253) 627-0125
G-A-P Supply Corp.	22322 20TH AVE. SE STE 150	BOTHELL	WA	98021	(425) 487-3939
G-A-P Supply Corp.	3414-A CALIFORNIA STREET	EVERETT	WA	98201	(425) 293-0660
G-A-P Supply Corp.	6502A WEST DESCHUTES AVE	KENNEWICK	WA	99336	(509) 783-5200
G-A-P Supply Corp.	2505 AIRPORT WAY SOUTH	SEATTLE	WA	98134	(206) 816-3040
G-A-P Supply Corp.	360 MIDLAND DRIVE	TUKWILA	WA	98188	(206) 575-0755
G-A-P Supply Corp.	12000 NE 60TH WAY	VANCOUVER	WA	98682	(360) 604-4328
G-A-P Supply Corp.	101 N. 1st AVENUE	YAKIMA	WA	98902	(509) 248-8300
JSRM, Inc.	4237 ARGOSY COURT	MADISON	WI	53714	(608) 223-1499
JS HICKS, INC.	2420 W. FOURTH STREET, SUITE 1	APPLETON	WI	54914	(920) 991-9670
WeCare4U, LLC	715 N 8TH STREET	DE PERE	WI	54115	(920) 347-3580
Appliance Parts Inc.	N59W13730 MANHARDT DRIVE	MENOMONEE	WI	53051	(414) 527-4422
Appliance Parts Inc.	520 HARRISON STREET	NORTH FOND DU LAC	WI	54937	(920) 309-8472

Company Name	Address	City	State	Zip Code	Phone
Appliance Parts Inc.	6890 S HOWELL AVENUE	OAK CREEK	WI	53154	(414) 856-1600
Appliance Parts Inc.	1615 PARAMOUNT DRIVE	WAUKESHA	WI	53186	(262) 650-1500
TBGWI, LLC	2634 ALPINE ROAD	EAU CLAIRE	WI	54703	(715) 318-4040
TJ3, LLC	2504 NORWOOD COURT	RACINE	WI	53403	(262) 554-1500
Controls Center, Inc.	101 1st Avenue	SOUTH CHARLESTON	WV	25303	(304) 744-7900
P.A.M.S., Inc.	824 FAIRVIEW AVENUE	PARKERSBURG	WV	26101	(304) 485-7267
Air Flow Supply, Inc.	125 PLATINUM DR.	BRIDGEPORT	WV	26330	(304) 624-4363

EXHIBIT G

FORMER JS BUSINESS OWNERS

Name	Address	City	State	Zip Code	Phone
James Runge	7599 N 86th Ave.	Glendale	AZ	85305	(716) 912-7076
Robert Allen	753 Arabesque Cir.	Roseville	CA	95678	(916) 257-1278
Michael Attia	494 E Macewen	Osprey	FL	34229	(773) 852-3620
Mark and Paula Hicks	15928 Brier Creek Dr.	Delray Beach	FL	33446	(305) 389-8071
Peter Schrepferman	1723 Split Rail	Wichita	KS	67230	(316) 619-0386
John Sisler, Jr.	435 Cochran Road	Lexington	KY	40502	(859) 619-5721
Erin Mazur and Chris Lingo	3520 Stonewall Road	Jackson	MI	49203	(517) 719-1749
Neal Reynolds	12 Heritage Hill Road	Windham	NH	03087	(617) 840-2120
Dirk Squibb	1868 Maverick Trail	Las Cruces	NM	88007	(575) 649-6357
Ken Livingston	119 Thunder Ridge Drive	Rush	NY	14543	(585) 329-8349
Greg Milligan and Ken Perkins	399 Montmorenci Crossing	Ft Mill	SC	29715	(704) 267-2518

EXHIBIT H

FINANCIAL STATEMENTS

[*Attached*]

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Johnstone Supply, Inc.

April 30, 2019 and 2018

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Balance Sheets	5
Statements of Income	6
Statements of Changes in Members' Equity	7
Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Supplemental Information	
Consolidating Balance Sheets	20
Consolidating Statements of Income	21

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Johnstone Supply, Inc.

We have audited the accompanying consolidated financial statements of Johnstone Supply, Inc. (an Oregon Cooperative Association) and subsidiaries, which comprise the consolidated balance sheets as of April 30, 2019 and 2018, and the related consolidated statements of income, changes in Member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Johnstone Supply, Inc. and subsidiaries as of April 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The April 30, 2019 and 2018 consolidating balance sheets and statements of income are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Portland, Oregon
July 12, 2019

Johnstone Supply, Inc.

CONSOLIDATED BALANCE SHEETS

April 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 39,565,195	$ 6,394
Accounts receivable, net	286,490,439	238,197,370
Inventories	139,080,856	141,525,140
Other current assets	3,193,022	12,352,144
Total current assets	468,329,512	392,081,048
Equipment and leasehold improvements, net	5,834,316	5,353,561
Deferred tax assets	2,903,844	3,904,625
Other assets	153,308	233,307
Total assets	$ 477,220,980	$ 401,572,541
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable, trade	$ 337,360,610	$ 279,506,669
Accrued expenses	41,612,211	32,422,218
Current portion of capital lease obligations	685,430	611,611
Revolving line of credit	-	1,592,596
Patronage dividends payable	18,786,099	14,626,730
Total current liabilities	398,444,350	328,759,824
Long-term liabilities		
Deferred rent	950,245	966,611
Capital lease obligations, less current portion	832,174	314,306
Other long-term liabilities	753,609	414,315
Total liabilities	400,980,378	330,455,056
Commitments and contingencies (Note 10)		
Members' equity	76,240,602	71,117,485
Total liabilities and members' equity	$ 477,220,980	$ 401,572,541

The accompanying notes are an integral part of these statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended April 30, 2019 and 2018

	2019	2018
Revenues		
Net merchandise sales	$ 1,489,225,093	$ 1,281,399,637
Member service fees	3,525,939	3,576,340
Total revenues	1,492,751,032	1,284,975,977
Costs and expenses		
Cost of merchandise sold	1,397,873,779	1,201,959,006
Warehousing, marketing, and administrative expenses	56,849,565	52,066,638
Total costs and expenses	1,454,723,344	1,254,025,644
Operating income	38,027,688	30,950,333
Other income (expense), net		
Interest expense	(764,147)	(544,269)
Other income	604,600	827,874
Total other income, net	(159,547)	283,605
Income before provision for income taxes	37,868,141	31,233,938
Provision for income taxes	280,695	1,950,431
Net income	37,587,446	29,283,507
Net income is comprised of		
Member/patronage	37,572,198	29,253,459
Nonmember/nonpatronage, net of related income taxes	15,248	30,048
Net income	$ 37,587,446	$ 29,283,507

The accompanying notes are an integral part of these statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years Ended April 30, 2019 and 2018

					Unallocated Retained Margin			
					Member	Non-Member		Total
		Capital	Allocated Patronage Credits		Johnstone	Johnstone	Service One	Members'
	Memberships	Contribution	Qualified	Nonqualified	Supply, Inc.	Supply, Inc.	Logistics LLC	Equity
Balance, April 30, 2017	$ 5,039,432	$ 13,243,989	$ 27,392,873	$ 7,210,259	$ 14,149,801	$ 2,692,455	$ 76,542	$69,805,351
Memberships sold	150,000	-	-	-	-	-	-	150,000
2015 patronage credits paid	-	-	(13,494,643)	-	-	-	-	(13,494,643)
Allocation of 2017 net margin	-	-	14,149,801	-	(14,149,801)	-	-	-
Net income (loss)	-	-	-	-	29,253,459	26,585	3,463	29,283,507
2018 cash patronage refund	-	-	-	-	(14,626,730)	-	-	(14,626,730)
Balance, April 30, 2018	5,189,432	13,243,989	28,048,031	7,210,259	14,626,729	2,719,040	80,005	71,117,485
Memberships sold	220,000	-	-	-	-	-	-	220,000
2016 patronage credits paid	-	-	(13,898,230)	-	-	-	-	(13,898,230)
Allocation of 2018 net margin	-	-	14,626,729	-	(14,626,729)	-	-	-
Net income (loss)	-	-	-	-	37,572,198	15,248	-	37,587,446
2019 cash patronage refund	-	-	-	-	(18,786,099)	-	-	(18,786,099)
Balance, April 30, 2019	$ 5,409,432	$ 13,243,989	$ 28,776,530	$ 7,210,259	$ 18,786,099	$ 2,734,288	$ 80,005	$76,240,602

The accompanying notes are an integral part of these statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended April 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Net income	$ 37,587,446	$ 29,283,507
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,103,973	2,102,367
Deferred income taxes	1,000,781	679,858
Loss (gain) on disposal of assets	(50)	12,572
Changes in assets and liabilities:		
Accounts receivable, net	(48,293,069)	32,149,702
Inventories	2,444,284	(39,921,118)
Other assets	9,239,121	(10,548,965)
Accounts payable, trade	57,853,941	56,748,681
Accrued expenses and other long term liabilities	9,565,986	8,752,567
Deferred rent	(16,366)	(208,049)
Net cash provided by operating activities	71,486,047	79,051,122
Cash flows from investing activities		
Proceeds on sale of assets	1,400	1,000
Purchases of equipment and leasehold improvements	(1,259,905)	(961,172)
Net cash used in investing activities	(1,258,505)	(960,172)
Cash flows from financing activities		
Net borrowings under revolving line of credit	(1,592,596)	(49,726,788)
Payments on capital lease obligations	(734,486)	(971,584)
Proceeds from sale of memberships	220,000	150,000
Patronage credits paid	(13,898,230)	(13,494,643)
Cash patronage distribution	(14,663,429)	(14,149,801)
Net cash used in financing activities	(30,668,741)	(78,192,816)
Net increase (decrease) in cash and cash equivalents	39,558,801	(101,866)
Cash and cash equivalents at beginning of year	6,394	108,260
Cash and cash equivalents at end of year	$ 39,565,195	$ 6,394
Supplemental disclosure of cash flow information:		
Cash paid during the year for		
Taxes	$ 172,301	$ 704,353
Interest	$ 764,147	$ 544,269
Supplemental disclosure of investing activities:		
Purchase of property and equipment on credit	$ 1,326,173	$ 345,704

The accompanying notes are an integral part of these statements.

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Johnstone Supply, Inc. (the "Cooperative") was incorporated on April 10, 1981, under the laws of the State of Oregon as a cooperative association. Members are admitted, subject to the approval of the Board of Directors, by agreeing to comply with the by-law provisions and paying the required nonrefundable membership fee. Membership in the Cooperative is nontransferable unless approved by the Board of Directors of the Cooperative. Each Member has one vote. Membership is limited to commercial enterprises which sell the merchandise distributed by the Cooperative.

The activities of the Cooperative primarily include the purchase of heating, ventilation, air conditioning, and refrigeration supplies, equipment, and related merchandise for resale to Members. As such, substantially all revenue is derived from related parties. Products are distributed primarily through the Cooperative's facilities located in Portland, Oregon; Alburtis, Pennsylvania; Jacksonville, Florida; Las Vegas, Nevada; Joliet, Illinois; and Lancaster, Texas. In addition to revenues received from the sale of merchandise to Members, the Cooperative also derives revenues from assessing Members' fees for services performed by the Cooperative for the benefit of the Members. Such fees vary according to the type or volume of services provided.

In March 2011, the Cooperative created a third party logistics company, Service One Logistics LLC ("Service One Logistics"), which provides logistic services out of the Las Vegas Distribution Center to a non-member customer. Service One Logistics is wholly-owned by the Cooperative. Service one had no significant activity or balances during fiscal year ended April 30, 2019 and 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary. All intercompany accounts and transactions were eliminated.

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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates used in the preparation of the consolidated financial statements include, but are not limited to, the net realizable value of trade accounts receivable, product sales returns, inventory in-transit, and depreciation and amortization.

Cash and cash equivalents

The Cooperative considers all investments with an original maturity of three months or less to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Cooperative extends unsecured credit to its Members. Based on the collection history of the Cooperative, review of specific accounts, existing economic conditions in the industry and financial stability of its Members, the Cooperative has estimated an allowance for doubtful accounts of $160,000 as of April 30, 2019 and 2018. The Cooperative generally considers receivables to be past due and uncollectible after 120 days, at which time the accounts receivable are written off. The Cooperative does not have any off-balance sheet credit exposure related to its Members.

Inventories

Inventories, consisting primarily of merchandise held-for-sale to Members, are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method.

Equipment and leasehold improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Maintenance and repairs of equipment and leaseholds are charged to expense as incurred. Major improvements are capitalized. Upon retirement or sale, the cost and accumulated depreciation of the assets disposed of are removed from the accounts and resulting gains or losses are recognized in operations. Depreciation on equipment is computed using a straight-line method based on the estimated useful lives of the assets, generally five to seven years. Leasehold improvements are amortized on a straight-line method based on the shorter of the lease term or the estimated useful lives of the assets. Depreciation and amortization expense was $2,103,973 and $2,102,367 for the years ended April 30, 2019 and 2018, respectively.

Income taxes

The Cooperative is subject to federal and state income taxes on non-member income, net income distributed by means of nonqualified written notices of allocation, and net income not distributed to patrons.

Income taxes are accounted for under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Cooperative recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the positions. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of April 30, 2019 and 2018, the Cooperative had not identified any uncertain tax positions requiring accrual or disclosure.

The Cooperative recognizes state minimum taxes as income taxes classified as non-operating expenses. The Cooperative recognizes state capital stock taxes and all other non-income based state taxes as operating expenses. The Cooperative recognizes interest and penalties related to federal and state taxes as tax expense. The Cooperative files federal and six state tax returns, which are subject to examination by the taxing authorities for the three years subsequent to the return being filed. The Cooperative's tax returns from 2015 and subsequent years remain open for examination by the tax authorities.

Revenue recognition

Revenue from the sale of merchandise from inventory is recognized when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sale price is fixed or determinable. Revenue is reported net of returns and discounts. For dropship sales, where product is ordered through the Cooperative and shipped directly from the third-party vendor to the Member, revenue is recognized at the time of shipment for the gross amount of the sale and related cost of sale. Member service fees are recognized at the time the related service is provided.

Merchandise sales are net of product returns, which were $61,633,943 and $50,092,939 and for the years ended April 30, 2019 and 2018, respectively.

Advertising

Advertising costs are offset by vendor advertising allowances and recognized as incurred. At April 30, 2019 and 2018, vendor advertising allowances of $9,115,700 and $9,046,784 exceeded costs incurred of $2,314,083 and $2,249,007, and were included as a $6,801,618 and $6,797,777 reduction of expenses in the accompanying consolidated statements of income, respectively.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future 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 by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposal group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Cooperative determined that there was no impairment of long-lived assets in 2019 and 2018.

Vendor rebates

The Cooperative accounts for rebates received from vendors as a reduction of the cost of inventory and, therefore, are classified as a reduction of cost of sales. Vendor rebates received totaled $95,675,772 and $72,800,248 for the years ended April 30, 2019 and 2018, respectively, and are classified as reductions of costs of merchandise sold in the accompanying consolidated statements of income.

Freight

Amounts billed to customers for freight costs are classified as revenue. Freight costs incurred by the Cooperative are classified in warehouse expenses and total $16,806,293 and $14,990,263 for the years ended April 30, 2019 and 2018, respectively.

Fair value measurements

The Cooperative measures the fair value for all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis, respectively.

Nonfinancial long-lived assets (such as equipment and leasehold improvements) are measured at fair value for impairment assessment purposes. The nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be other-than-temporarily impaired. There were no nonfinancial assets and liabilities deemed other-than-temporarily impaired and measured at fair value on a nonrecurring basis.

The Cooperative has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data.

Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions.

The Cooperative has no financial assets or liabilities that are carried at fair value as of April 30, 2019 and 2018. The carrying amounts of financial instruments comprising cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to their short-term nature. The recorded balance of the Cooperative's revolving line of credit approximates fair value based on rates and terms available for similar borrowings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current GAAP and replace it with a principle-based approach for determining revenue recognition. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, The FASB has recently issued ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-11, ASU No. 2016-12, and ASU No. 2016- 20, all of which clarify certain implementation guidance within ASU 2014-09. ASU 2014- is effective for interim and annual periods beginning after December 15, 2018 for non-public companies. The standard can be adopted either retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The new standard is anticipated to require significant changes in presentation of dropship sales. The Cooperative has historically presented dropship sales revenue as a principal, reporting the gross amount of the sale and related cost of sale; however, under the new standard, the Cooperative will likely present dropship sales revenue as the agent, reporting the net amount of the sale and related cost of sale. The Cooperative does not believe the adoption of this guidance will have a material impact on its financial position, results of operations, or cash flows. The Cooperative intends to adopt the provisions of ASU 2014-09 in the first quarter of its fiscal year ending April 30, 2020. The Cooperative intends to adopt the provisions of ASU 2014-09, by using the cumulative catch-up method in the first quarter of its fiscal year ending April 30, 2020.

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest period presented in the financial statements. The Cooperative will adopt the provisions of this statement in the first quarter of its fiscal year ending April 30, 2021, and is currently assessing the potential impact on its financial position, results of operations, and liquidity.

NOTE 3 - INVENTORIES

Inventories determined by the LIFO method were $139,080,856 and $141,525,140, net of a LIFO reserve of $26,863,790 and $20,825,504 at April 30, 2019 and 2018, respectively. If the first-in, first-out (FIFO) inventory method, which approximates average replacement cost, had been used for these inventories, they would have been $165,944,646 and $162,350,644 at April 30, 2019 and 2018, respectively, and the income before the provision for income taxes would have increased by $6,038,286 and $3,483,604 for the years ended April 30, 2019 and 2018, respectively.

The allowance for inventory obsolescence was based on the aging of inventory, estimated usage and technology changes in products held by the Cooperative. As of April 30, 2019 and 2018, the allowance for inventory obsolescence was $950,000.

Johnstone Supply, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATMENTS

Years Ended April 30, 2019 and 2018

NOTE 4 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

This account is comprised of the following:

	2019	2018
Office equipment	$ 1,771,457	$ 1,746,436
Warehouse equipment	7,114,694	6,990,750
Computer software and equipment	10,713,685	10,064,829
Leasehold improvements	1,292,292	1,285,354
Equipment under capital lease	4,881,853	3,555,680
Assets in process	240,872	143,035
Total	26,014,853	23,643,049
Less accumulated depreciation and amortization	(20,180,537)	(18,289,488)
Equipment and leasehold improvements, net	$ 5,834,316	$ 5,353,561

Accumulated amortization of assets under capital leases was $463,122 and $1,704,784 as of April 30, 2019 and 2018, respectively. Amortization of assets under capital leases is included with depreciation and amortization expense.

NOTE 5 - INCOME TAXES

The provision for income taxes consists of the following:

	2019	2018
Current tax expense		
Federal	$ (822,041)	$ 1,127,538
State and local	101,955	143,035
Current tax (benefit) expense	(720,086)	1,270,573
Deferred tax expense	1,000,781	679,858
Provision for income taxes	$ 280,695	$ 1,950,431

NOTE 5 - INCOME TAXES - Continued

Federal, state, and local income taxes payable by a cooperative are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct qualified allocated patronage credits issued to Members within eight and a half months after the end of each taxable year. These allocations by the Cooperative, partly in cash and partly in qualified written notices of allocation, are taxable to the Members in the years in which they receive the cash or written notices.

The current provision for taxes differs from the customary federal statutory rate of 21.0% and 29.7%, for the years ending April 30, 2019 and 2018, respectively, as follows:

	2019		2018	
	Amount	Percent	Amount	Percent
Provision for income taxes	$ 8,021,517	21.0%	$ 9,279,177	29.7%
Provision for state income taxes	100,710	0.26%	149,744	0.5%
Benefit from deducting allocated patronage credits	(7,873,743)	-20.6%	(8,696,887)	-27.9%
Impact of Tax Reform	-	0.0%	1,274,152	4.1%
Other	32,210	0.08%	(56,755)	-0.2%
Provision for income taxes	$ 280,694	0.7%	$ 1,950,431	6.3%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liability at April 30 are presented below:

	2019	2018
Deferred income tax assets		
Future nonqualified patronage dividends	$ 1,652,755	$ 1,645,722
Section 263(A) adjustment	926,047	981,021
AMT credit	419,203	1,180,136
Deferred rent	247,298	289,852
Inventory adjustment	223,250	222,300
Deferred compensation	216,909	185,820
Vacation accrual	197,778	179,300
Net operating loss	38,235	-
Other	89,208	110,900
Total deferred tax assets	4,010,683	4,795,051
Deferred income tax liability		
Fixed assets	(1,018,478)	(815,959)
Prepaid expenses	(88,361)	(74,467)
Total deferred tax liabilities	(1,106,839)	(890,426)
Net deferred tax asset	$ 2,903,844	$ 3,904,625

NOTE 6 - MEMBERS' EQUITY

The Cooperative is organized without capital stock. Starting October 1, 2011, the current cost of membership in the Cooperative is $60,000 plus $40,000 for each additional sales outlet. For existing Members, the cost of each new sales outlet is $10,000.

Allocated patronage credits represent retained net margins which have been allocated to Members in the form of book credits – qualified and non-qualified.

- The qualified amounts have been reported to Members for inclusion in their taxable income.
- The non-qualified amounts have been allocated and reported to Members, but are not taxable to the Members until distributed.

Unallocated retained margin represents current net income after providing for estimated patronage dividends currently payable.

- The Member amounts represent current Johnstone Supply, Inc. net income after providing for estimated patronage dividends currently payable.
- The non-member amounts represent Johnstone Supply, Inc. differences between book and taxable income and the cumulative portion of the Cooperative's non-member related income and cumulative Service One Logistics, LLC earnings.

During July 2019 and July 2018, $18,786,099 and $14,626,729, respectively, of the unallocated retained margin was allocated to Members in the form of qualified allocated patronage credits.

On July 9, 2019, the Board of Directors approved payment of $14,149,801 of 2017's qualified allocated patronage credits in addition to the patronage dividends payable of $18,786,099 for a total September 2019 payment to Members of $32,935,900.

On July 11, 2018, the Board of Directors approved payment of $13,898,230 of 2016's qualified allocated patronage credits in addition to the patronage dividends payable of $14,626,730 for a total September 2018 payment to Members of $28,524,960.

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Cooperative sponsors a qualified retirement plan for eligible employees. The plan is composed of two parts: defined contribution and 401(k). Eligibility requirements are different for each part of the plan. The 401(k) part of the plan includes a Safe Harbor provision that can be elected each plan year at the Board of Directors discretion. If elected, this provision results in a minimum Cooperative 401(k) matching contribution. For the years ended April 30, 2019 and 2018, discretionary Cooperative contributions were $852,898 and $812,632, respectively.

NOTE 8 - SELF INSURED MEDICAL BENEFITS

The Cooperative's UnitedHealthcare Choice Plus plan covers medical, dental, vision, and prescription benefits for eligible employees that elect coverage. The Cooperative has stop loss coverage of $100,000 to protect against any individual large claims and $2 million to protect against aggregate claims. The Cooperative has accrued $353,783 and $370,298 for potential claims incurred but not reported as of April 30, 2019 and 2018, respectively.

NOTE 9 - LINE OF CREDIT

The Company has a line of credit from a bank that is secured by the assets of the Cooperative. The agreement allows for maximum principal amount of $120,000,000 for June, July, and September to November each year and $100,000,000 for January to May, August, and December each year. The line of credit bears interest at the one month LIBOR rate plus 1.00%, and is due for renewal on October 1, 2022. At April 30, 2019 and 2018, total outstanding borrowings on this line of credit were $0 and $1,592,596, respectively. As of April 30, 2019 and 2018, the amount available under the line of credit was $99,475,000 and $97,882,404 with unused letters of credit of $525,000, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating leases

The Cooperative is obligated under noncancellable operating leases, which contain escalation clauses, for its office and warehouse space that expires through 2026. Future minimum payments under these leases are as follows:

Fiscal year ending	Portland Office and Warehouse	Allentown Warehouse	Florida Warehouse	Las Vegas Warehouse	Illinois Warehouse	Texas Warehouse	Total
2020	$ 838,846	$ 661,598	$ 974,859	$ 680,862	$ 799,390	$ 524,123	$ 4,479,679
2021	913,542	-	993,417	701,286	823,018	531,917	3,963,179
2022	940,948	-	1,012,439	355,824	846,645	539,710	3,695,566
2023	969,176	-	1,031,937	-	796,437	547,504	3,345,054
2024	660,584	-	1,051,922	-	-	415,012	2,127,517
Thereafter	-	-	2,810,877	-	-	-	2,810,877
	$4,323,095	$ 661,598	$7,875,451	$1,737,972	$3,265,490	$2,558,266	$20,421,872

The Cooperative records lease expense on a straight-line basis, resulting in a deferred rent liability of $1,052,331 and $1,238,682 at April 30, 2019 and 2018, respectively. Rent expense totaled $4,774,939 and $4,672,494 for the years ended April 30, 2019 and 2018, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES - Continued

Capital leases

The Cooperative has seven capital lease agreements for the purchase of equipment. The monthly payments include interest ranging from 2.99% to 4.71%. Future minimum lease payments under the capital lease obligation are as follows:

Years Ending April 30,	
2020	$ 736,538
2021	531,318
2022	333,380
Total minimum payments	1,601,236
Less amount representing interest	83,632
Total capital lease obligation	1,517,604
Less current portion	685,430
Capital lease obligation, less current portion	$ 832,174

Litigation

The Cooperative is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Cooperative's financial position, results of operations, or liquidity.

NOTE 11 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Cooperative to credit risk consist of cash and cash equivalents and trade accounts receivable. The Cooperative's cash balances are with federally insured banks and periodically exceed the insured limits.

The Cooperative purchased product from two vendors in 2019 and 2018, which represented 52% and 47%, respectively, of total cost of products sold. Amounts due to these vendors represent 59% and 57% of trade payables at April 30, 2019 and 2018, respectively.

NOTE 12 - SUBSEQUENT EVENTS

The Cooperative has evaluated subsequent events through July 12, 2019, which is the date the consolidated financial statements were available to be issued, and identified no events, other than those disclosed above, that require consideration for adjustments to, or disclosure in the financial statements.

Supplementary Information

Johnstone Supply, Inc.

CONSOLIDATING BALANCE SHEETS

April 30, 2019 and 2018

	April 30, 2019				April 30, 2018
ASSETS	Johnstone Supply, Inc.	Service One Logistics LLC	Consolidating Entries	Consolidated	Consolidated
Current assets					
Cash and cash equivalents	$ 39,565,195	$ -	$ -	$ 39,565,195	$ 6,394
Accounts receivable, net	286,490,439	-	-	286,490,439	238,197,370
Accounts receivable, intercompany	-	81,005	(81,005)	-	-
Inventories	139,080,856	-	-	139,080,856	141,525,140
Other current assets	3,193,022	-	-	3,193,022	12,352,144
Total current assets	468,329,512	81,005	(81,005)	468,329,512	392,081,048
Equipment and leasehold improvements, net	5,834,316	-	-	5,834,316	5,353,561
Deferred tax asset	2,903,844	-	-	2,903,844	3,904,625
Other assets	154,308	-	(1,000)	153,308	233,307
Total assets	$477,221,980	$ 81,005	$ (82,005)	$ 477,220,980	$ 401,572,541
LIABILITIES AND MEMBERS' EQUITY					
Current liabilities					
Accounts payable, trade	$337,360,610	$ -	$ -	$ 337,360,610	$ 279,506,669
Accounts payable, intercompany	81,005	-	(81,005)	-	-
Accrued expenses	41,612,211	-	-	41,612,211	32,422,218
Current portion of capital lease obligations	685,430	-	-	685,430	611,611
Revolving line of credit	-	-	-	-	1,592,596
Patronage dividends payable	18,786,099	-	-	18,786,099	14,626,730
Total current liabilities	398,525,355	-	(81,005)	398,444,350	328,759,824
Noncurrent liabilities					
Deferred rent	950,245	-	-	950,245	966,611
Capital lease obligations, less current portion	832,174	-	-	832,174	314,306
Other long-term liabilities	753,609	-	-	753,609	414,315
Total liabilities	401,061,383	-	(81,005)	400,980,378	330,455,056
COMMITMENTS (Note 10)					
Members' equity	76,160,597	81,005	(1,000)	76,240,602	71,117,485
Total liabilities and members' equity	$477,221,980	$ 81,005	$ (82,005)	$ 477,220,980	$ 401,572,541

The consolidating schedules should be read in conjunction with the consolidated financial statements and notes thereto. See accompanying report of independent certified public accountants.

Johnstone Supply, Inc.

CONSOLIDATING STATEMENTS OF INCOME

Years Ended April 30, 2019 and 2018

	Year Ended April 30, 2019				Year Ended April 30, 2018
	Johnstone Supply, Inc.	Service One Logistics LLC	Consolidating Entries	Consolidated	Consolidated
Revenues					
Net merchandise sales	$ 1,489,225,093	$ -	$ -	$ 1,489,225,093	$ 1,281,399,637
Service fees	3,525,939	-	-	3,525,939	3,576,340
Total revenues	1,492,751,032	-	-	1,492,751,032	1,284,975,977
Costs and expenses					
Cost of merchandise sold	1,397,873,779	-	-	1,397,873,779	1,201,959,006
Warehousing, marketing, and administrative expenses	56,849,565	-	-	56,849,565	52,066,638
Total costs and expenses	1,454,723,344	-	-	1,454,723,344	1,254,025,644
Operating income	38,027,688	-	-	38,027,688	30,950,333
Other income (expense), net					
Interest expense	(764,147)	-	-	(764,147)	(544,269)
Other income	604,600	-	-	604,600	827,874
Total other income (expense), net	(159,547)	-	-	(159,547)	283,605
Income before provision for income taxes	37,868,141	-	-	37,868,141	31,233,938
Provision for income taxes	280,695	-	-	280,695	1,950,431
Net Income	37,587,446	-	-	37,587,446	29,283,507
Net income is comprised of					
Member/patronage	37,572,198	-	-	37,572,198	29,253,459
Nonmember/nonpatronage, net of related income taxes	15,248	-	-	15,248	30,048
Net income	$ 37,587,446	$ -	$ -	$ 37,587,446	$ 29,283,507

The consolidating schedules should be read in conjunction with the consolidated financial statements and notes thereto. See accompanying report of independent certified public accountants.

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Johnstone Supply, Inc.

April 30, 2020 and 2019

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated balance sheets	5
Consolidated statements of income	6
Consolidated statements of changes in members' equity	7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9
Supplemental information	
Consolidating balance sheets	21
Consolidating statements of income	22

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Johnstone Supply, Inc.

We have audited the accompanying consolidated financial statements of Johnstone Supply, Inc. (an Oregon Cooperative Association) and subsidiary, which comprise the consolidated balance sheets as of April 30, 2020 and 2019, and the related consolidated statements of income, changes in Member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Grant Thornton

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Johnstone Supply, Inc. and subsidiary as of April 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2 to the consolidated financial statements, the Company has adopted new accounting guidance effective May 1, 2019, related to the Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606"). The adoption had a material impact on the Company's consolidated financial statements. Our opinion is not modified with respect to this matter.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information as of and for the years ended April 30, 2020 and 2019 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Portland, Oregon
July, 10, 2020

Johnstone Supply, Inc.

CONSOLIDATED BALANCE SHEETS

April 30,

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 456,067	$ 39,565,195
Accounts receivable, net	374,472,668	286,490,439
Inventories	145,734,173	139,080,856
Other current assets	3,812,605	3,193,022
Total current assets	524,475,513	468,329,512
Equipment and leasehold improvements, net	7,365,178	5,834,316
Deferred tax assets	2,415,328	2,903,844
Other assets	133,314	153,308
Total assets	$ 534,389,333	$ 477,220,980
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable, trade	$ 370,805,158	$ 337,360,610
Accrued expenses	44,216,052	41,612,211
Current portion of capital lease obligations	738,417	685,430
Revolving line of credit	19,925,374	-
Patronage dividends payable	16,954,465	18,786,099
Total current liabilities	452,639,466	398,444,350
LONG-TERM LIABILITIES		
Deferred rent	1,128,879	950,245
Capital lease obligations, less current portion	720,883	832,174
Other long-term liabilities	696,307	753,609
Total liabilities	455,185,535	400,980,378
Commitments and contingencies (Note 10)		
MEMBERS' EQUITY	79,203,798	76,240,602
Total liabilities and members' equity	$ 534,389,333	$ 477,220,980

The accompanying notes are an integral part of these consolidated financial statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF INCOME

Years ended April 30,

	2020	2019
Revenues		
Revenues, net	$ 681,308,403	$ 661,585,003
Costs and expenses		
Cost of merchandise sold	583,256,326	566,707,750
Warehousing, marketing, and administrative expenses	64,918,736	56,831,387
Total costs and expenses	648,175,062	623,539,137
Operating income	33,133,341	38,045,866
Other income (expense), net		
Interest expense	(625,810)	(764,147)
Other income	1,710,536	604,600
Total other income, net	1,084,726	(159,547)
Income before provision for income taxes	34,218,067	37,886,319
Provision for income taxes	300,605	298,873
Net income	$ 33,917,462	$ 37,587,446
Net income is comprised of		
Member/patronage	$ 33,908,930	$ 37,572,198
Nonmember/nonpatronage, net of related income taxes	8,532	15,248
Net income	$ 33,917,462	$ 37,587,446

The accompanying notes are an integral part of these consolidated financial statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended April 30,

				Unallocated Retained Margin			
				Member	Non-Member		Total
	Memberships	Capital Contribution	Allocated Patronage Credits	Johnstone Supply, Inc.	Johnstone Supply, Inc.	Service One Logistics LLC	Members' Equity
			Qualified / Nonqualified				
Balance, April 30, 2018	$ 5,189,432	$ 13,243,989	$ 28,048,031 / $ 7,210,259	$ 14,626,729	$ 2,719,040	$ 80,005	$ 71,117,485
Memberships sold	220,000	-	- / -	-	-	-	220,000
2016 patronage credits paid	-	-	(13,898,230) / -	-	-	-	(13,898,230)
Allocation of 2018 net margin	-	-	14,626,729 / -	(14,626,729)	-	-	-
Net income	-	-	- / -	37,572,198	15,248	-	37,587,446
2018 cash patronage refund	-	-	- / -	(18,786,099)	-	-	(18,786,099)
Balance, April 30, 2019	5,409,432	13,243,989	28,776,530 / 7,210,259	18,786,099	2,734,288	80,005	76,240,602
Memberships sold	150,000	-	- / -	-	-	-	150,000
2017 patronage credits paid	-	-	(14,149,801) / -	-	-	-	(14,149,801)
Allocation of 2019 net margin	-	-	18,786,099 / -	(18,786,099)	-	-	-
Net income	-	-	- / -	33,908,930	8,532	-	33,917,462
2019 cash patronage refund	-	-	- / -	(16,954,465)	-	-	(16,954,465)
Balance, April 30, 2020	$ 5,559,432	$ 13,243,989	$ 33,412,828 / $ 7,210,259	$ 16,954,465	$ 2,742,820	$ 80,005	$ 79,203,798

The accompanying notes are an integral part of these consolidated financial statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30,

	2020	2019
Cash flows from operating activities		
Net income	$ 33,917,462	$ 37,587,446
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	2,323,461	2,103,973
Deferred income taxes	488,516	1,000,781
Loss (gain) on disposal of assets	14,111	(50)
Changes in assets and liabilities:		
Accounts receivable, net	(87,982,229)	(48,293,069)
Inventories	(6,653,317)	2,444,284
Other assets	(636,271)	9,239,121
Accounts payable, trade	33,444,548	57,853,941
Accrued expenses and other long term liabilities	2,546,538	9,565,986
Deferred rent	178,634	(16,366)
Net cash (used in) provided by operating activities	(22,358,548)	71,486,047
Cash flows from investing activities		
Proceeds on sale of assets	2,145	1,400
Purchases of equipment and leasehold improvements	(3,155,387)	(1,259,905)
Net cash used in investing activities	(3,153,242)	(1,258,505)
Cash flows from financing activities		
Net borrowings under revolving line of credit	19,925,374	(1,592,596)
Payments on capital lease obligations	(773,496)	(734,486)
Proceeds from sale of memberships	150,000	220,000
Patronage credits paid	(14,149,801)	(13,898,230)
Cash patronage distribution	(18,749,417)	(14,663,429)
Net cash used in financing activities	(13,597,339)	(30,668,741)
Net increase (decrease) in cash and cash equivalents	(39,109,128)	39,558,801
Cash and cash equivalents at beginning of year	39,565,195	6,394
Cash and cash equivalents at end of year	$ 456,067	$ 39,565,195
Supplemental disclosure of cash flow information:		
Cash paid during the year for		
Taxes	$ 133,930	$ 172,301
Interest	$ 625,810	$ 764,147
Supplemental disclosure of investing activities:		
Purchase of property and equipment on credit	$ 715,192	$ 1,326,173

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Johnstone Supply, Inc. (the "Cooperative") was incorporated on April 10, 1981, under the laws of the State of Oregon as a cooperative association. Members are admitted, subject to the approval of the Board of Directors, by agreeing to comply with the by-law provisions and paying the required nonrefundable membership fee. Membership in the Cooperative is nontransferable unless approved by the Board of Directors of the Cooperative. Each Member has one vote. Membership is limited to commercial enterprises which sell the merchandise distributed by the Cooperative.

The activities of the Cooperative primarily include the purchase of heating, ventilation, air conditioning, and refrigeration supplies, equipment, and related merchandise for resale to Members. As such, substantially all revenue is derived from related parties. Products are distributed primarily through the Cooperative's facilities located in Portland, Oregon; Alburtis, Pennsylvania; Jacksonville, Florida; Las Vegas, Nevada; Joliet, Illinois; and Lancaster, Texas. In addition to revenues received from the sale of merchandise to Members, the Cooperative also derives revenues from assessing Members' fees for services performed by the Cooperative for the benefit of the Members. Such fees vary according to the type or volume of services provided.

In March 2011, the Cooperative created a third-party logistics company, Service One Logistics LLC ("Service One Logistics"), which provides logistic services out of the Las Vegas Distribution Center to a non-member customer. Service One Logistics is wholly owned by the Cooperative. Service One Logistics had no significant activity or balances during fiscal years ended April 30, 2020 and 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary. All intercompany accounts and transactions were eliminated.

Reclassifications

Certain reclassifications have been made to the prior year's data to conform to the current year's presentation. None of the changes affect our previously reported consolidated net revenues or net 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates used in the preparation of the consolidated financial statements include, but are not limited to, the net realizable value of trade accounts receivable, product sales returns, inventory in-transit, and depreciation and amortization.

COVID-19 Uncertainty

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic, and the Cooperative expects its operations to be affected as the virus continues to proliferate. The Cooperative has adjusted certain aspects of its operations to protect its employees and customers while still meeting customers' needs. The Cooperative will continue to monitor the situation, and it is possible that it will implement further measures. Although there is existing uncertainty as to the severity and duration of COVID-19, in recent weeks the Cooperative has seen a positive trend in customer demand and end user market data.

Cash and Cash Equivalents

The Cooperative considers all investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Cooperative extends unsecured credit to its Members. Based on the collection history of the Cooperative, review of specific accounts, existing economic conditions in the industry and financial stability of its Members, the Cooperative has estimated an allowance for doubtful accounts of $160,000 as of April 30, 2020 and 2019. The Cooperative generally considers receivables to be past due and uncollectible after 120 days, at which time the accounts receivable are written off. The Cooperative does not have any off-balance sheet credit exposure related to its Members.

Inventories

Inventories, consisting primarily of merchandise held-for-sale to Members, are stated at the lower of cost or market. Cost is determined by the last-in, first-out ("LIFO") method.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Maintenance and repairs of equipment and leaseholds are charged to expense as incurred. Major improvements are capitalized. Upon retirement or sale, the cost and accumulated depreciation of the assets disposed of are removed from the accounts and resulting gains or losses are recognized in operations. Depreciation on equipment is computed using a straight-line method based on the estimated useful lives of the assets, generally four to seven years. Leasehold improvements are amortized on a straight-line method based on the shorter of the lease term or the estimated useful lives of the assets. Depreciation and amortization expense was $2,323,461 and $2,103,973 for the years ended April 30, 2020 and 2019, respectively.

Income Taxes

The Cooperative is subject to federal and state income taxes on non-member income, net income distributed by means of nonqualified written notices of allocation, and net income not distributed to patrons.

Income taxes are accounted for under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Cooperative recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the positions. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of April 30, 2020 and 2019, the Cooperative had not identified any uncertain tax positions requiring accrual or disclosure.

The Cooperative recognizes state minimum taxes as income taxes classified as non-operating expenses. The Cooperative recognizes state capital stock taxes and all other non-income based state taxes as operating expenses. The Cooperative recognizes interest and penalties related to federal and state taxes as tax expense. The Cooperative files federal and nine state tax returns, which are subject to examination by the taxing authorities for the three years subsequent to the return being filed. The Cooperative's tax returns from 2016 and subsequent years remain open for examination by the tax authorities.

Revenue Recognition and Adoption of ASC 606

In May 2014, the Financial Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), along with amendments issued in 2015 and 2016. On May 1, 2019, the Cooperative adopted this new revenue standard using the full retrospective method applied to open contracts during the years ending April 30, 2020 and 2019. The adoption of the new standard had an impact on the presentation and disclosure of dropship sales. These were previously included in net merchandise sales and cost of sales on a gross basis, but under Topic 606 they are presented net on the consolidated financial statements. Results for the current and comparative years are presented under the new revenue standard.

Revenue is recognized when performance obligations under the terms of contracts with the Cooperative's customers are satisfied; generally, this occurs with the transfer of control of merchandise or services. Revenue is measured as the amount of consideration the Cooperative expects to receive in exchange for transferring goods or providing services. The Cooperative excludes sales and usage-based taxes collected and recognizes revenues net of expected returns. Provisions for sales returns are provided at the time the related sales are recorded based on historic returns activity.

The Cooperative's warehouse merchandise revenue originates with a single performance obligation to ship the products, and therefore the Cooperative's performance obligations are satisfied when control of the products is transferred to the customer per the arranged shipping terms. The customer takes ownership and assumes risk of loss for warehouse merchandise upon shipment. The Cooperative considers shipping and handling as activities to fulfill its performance obligation for warehouse merchandise revenues. Freight and handling costs billed separately on an invoice to customers are classified as revenue while the outbound freight and handling costs incurred by the Cooperative are shown as a component of warehouse expenses.

The Cooperative has drop shipments that are direct shipment arrangements with various vendors to deliver products to its customers without having to physically hold the inventory at the Cooperative's warehouses, thereby increasing efficiency and reducing costs. The Cooperative recognizes revenue for direct shipment arrangements upon shipment to the customer with contract terms that typically specify FOB shipping point. The Cooperative has assessed the principal versus agent recognition criteria and determined that it is not primarily responsible for fulfilling the promise to customers to provide merchandise at negotiated prices with the vendors, does not assume inventory risk if the product is returned by the customers, and does not assume all the credit risk for the vendors with the customers. Therefore, the Cooperative concluded it is the agent for these transactions and recognizes the revenue and cost of goods sold from these arrangements on a net basis.

The following table provides a reconciliation of the changes from adoption to the prior period financial statements:

	2020	2019
Dropship sales, gross	$ 891,510,049	$ 846,977,724
Less: costs of merchandise sold	875,123,898	831,166,029
Dropship sales, net	$ 16,386,152	$ 15,811,694

Member service fees are recognized at the time the related service is provided.

Merchandise sales are net of product returns, which were $12,363,337 and $11,522,313 and for the years ended April 30, 2020 and 2019, respectively.

The following table provides a summary of revenues by sales category:

	2020	2019
Net merchandise sales	$ 661,470,099	$ 642,247,369
Dropship, net	16,386,152	15,811,694
Member service fees	3,452,153	3,525,939
Total revenues	$ 681,308,403	$ 661,585,003

Advertising

Advertising costs are offset by vendor advertising allowances and recognized as incurred. At April 30, 2020 and 2019, vendor advertising allowances of $8,850,490 and $9,115,700, respectively, exceeded costs incurred of $2,237,346 and $2,314,083, respectively, and were included as a $6,613,144 and $6,801,618, respectively, reduction of expenses in the accompanying consolidated statements of income.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future 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 by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposal group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

The Cooperative determined that there was no impairment of long-lived assets in 2020 or 2019.

Vendor Rebates

The Cooperative accounts for rebates received from vendors as a reduction of the cost of inventory and, therefore, are classified as a reduction of cost of sales. Vendor rebates received totaled $98,748,430 and $95,675,772 for the years ended April 30, 2020 and 2019, respectively, and are classified as reductions of costs of merchandise sold in the accompanying consolidated statements of income.

Freight

Freight costs incurred by the Cooperative are classified in warehouse expenses and total $17,911,813 and $16,806,293 for the years ended April 30, 2020 and 2019, respectively.

Fair Value Measurements

The Cooperative measures the fair value for all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis, respectively.

Nonfinancial long-lived assets (such as equipment and leasehold improvements) are measured at fair value for impairment assessment purposes. The nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be other-than-temporarily impaired. There were no nonfinancial assets and liabilities deemed other-than-temporarily impaired and measured at fair value on a nonrecurring basis.

The Cooperative has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data; and

Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions.

The Cooperative has no financial assets or liabilities that are carried at fair value as of April 30, 2020 and 2019. The carrying amounts of financial instruments comprising cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to their short-term nature. The recorded balance of the Cooperative's revolving line of credit approximates fair value based on rates and terms available for similar borrowings.

Recent Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2020. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest period presented in the financial statements. The Cooperative will adopt the provisions of this statement in the first quarter of its fiscal year ending April 30, 2022, and is currently assessing the potential impact on its financial position, results of operations, and liquidity.

NOTE 3 - INVENTORIES

Inventories determined by the LIFO method were $145,734,173 and $139,080,856, net of a LIFO reserve of $27,035,928 and $26,863,790 at April 30, 2020 and 2019, respectively. If the first-in, first-out inventory method, which approximates average replacement cost, had been used for these inventories, they would have been $172,770,101 and $165,944,646 at April 30, 2020 and 2019, respectively, and income before the provision for income taxes would have increased by $172,138 and $6,038,286 for the years ended April 30, 2020 and 2019, respectively.

The allowance for inventory obsolescence was based on the aging of inventory, estimated usage and technology changes in products held by the Cooperative. As of April 30, 2020 and 2019, the allowance for inventory obsolescence was $950,000.

NOTE 4 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

This account is comprised of the following:

	2020	2019
Office equipment	$ 2,227,789	$ 1,771,457
Warehouse equipment	6,963,246	7,114,694
Computer software and equipment	11,940,342	10,713,685
Leasehold improvements	1,912,388	1,292,292
Equipment under capital lease	5,597,046	4,881,853
Assets in process	683,291	240,872
Total	29,324,102	26,014,853
Less: accumulated depreciation and amortization	(21,958,924)	(20,180,537)
Equipment and leasehold improvements, net	$ 7,365,178	$ 5,834,316

Accumulated amortization of assets under capital leases was $248,177 and $463,122 as of April 30, 2020 and 2019, respectively. Amortization of assets under capital leases is included with depreciation and amortization expense.

NOTE 5 - INCOME TAXES

The provision for income taxes consists of the following:

	2020	2019
Current tax expense		
Federal	$ (415,978)	$ (822,041)
State and local	228,067	120,133
	(187,911)	(701,908)
Deferred tax expense (benefit)	488,516	1,000,781
Provision for income taxes	$ 300,605	$ 298,873

Federal, state, and local income taxes payable by a cooperative are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct qualified allocated patronage credits issued to Members within eight and a half months after the end of each taxable year. These allocations by the Cooperative, partly in cash and partly in qualified written notices of allocation, are taxable to the Members in the years in which they receive the cash or written notices.

The current provision for taxes differs from the customary federal statutory rate of 21.0% for the years ended April 30, 2020 and 2019 as follows:

	2020		2019	
	Amount	Percent	Amount	Percent
Provision for income taxes	$ 7,235,066	21.0%	$ 8,021,517	21.0%
Provision for state income taxes	153,253	0.4%	121,445	0.3%
Benefit from deducting allocated qualified patronage credits	(7,097,787)	-20.6%	(7,873,743)	-20.6%
Other	10,073	0.0%	29,653	0.1%
Provision for income taxes	$ 300,605	0.9%	$ 298,873	0.8%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liability at April 30 are presented below:

	2020	2019
Deferred income tax assets		
Future nonqualified patronage dividends	$ 1,666,821	$ 1,652,755
Section 263(A) adjustment	146,167	926,047
AMT credit	-	419,203
Deferred rent	307,294	247,298
Inventory adjustment	225,150	223,250
Deferred compensation	198,062	216,909
Vacation accrual	225,838	197,778
Net operating loss	682,137	38,235
Other	444,206	89,208
Total deferred tax assets	3,895,674	4,010,683
Deferred income tax liability		
Fixed assets	(1,379,151)	(1,018,478)
Prepaid expenses	(101,195)	(88,361)
Total deferred tax liabilities	(1,480,346)	(1,106,839)
Net deferred tax asset	$ 2,415,328	$ 2,903,844

NOTE 6 - MEMBERS' EQUITY

The Cooperative is organized without capital stock. Starting October 1, 2011, the current cost of membership in the Cooperative is $60,000 plus $40,000 for each additional sales outlet. For existing Members, the cost of each new sales outlet is $10,000.

Allocated patronage credits represent retained net margins which have been allocated to Members in the form of book credits - qualified and non-qualified.

- The qualified amounts have been reported to Members for inclusion in their taxable income.
- The non-qualified amounts have been allocated and reported to Members but are not taxable to the Members until distributed.

Unallocated retained margin represents current net income after providing for estimated patronage dividends currently payable.

- The Member amounts represent current Johnstone Supply, Inc. net income after providing for estimated patronage dividends currently payable.
- The non-member amounts represent the Cooperative differences between book and taxable income and the cumulative portion of the Cooperative's non-member related income and cumulative Service One Logistics, LLC earnings.

During July 2020 and July 2019, $16,954,465 and $18,786,099, respectively, of the unallocated retained margin was allocated to Members in the form of qualified allocated patronage credits.

On July 7, 2020, the Board of Directors approved payment of $14,626,729 of 2018's qualified allocated patronage credits in addition to the patronage dividends payable of $16,954,465 for a total September 2020 payment to Members of $31,581,194.

On July 9, 2019, the Board of Directors approved payment of $14,149,801 of 2017's qualified allocated patronage credits in addition to the patronage dividends payable of $18,786,099 for a total September 2019 payment to Members of $32,935,900.

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Cooperative sponsors a qualified retirement plan for eligible employees. The plan is composed of two parts: defined contribution and 401(k). Eligibility requirements are different for each part of the plan. The 401(k) part of the plan includes a Safe Harbor provision that can be elected each plan year at the Board of Directors' discretion. If elected, this provision results in a minimum Cooperative 401(k) matching contribution. For the years ended April 30, 2020 and 2019, discretionary Cooperative contributions were $943,984 and $852,898, respectively.

NOTE 8 - SELF INSURED MEDICAL BENEFITS

The Cooperative's UnitedHealthcare Choice Plus plan covers medical, dental, vision, and prescription benefits for eligible employees that elect coverage. The Cooperative has stop loss coverage of $100,000 to protect against any individual large claims and $2 million to protect against aggregate claims. The Cooperative has accrued $373,611 and $353,783 for potential claims incurred but not reported as of April 30, 2020 and 2019, respectively.

NOTE 9 - LINE OF CREDIT

The Company has a line of credit from a bank that is secured by the assets of the Cooperative. The agreement allows for maximum principal amount of $120,000,000 for June, July, and September to November each year and $100,000,000 for January to May, August, and December each year. The line of credit was increased to $150,000,000 effective March 25, 2020 to September 30, 2020. The line of credit bears interest at the one-month LIBOR rate plus 1.00% and is due for renewal on October 1, 2022. At April 30, 2020 and 2019, total outstanding borrowings on this line of credit were $19,925,374 and $0, respectively. As of April 30, 2020 and 2019, the amount available under the line of credit was $129,549,626 and $99,475,000, respectively, with unused letters of credit of $525,000.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Cooperative is obligated under noncancellable operating leases, which contain escalation clauses, for its office and warehouse space that expire through 2026. Future minimum payments under these leases are as follows:

Fiscal Year Ending	Portland Office and Warehouse	Allentown Warehouse	Florida Warehouse	Las Vegas Warehouse	Illinois Warehouse	Texas Warehouse	Total
2021	$ 913,542	$ 887,284	$ 993,417	$ 701,286	$ 823,018	$ 531,917	$ 4,850,463
2022	940,948	909,467	1,012,439	355,824	846,645	539,710	4,605,033
2023	969,176	932,203	1,031,937	-	796,437	547,504	4,277,257
2024	660,584	955,508	1,051,922	-	-	415,012	3,083,026
2025	-	895,913	1,072,407	-	-	-	1,968,320
Thereafter	-	-	1,738,470	-	-	-	1,738,470
	$ 3,484,249	$ 4,580,376	$ 6,900,592	$ 1,057,110	$ 2,466,099	$ 2,034,143	$20,522,569

The Cooperative records lease expense on a straight-line basis, resulting in a deferred rent liability of $1,296,599 and $1,052,331 at April 30, 2020 and 2019, respectively. Rent expense totaled $5,160,017 and $4,774,939 for the years ended April 30, 2020 and 2019, respectively.

Capital Leases

The Cooperative has ten capital lease agreements for the purchase of equipment. The monthly payments include interest ranging from 3.29% to 4.71%. Future minimum lease payments under the capital lease obligation are as follows:

	Years Ending April 30,
2021	$ 782,627
2022	584,689
2023	154,229
Total minimum payments	1,521,545
Less amount representing interest	62,245
Total capital lease obligation	1,459,300
Less current portion	738,417
Capital lease obligation, less current portion	$ 720,883

Litigation

The Cooperative is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Cooperative's financial position, results of operations, or liquidity.

NOTE 11 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Cooperative to credit risk consist of cash and cash equivalents and trade accounts receivable. The Cooperative's cash balances are with federally insured banks and periodically exceed the insured limits.

The Cooperative purchased product from two vendors in 2020 and 2019, which represented 54% and 52%, respectively, of total cost of products sold. Amounts due to these vendors represent 65% and 59% of trade payables at April 30, 2020 and 2019, respectively.

NOTE 12 - SUBSEQUENT EVENTS

On May 12, 2020, the Company entered into a loan with Wells Fargo in an aggregate principal amount of $4,763,379 (the "Loan"), pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act.

The Loan is evidenced by a promissory note (the "Note") dated May 12, 2020. The Loan matures two years from the disbursement date and bears interest at a rate of 1.000% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing six months after the disbursement date and may be prepaid by the Company at any time prior to maturity with no prepayment penalties.

Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The Loan is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (collectively, “Qualifying Expenses”), pursuant to the terms and limitations of the PPP. The Company intends to use a significant majority of the Loan amount for Qualifying Expenses. However, no assurance is provided that the Company will obtain forgiveness of the Loan in whole or in part.

The Cooperative has evaluated subsequent events through July 10, 2020, which is the date the consolidated financial statements were available to be issued, and identified no events, other than those disclosed above, that require consideration for adjustments to, or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Johnstone Supply, Inc.

CONSOLIDATING BALANCE SHEETS

Years ended April 30,

	April 30, 2020				
	Johnstone Supply, Inc.	Service One Logistics LLC	Consolidating Entries	Consolidated	April 30, 2019 Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 456,067	$ -	$ -	$ 456,067	$ 39,565,195
Accounts receivable, net	374,472,668	-	-	374,472,668	286,490,439
Accounts receivable, intercompany	-	81,005	(81,005)	-	-
Inventories	145,734,173	-	-	145,734,173	139,080,856
Other current assets	3,812,605	-	-	3,812,605	3,193,022
Total current assets	524,475,513	81,005	(81,005)	524,475,513	468,329,512
Equipment and leasehold improvements, net	7,365,178	-	-	7,365,178	5,834,316
Deferred tax asset	2,415,328	-	-	2,415,328	2,903,844
Other assets	134,314	-	(1,000)	133,314	153,308
Total assets	$ 534,390,333	$ 81,005	$ (82,005)	$ 534,389,333	$ 477,220,980
LIABILITIES AND MEMBERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable, trade	$ 370,805,158	$ -	$ -	$ 370,805,158	$ 337,360,610
Accounts payable, intercompany	81,005	-	(81,005)	-	-
Accrued expenses	44,216,052	-	-	44,216,052	41,612,211
Current portion of capital lease obligations	738,417	-	-	738,417	685,430
Revolving line of credit	19,925,374	-	-	19,925,374	-
Patronage dividends payable	16,954,465	-	-	16,954,465	18,786,099
Total current liabilities	452,720,471	-	(81,005)	452,639,466	398,444,350
NONCURRENT LIABILITIES					
Deferred rent	1,128,879	-	-	1,128,879	950,245
Capital lease obligations, less current portion	720,883	-	-	720,883	832,174
Other long-term liabilities	696,307	-	-	696,307	753,609
Total liabilities	455,266,540	-	(81,005)	455,185,535	400,980,378
COMMITMENTS (Note 10)					
MEMBERS' EQUITY	79,123,793	81,005	(1,000)	79,203,798	76,240,602
Total liabilities and members' equity	$ 534,390,333	$ 81,005	$ (82,005)	$ 534,389,333	$ 477,220,980

Johnstone Supply, Inc.

CONSOLIDATING STATEMENTS OF INCOME

Years ended April 30,

	Year Ended April 30, 2020				
	Johnstone Supply, Inc.	Service One Logistics LLC	Consolidating Entries	Consolidated	April 30, 2019 Consolidated
Revenues					
Revenues, net	$ 681,308,403	$ -	$ -	$ 681,308,403	$ 661,585,003
Costs and expenses					
Cost of merchandise sold	583,256,326	-	-	583,256,326	566,707,750
Warehousing, marketing, and administrative expenses	64,918,736	-	-	64,918,736	56,831,387
Total costs and expenses	648,175,062	-	-	648,175,062	623,539,137
Operating income	33,133,341	-	-	33,133,341	38,045,866
Other income (expense), net					
Interest expense	(625,810)	-	-	(625,810)	(764,147)
Other income	1,710,536	-	-	1,710,536	604,600
Total other income (expense), net	1,084,726	-	-	1,084,726	(159,547)
Income before provision for income taxes	34,218,067	-	-	34,218,067	37,886,319
Provision for income taxes	300,605	-	-	300,605	298,873
Net income	$ 33,917,462	$ -	$ -	$ 33,917,462	$ 37,587,446
Net income is comprised of					
Member/patronage	$ 33,908,930	$ -	$ -	$ 33,908,930	$ 37,572,198
Nonmember/nonpatronage, net of related income taxes	8,532	-	-	8,532	15,248
Net income	$ 33,917,462	$ -	$ -	$ 33,917,462	$ 37,587,446

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Johnstone Supply, Inc.

April 30, 2021 and 2020

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated balance sheets	5
Consolidated statements of income	6
Consolidated statements of changes in members' equity	7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9
Supplemental Information	
Consolidating balance sheets	20
Consolidating statements of income	21

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Johnstone Supply, Inc.

We have audited the accompanying consolidated financial statements of Johnstone Supply, Inc. (an Oregon Cooperative Association) and subsidiary, which comprise the consolidated balance sheets as of April 30, 2021 and 2020, and the related consolidated statements of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton LLP is the U.S. member firm of Grant Thornton International Ltd (GTIL). GTIL and each of its member firms are separate legal entities and are not a worldwide partnership.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Johnstone Supply, Inc and subsidiary as of April 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information as of and for the years ended April 30, 2021 and 2020 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Seattle, Washington
July 14, 2021

Johnstone Supply, Inc.

CONSOLIDATED BALANCE SHEETS

April 30,

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 60,398,687	$ 456,067
Accounts receivable, net	466,532,842	374,472,668
Inventories	126,852,117	145,734,173
Other current assets	3,068,466	3,812,605
Total current assets	656,852,112	524,475,513
Equipment and leasehold improvements, net	6,841,271	7,365,178
Deferred tax assets	1,171,435	2,415,328
Other assets	1,342,492	133,314
Total assets	$ 666,207,310	$ 534,389,333
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable, trade	$ 515,191,473	$ 370,805,158
Accrued expenses	47,482,602	44,216,052
Current portion of capital lease obligations	755,780	738,417
Current portion of PPP loan	1,390,562	-
Revolving line of credit	-	19,925,374
Patronage dividends payable	18,967,659	16,954,465
Total current liabilities	583,788,076	452,639,466
LONG-TERM LIABILITIES		
Deferred rent	920,862	1,128,879
Capital lease obligations, less current portion	542,278	720,883
Debt PPP loan	3,372,817	-
Other long-term liabilities	2,436,548	696,307
Total liabilities	591,060,581	455,185,535
Commitments and contingencies (Note 10)		
MEMBERS' EQUITY	75,146,729	79,203,798
Total liabilities and members' equity	$ 666,207,310	$ 534,389,333

The accompanying notes are an integral part of these consolidated financial statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF INCOME

Years ended April 30,

	2021	2020
Revenues		
Revenues, net	$ 853,372,572	$ 681,308,403
Costs and expenses		
Cost of merchandise sold	744,781,458	583,256,326
Warehousing, marketing, and administrative expenses	70,558,239	64,918,736
Total costs and expenses	815,339,697	648,175,062
Operating income	38,032,875	33,133,341
Other income (expense), net		
Interest expense	(608,084)	(625,810)
Other income	685,712	1,710,536
Total other income, net	77,628	1,084,726
Income before provision for income taxes	38,110,503	34,218,067
Provision for income taxes	169,502	300,605
NET INCOME	$ 37,941,001	$ 33,917,462
Net income is comprised of		
Member/patronage	$ 37,935,318	$ 33,908,930
Nonmember/nonpatronage, net of related income taxes	5,683	8,532
NET INCOME	$ 37,941,001	$ 33,917,462

The accompanying notes are an integral part of these consolidated financial statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended April 30, 2021 and 2020

					Unallocated Retained Margin			
					Member	Non-Member		Total
	Memberships	Capital Contribution	Allocated Patronage Credits Qualified	Allocated Patronage Credits Nonqualified	Johnstone Supply, Inc.	Johnstone Supply, Inc.	Service One Logistics LLC	Members' Equity
Balance, April 30, 2019	$ 5,409,432	$ 13,243,989	$ 28,776,530	$ 7,210,259	$ 18,786,099	$ 2,734,288	$ 80,005	$ 76,240,602
Memberships sold	150,000	-	-	-	-	-	-	150,000
2017 patronage credits paid	-	-	(14,149,801)	-	-	-	-	(14,149,801)
Allocation of 2019 net margin	-	-	18,786,099	-	(18,786,099)	-	-	-
Net income (loss)	-	-	-	-	33,908,930	8,532	-	33,917,462
2019 cash patronage refund	-	-	-	-	(16,954,465)	-	-	(16,954,465)
Balance, April 30, 2020	5,559,432	13,243,989	33,412,828	7,210,259	16,954,465	2,742,820	80,005	79,203,798
Memberships sold	70,000	-	-	-	-	-	-	70,000
2018 patronage credits paid	-	-	(14,626,729)	-	-	-	-	(14,626,729)
Allocation of 2020 net margin	-	-	16,954,465	-	(16,954,465)	-	-	-
Memberships paid	(370,000)	-	-	-	-	-	-	(370,000)
Capital contribution paid	-	(893,423)	-	-	-	-	-	(893,423)
Nonqualified credits paid	-	-	-	(7,210,259)	-	-	-	(7,210,259)
Net income (loss)	-	-	-	-	37,935,318	5,683	-	37,941,001
2020 cash patronage refund	-	-	-	-	(18,967,659)	-	-	(18,967,659)
Balance, April 30, 2021	$ 5,259,432	$ 12,350,566	$ 35,740,564	$ -	$ 18,967,659	$ 2,748,503	$ 80,005	$ 75,146,729

The accompanying notes are an integral part of these consolidated financial statements.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30,

	2021	2020
Cash flows from operating activities		
Net income	$ 37,941,001	$ 33,917,462
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	2,514,146	2,323,461
Deferred income taxes	1,243,893	488,516
Loss (gain) on disposal of assets	-	14,111
Changes in assets and liabilities:		
Accounts receivable, net	(92,060,174)	(87,982,229)
Inventories	18,882,056	(6,653,317)
Other assets	960,157	(636,271)
Accounts payable, trade	144,386,315	33,444,548
Accrued expenses and other long-term liabilities	2,826,991	2,546,538
Deferred rent	(208,017)	178,634
Net cash provided by (used in) operating activities	116,486,368	(22,358,548)
Cash flows from investing activities		
Proceeds on sale of assets	-	2,145
Purchases of equipment and leasehold improvements	(1,413,065)	(3,155,387)
Net cash used in investing activities	(1,413,065)	(3,153,242)
Cash flows from financing activities		
Net borrowings under revolving line of credit	(19,925,374)	19,925,374
Proceeds from PPP loan	4,763,379	-
Payments on capital lease obligations	(738,416)	(773,496)
Proceeds from sale of memberships	70,000	150,000
Nonqualified patronage paid	(7,008,410)	-
Former member equity paid	(673,969)	-
Patronage credits paid	(14,663,428)	(14,149,801)
Cash patronage distribution	(16,954,465)	(18,749,417)
Net cash used in financing activities	(55,130,683)	(13,597,339)
Net increase (decrease) in cash and cash equivalents	59,942,620	(39,109,128)
Cash and cash equivalents at beginning of year	456,067	39,565,195
Cash and cash equivalents at end of year	$ 60,398,687	$ 456,067
Supplemental disclosure of cash flow information:		
Cash paid during the year for		
Taxes	$ 212,114	$ 133,930
Interest	608,084	625,810
Supplemental disclosure of investing activities:		
Purchase of property and equipment on credit	$ 577,174	$ 715,192

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Johnstone Supply, Inc. (the "Cooperative") was incorporated on April 10, 1981, under the laws of the State of Oregon as a cooperative association. Members are admitted, subject to the approval of the Board of Directors, by agreeing to comply with the by-law provisions and paying the required nonrefundable membership fee. Membership in the Cooperative is nontransferable unless approved by the Board of Directors of the Cooperative. Each Member has one vote. Membership is limited to commercial enterprises which sell the merchandise distributed by the Cooperative.

The activities of the Cooperative primarily include the purchase of heating, ventilation, air conditioning, and refrigeration supplies, equipment, and related merchandise for resale to Members. As such, substantially all revenue is derived from related parties. Products are distributed primarily through the Cooperative's facilities located in Portland, Oregon; Alburtis, Pennsylvania; Jacksonville, Florida; Las Vegas, Nevada; Joliet, Illinois; and Lancaster, Texas. In addition to revenues received from the sale of merchandise to Members, the Cooperative also derives revenues from assessing Members' fees for services performed by the Cooperative for the benefit of the Members. Such fees vary according to the type or volume of services provided.

In March 2011, the Cooperative created a third-party logistics company, Service One Logistics LLC ("Service One Logistics"), to provide logistic services out of the Cooperative's Distribution Centers to non-member customers. Service One Logistics is wholly owned by the Cooperative. Service One Logistics had no significant activity or balances during fiscal years ended April 30, 2021 and 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Cooperative and its wholly owned subsidiary. All intercompany accounts and transactions were eliminated.

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. Estimates used in the preparation of the consolidated financial statements include, but are not limited to, the net realizable value of trade accounts receivable, product sales returns, inventory in-transit, and depreciation and amortization.

Cash and Cash Equivalents

The Cooperative considers all investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Cooperative extends unsecured credit to its Members. Based on the collection history of the Cooperative, review of specific accounts, existing economic conditions in the industry and financial stability of its Members, the Cooperative has estimated an allowance for doubtful accounts of $160,000 as of April 30, 2021 and 2020. The Cooperative generally considers receivables to be past due and uncollectible after 120 days, at which time the accounts receivable are written off. The Cooperative does not have any off-balance sheet credit exposure related to its Members.

Inventories

Inventories, consisting primarily of merchandise held for sale to Members, are stated at the lower of cost or market. Cost is determined by the last-in, first-out ("LIFO") method.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Maintenance and repairs of equipment and leaseholds are charged to expense as incurred. Major improvements are capitalized. Upon retirement or sale, the cost and accumulated depreciation of the assets disposed of are removed from the accounts and resulting gains or losses are recognized in operations. Depreciation on equipment is computed using a straight-line method based on the estimated useful lives of the assets, generally four to seven years. Leasehold improvements are amortized on a straight-line method based on the shorter of the lease term or the estimated useful lives of the assets. Depreciation and amortization expense was $2,514,146 and $2,323,461 for the years ended April 30, 2021 and 2020, respectively.

Income Taxes

The Cooperative is subject to federal and state income taxes on non-member income, net income distributed by means of nonqualified written notices of allocation, and net income not distributed to patrons.

Income taxes are accounted for under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Cooperative recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the positions. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of April 30, 2021 and 2020, the Cooperative had not identified any uncertain tax positions requiring accrual or disclosure.

The Cooperative recognizes state minimum taxes and state capital stock taxes as income taxes classified as non-operating expenses. The Cooperative recognizes all other non-income based state taxes as operating expenses. The Cooperative recognizes interest and penalties related to federal and state taxes as tax expense. The Cooperative files federal and nine state tax returns, which are subject to examination by the taxing authorities for the three years subsequent to the return being filed. The Cooperative's tax returns from 2017 and subsequent years remain open for examination by the tax authorities.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of contracts with the Cooperative's customers are satisfied; generally, this occurs with the transfer of control of merchandise or services. Revenue is measured as the amount of consideration the Cooperative expects to receive in exchange for transferring goods or providing services. The Cooperative excludes sales and usage-based taxes collected and recognizes revenues net of expected returns. Provisions for sales returns are provided at the time the related sales are recorded based on historic returns activity.

The Cooperative's warehouse merchandise revenue originates with a single performance obligation to ship the products, and therefore the Cooperative's performance obligations are satisfied when control of the products is transferred to the customer per the arranged shipping terms. The customer takes ownership and assumes risk of loss for warehouse merchandise upon shipment. The Cooperative considers shipping and handling as activities to fulfill its performance obligation for warehouse merchandise revenues. Freight and handling costs billed separately on an invoice to customers are classified as revenue while the outbound freight and handling costs incurred by the Cooperative are shown as a component of warehouse expenses.

The Cooperative has drop shipments that are direct shipment arrangements with various vendors to deliver products to its customers without having to physically hold the inventory at the Cooperative's warehouses, thereby increasing efficiency and reducing costs. The Cooperative recognizes revenue for direct shipment arrangements upon shipment to the customer with contract terms that typically specify FOB shipping point. The Cooperative has assessed the principal versus agent recognition criteria and determined that it is not primarily responsible for fulfilling the promise to customers to provide merchandise at negotiated prices with the vendors, does not assume inventory risk if the product is returned by the customers, and does not assume all the credit risk for the vendors with the customers. Therefore, the Cooperative concluded it is the agent for these transactions and recognizes the revenue and cost of goods sold from these arrangements on a net basis.

The following table provides a reconciliation of the changes from adoption to the prior period financial statements:

	2021	2020
Dropship sales, gross	$ 1,121,066,671	$ 891,510,049
Less: costs of merchandise sold	1,101,857,147	875,123,898
Dropship sales, net	$ 19,209,524	$ 16,386,152

Member service fees are recognized at the time the related service is provided.

Merchandise sales are net of product returns, which were $12,835,986 and $12,363,337 and for the years ended April 30, 2021 and 2020, respectively.

The following table provides a summary of revenues by sales category:

	2021	2020
Net merchandise sales	$ 831,848,911	$ 661,470,099
Dropship, net	19,209,524	16,386,152
Member service fees	2,314,137	3,452,153
Total revenues	$ 853,372,572	$ 681,308,403

Advertising

Advertising costs are offset by vendor advertising allowances and recognized as incurred. At April 30, 2021 and 2020, vendor advertising allowances of $10,516,765 and $8,850,490, respectively, exceeded costs incurred of $1,113,985 and $2,237,346, respectively, and were included as a $9,402,780 and $6,613,144, respectively, reduction of expenses in the accompanying consolidated statements of income.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future 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 by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposal group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

The Cooperative determined that there was no impairment of long-lived assets in 2021 or 2020.

Vendor Rebates

The Cooperative accounts for rebates received from vendors as a reduction of the cost of inventory and, therefore, are classified as a reduction of cost of sales. Vendor rebates received totaled $102,521,116 and $98,748,430 for the years ended April 30, 2021 and 2020, respectively, and are classified as reductions of costs of merchandise sold in the accompanying consolidated statements of income.

Freight

Freight costs incurred by the Cooperative are classified in warehouse expenses and total $22,096,487 and $17,911,813 for the years ended April 30, 2021 and 2020, respectively.

Fair Value Measurements

The Cooperative measures the fair value for all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis, respectively.

Nonfinancial long-lived assets (such as equipment and leasehold improvements) are measured at fair value for impairment assessment purposes. The nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be other-than-temporarily impaired. There were no nonfinancial assets and liabilities deemed other-than-temporarily impaired and measured at fair value on a nonrecurring basis.

The Cooperative has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data; and

Level 3 - Unobservable inputs that reflect the reporting entity’s own assumptions.

The Cooperative has no financial assets or liabilities that are carried at fair value as of April 30, 2021 and 2020. The carrying amounts of financial instruments comprising cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to their short-term nature. The recorded balance of the Cooperative’s revolving line of credit approximates fair value based on rates and terms available for similar borrowings.

Recent Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2021. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest period presented in the financial statements. The Cooperative will adopt the provisions of this statement in the first quarter of its fiscal year ending April 30, 2023, and is currently assessing the potential impact on its financial position, results of operations, and liquidity.

NOTE 3 - INVENTORIES

Inventories determined by the LIFO method were $126,852,117 and $145,734,173, net of a LIFO reserve of $33,048,649 and $27,035,928 at April 30, 2021 and 2020, respectively. If the first-in, first-out inventory method, which approximates average replacement cost, had been used for these inventories, they would have been $159,900,766 and $172,770,101 at April 30, 2021 and 2020, respectively, and income before the provision for income taxes would have increased by $6,012,721 and $172,138 for the years ended April 30, 2021 and 2020, respectively.

The allowance for inventory obsolescence was based on the aging of inventory, estimated usage and technology changes in products held by the Cooperative. As of April 30, 2021 and 2020, the allowance for inventory obsolescence was $950,000.

NOTE 4 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

This account is comprised of the following:

	2021	2020
Office equipment	$ 2,250,349	$ 2,227,789
Warehouse equipment	6,956,772	6,963,246
Computer software and equipment	13,390,022	11,940,342
Leasehold improvements	1,951,463	1,912,388
Equipment under capital lease	6,174,220	5,597,046
Assets in process	591,515	683,291
Total	31,314,341	29,324,102
Less: accumulated depreciation and amortization	(24,473,070)	(21,958,924)
Equipment and leasehold improvements, net	$ 6,841,271	$ 7,365,178

Accumulated amortization of assets under capital leases was $753,728 and $248,177 as of April 30, 2021 and 2020, respectively. Amortization of assets under capital leases is included with depreciation and amortization expense.

NOTE 5 - INCOME TAXES

The provision for income taxes consists of the following:

	2021	2020
Current tax expense		
Federal	$ (1,328,902)	$ (415,978)
State and local	254,511	228,067
	(1,074,391)	(187,911)
Deferred tax expense (benefit)	1,243,893	488,516
Provision for income taxes	$ 169,502	$ 300,605

Federal, state, and local income taxes payable by a cooperative are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct qualified allocated patronage credits issued to Members within eight and a half months after the end of each taxable year. These allocations by the Cooperative, partly in cash and partly in qualified written notices of allocation, are taxable to the Members in the years in which they receive the cash or written notices.

The current provision for taxes differs from the customary federal statutory rate of 21.0% for the years ended April 30, 2021 and 2020 as follows:

	2021		2020	
	Amount	Percent	Amount	Percent
Provision for income taxes	$ 8,160,743	21.0%	$ 7,235,066	21.0%
Provision for state income taxes	338,005	0.9%	153,253	0.4%
Benefit from deducting allocated qualified patronage credits	(7,956,864)	-20.5%	(7,097,787)	-20.6%
Other	(372,382)	-1.0%	10,073	0.1%
Provision for income taxes	$ 169,502	0.4%	$ 300,605	0.9%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liability at April 30 are presented below:

	2021	2020
Deferred income tax assets		
Future nonqualified patronage dividends	$ 46,627	$ 1,666,821
Section 263(A) adjustment	151,436	146,167
AMT credit	-	-
Deferred rent	263,901	307,294
Inventory adjustment	219,450	225,150
Deferred compensation	378,152	198,062
Vacation accrual	239,467	225,838
Net operating loss	538,111	682,137
Other	760,365	444,206
Total deferred tax assets	2,597,509	3,895,674
Deferred income tax liability		
Fixed assets	(1,294,952)	(1,379,151)
Prepaid expenses	(131,122)	(101,195)
Total deferred tax liabilities	(1,426,074)	(1,480,346)
Net deferred tax asset	$ 1,171,435	$ 2,415,328

NOTE 6 - MEMBERS' EQUITY

The Cooperative is organized without capital stock. Starting October 1, 2011, the current cost of membership in the Cooperative is $60,000 plus $40,000 for each additional sales outlet. For existing Members, the cost of each new sales outlet is $10,000.

Allocated patronage credits represent retained net margins which have been allocated to Members in the form of book credits - qualified and non-qualified.

- The qualified amounts have been reported to Members for inclusion in their taxable income.
- The non-qualified amounts have been allocated and reported to Members but are not taxable to the Members until distributed.

Unallocated retained margin represents current net income after providing for estimated patronage dividends currently payable.

- The Member amounts represent current Johnstone Supply, Inc. net income after providing for estimated patronage dividends currently payable.
- The non-member amounts represent the Cooperative differences between book and taxable income and the cumulative portion of the Cooperative's non-member related income and cumulative Service One Logistics, LLC earnings.

During July 2021 and July 2020, $18,967,659 and $16,954,465, respectively, of the unallocated retained margin was allocated to Members in the form of qualified allocated patronage credits.

On July 7, 2021, the Board of Directors approved payment of $18,786,099 of 2019's qualified allocated patronage credits in addition to the patronage dividends payable of $18,967,659 for a total September 2021 payment to Members of $37,753,758.

On July 7, 2020, the Board of Directors approved payment of $14,626,729 of 2018's qualified allocated patronage credits in addition to the patronage dividends payable of $16,954,465 for a total September 2020 payment to Members of $31,581,194.

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Cooperative sponsors a qualified retirement plan for eligible employees. The plan is composed of two parts: defined contribution and 401(k). Eligibility requirements are different for each part of the plan. The 401(k) part of the plan includes a Safe Harbor provision that can be elected each plan year at the Board of Directors' discretion. If elected, this provision results in a minimum Cooperative 401(k) matching contribution. For the years ended April 30, 2021 and 2020, discretionary Cooperative contributions were $850,903 and $943,984, respectively.

NOTE 8 - SELF INSURED MEDICAL BENEFITS

The Cooperative's UnitedHealthcare Choice Plus plan covers medical, dental, vision, and prescription benefits for eligible employees that elect coverage. The Cooperative has stop loss coverage of $100,000 to protect against any individual large claims and $2 million to protect against aggregate claims. The Cooperative has accrued $386,611 and $373,611 for potential claims incurred but not reported as of April 30, 2021 and 2020, respectively.

NOTE 9 - LINE OF CREDIT

The Company has a line of credit from a bank that is secured by the assets of the Cooperative. The agreement allows for maximum principal amount of $170,000,000 for June, July, and September to November each year and $120,000,000 for January to May, August, and December each year. The line of credit bears interest at the one-month London Interbank Offered Rate plus 1.50% and is due for renewal on October 1, 2022. The line of credit was temporarily increased to $150,000,000 effective March 25, 2020 to September 30, 2020 in response to the Covid-19 pandemic.

This temporary increase was further amended to increase the maximum principal amount to $200,000,000, effective August 1, 2020 to September 30, 2020, with no change to previously amended maximums for the months noted above.

At April 30, 2021 and 2020, total outstanding borrowings on this line of credit were $0 and $19,925,374, respectively. As of April 30, 2021 and 2020, the amount available under the line of credit was $149,475,000 and $129,549,626, respectively, with unused letters of credit of $525,000.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Cooperative is obligated under noncancellable operating leases, which contain escalation clauses, for its office and warehouse space that expire through 2026. Future minimum payments under these leases are as follows:

Fiscal Year Ending	Portland Office and Warehouse	Allentown Warehouse	Florida Warehouse	Las Vegas Warehouse	Illinois Warehouse	Texas Warehouse	Total
2022	$ 940,948	$ 909,467	$ 1,012,439	$ 355,824	$ 846,645	$ 539,710	$ 4,605,033
2023	969,176	932,203	1,031,937	-	796,437	547,504	4,277,257
2024	660,584	955,508	1,051,922	-	-	415,012	3,083,026
2025	-	895,913	1,072,407	-	-	-	1,968,320
2026	-	-	1,093,404	-	-	-	1,093,404
Thereafter	-	-	645,067	-	-	-	645,067
	$ 2,570,708	$ 3,693,091	$ 5,907,175	$ 355,824	$ 1,643,082	$ 1,502,226	$15,672,106

The Cooperative records lease expense on a straight-line basis, resulting in a deferred rent liability of $1,142,426 and $1,296,599 at April 30, 2021 and 2020, respectively. Rent expense totaled $5,328,202 and $5,160,017 for the years ended April 30, 2021 and 2020, respectively.

Capital Leases

The Cooperative has 9 capital lease agreements for the purchase of equipment. The monthly payments include interest ranging from 3.30% to 4.71%. Future minimum lease payments under the capital lease obligation are as follows:

Years ending April 30,	
2022	$ 785,529
2023	355,068
2024	200,840
Total minimum payments	1,341,437
Less amount representing interest	43,379
Total capital lease obligation	1,298,058
Less current portion	755,780
Capital lease obligation, less current portion	$ 542,278

Litigation

The Cooperative is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Cooperative's financial position, results of operations, or liquidity.

NOTE 11 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Cooperative to credit risk consist of cash and cash equivalents and trade accounts receivable. The Cooperative's cash balances are with federally insured banks and periodically exceed the insured limits.

The Cooperative purchased product from two vendors in 2021 and 2020, which represented 52% and 54%, respectively, of total cost of products sold. Amounts due to these vendors represent 64% and 65% of trade payables at April 30, 2021 and 2020, respectively.

NOTE 12 - PROMISSORY NOTE

In May 2020, the Company executed a promissory note (the "PPP Loan") evidencing an unsecured loan in the amount of $4,763,379 under the Paycheck Protection Program. The Paycheck Protection Program (or "PPP") was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). The Loan has been made through Wells Fargo (the "Lender").

The PPP Loan has a two-year term and bears interest at a rate of 1.00% per annum, accruing upon funding. Unless the PPP Loan is forgiven, the Company will be required to make monthly payments of principal and interest to the Lender. The PPP Note contains customary events of default relating to, among other things, payment defaults, providing materially false and misleading representations to the SBA or Lender, or breaching the terms of the PPP Loan documents. The occurrence of an event of default may result in the immediate repayment of all amounts outstanding, collection of all amounts owing from the Company, or filing suit and obtaining judgment. Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. As of April 30, 2021, the Company intends to seek forgiveness of the PPP Loan and believes that it has complied with the requirements to receive forgiveness in the foreseeable future. However, no assurance is provided that forgiveness for any portion of the PPP Loan will be obtained and forgiveness is contingent upon meeting the criteria set forth in the PPP Note and the CARES Act. When this forgiveness is achieved, the amount of forgiveness will be recognized as other income in the consolidated statement of comprehensive income.

NOTE 13 - SUBSEQUENT EVENTS

The Cooperative has evaluated subsequent events through July 14, 2021, which is the date the consolidated financial statements were available to be issued, and identified no events, other than those disclosed above, that require consideration for adjustments to, or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

Johnstone Supply, Inc.

CONSOLIDATING BALANCE SHEETS

Year ended April 30,

	April 30, 2021				
	Johnstone Supply, Inc.	Service One Logistics LLC	Consolidating Entries	Consolidated	April 30, 2020 Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 60,398,687	$ -	$ -	$ 60,398,687	$ 456,067
Accounts receivable, net	466,532,842	-	-	466,532,842	374,472,668
Accounts receivable, intercompany	-	81,005	(81,005)	-	-
Inventories	126,852,117	-	-	126,852,117	145,734,173
Other current assets	3,068,466	-	-	3,068,466	3,812,605
Total current assets	656,852,112	81,005	(81,005)	656,852,112	524,475,513
Equipment and leasehold improvements, net	6,841,271	-	-	6,841,271	7,365,178
Deferred tax asset	1,171,435	-	-	1,171,435	2,415,328
Other assets	1,343,492	-	(1,000)	1,342,492	133,314
Total assets	$ 666,208,310	$ 81,005	$ (82,005)	$ 666,207,310	$ 534,389,333
LIABILITIES AND MEMBERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable, trade	$ 515,191,473	$ -	$ -	$ 515,191,473	$ 370,805,158
Accounts payable, intercompany	81,005	-	(81,005)	-	-
Accrued expenses	47,482,602	-	-	47,482,602	44,216,052
Current portion of capital lease obligations	755,780	-	-	755,780	738,417
Current portion of debt PPP Loan	1,390,562	-	-	1,390,562	-
Revolving line of credit	-	-	-	-	19,925,374
Patronage dividends payable	18,967,659	-	-	18,967,659	16,954,465
Total current liabilities	583,869,081	-	(81,005)	583,788,076	452,639,466
NONCURRENT LIABILITIES					
Deferred rent	920,862	-	-	920,862	1,128,879
Capital lease obligations, less current portion	542,278	-	-	542,278	720,883
Debt PPP Loan	3,372,817	-	-	3,372,817	-
Other long-term liabilities	2,436,548	-	-	2,436,548	696,307
Total liabilities	591,141,586	-	(81,005)	591,060,581	455,185,535
Commitments (Note 10)					
MEMBERS' EQUITY	75,066,724	81,005	(1,000)	75,146,729	79,203,798
Total liabilities and members' equity	$ 666,208,310	$ 81,005	$ (82,005)	$ 666,207,310	$ 534,389,333

The consolidating schedules should be read in conjunction with the consolidated financial statements and notes thereto. See accompanying report of independent certified public accountants

Johnstone Supply, Inc.

CONSOLIDATING STATEMENTS OF INCOME

Year ended April 30,

	Year Ended April 30, 2021				
	Johnstone Supply, Inc.	Service One Logistics LLC	Consolidating Entries	Consolidated	April 30, 2020 Consolidated
Revenues					
Revenues, net	$ 853,372,572	$ -	$ -	$ 853,372,572	$ 681,308,403
Costs and expenses					
Cost of merchandise sold	744,781,458	-	-	744,781,458	583,256,326
Warehousing, marketing, and administrative expenses	70,558,239	-	-	70,558,239	64,918,736
Total costs and expenses	815,339,697	-	-	815,339,697	648,175,062
Operating income	38,032,875	-	-	38,032,875	33,133,341
Other income (expense), net					
Interest expense	(608,084)	-	-	(608,084)	(625,810)
Other income	685,712	-	-	685,712	1,710,536
Total other income (expense), net	77,628	-	-	77,628	1,084,726
Income before provision for income taxes	38,110,503	-	-	38,110,503	34,218,067
Provision for income taxes	169,502	-	-	169,502	300,605
NET INCOME	$ 37,941,001	$ -	$ -	$ 37,941,001	$ 33,917,462
Net income is comprised of					
Member/patronage	$ 37,935,318	$ -	$ -	$ 37,935,318	$ 33,908,930
Nonmember/nonpatronage, net of related income taxes	5,683	-	-	5,683	8,532
NET INCOME	$ 37,941,001	$ -	$ -	$ 37,941,001	$ 33,917,462

The consolidating schedules should be read in conjunction with the consolidated financial statements and notes thereto. See accompanying report of independent certified public accountants

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Johnstone Supply, Inc.

As of and for the six-month period ended
October 31, 2021

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated balance sheet	6
Consolidated statement of income	7
Consolidated statement of changes in members' equity	8
Consolidated statement of cash flows	9
Notes to consolidated financial statements	10
Supplemental Information	
Consolidating balance sheet	21
Consolidating statement of income	22

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Johnstone Supply, Inc.

Opinion

We have audited the consolidated financial statements of Johnstone Supply, Inc. (an Oregon Cooperative Association) and subsidiary (the "Company"), which comprise the consolidated balance sheet as of October 31, 2021, and the related consolidated statements of income, changes in members' equity, and cash flows for the six-month period then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2021, and the results of its operations and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 audits. 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 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 for one year after the date the financial statements are issued.

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Auditor's responsibilities for the audit of the 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 US 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.

In performing an audit in accordance with US 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 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.

Supplementary information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information as of and for the six-month period ended October 31, 2021 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Bellevue, Washington
August 3, 2022

Johnstone Supply, Inc.

CONSOLIDATED BALANCE SHEET

October 31, 2021

ASSETS	
Current assets	
Cash and cash equivalents	$ 13,129,799
Accounts receivable, net	658,749,292
Inventories	133,174,852
Other current assets	4,397,232
Total current assets	809,451,175
Equipment and leasehold improvements, net	6,764,941
Deferred tax assets	3,103,179
Other assets	1,342,492
Total assets	$ 820,661,787
LIABILITIES AND MEMBERS' EQUITY	
Current liabilities	
Accounts payable, trade	$ 583,857,626
Accrued expenses	85,188,699
Revolving line of credit	67,391,124
Patronage dividends payable	23,190,285
Total current liabilities	759,627,734
Long-term liabilities	
Deferred rent	895,493
Other long-term liabilities	1,368,068
Total liabilities	761,891,295
Commitments and contingencies (Note 10)	
Members' equity	58,770,492
Total liabilities and members' equity	$ 820,661,787

The accompanying notes are an integral part of this consolidated financial statement.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENT OF INCOME

Six-month period ended October 31, 2021

Revenues	
Revenues, net	$ 528,529,207
Costs and expenses	
Cost of merchandise sold	456,214,062
Warehousing, marketing, and administrative expenses	53,872,833
Total costs and expenses	510,086,895
Operating income	18,442,312
Other income (expense), net	
Interest expense	(133,082)
Other income	5,449,881
Total other income, net	5,316,799
Income before provision for income taxes	23,759,111
Provision for income taxes	(1,806,618)
NET INCOME	$ 25,565,729
Net income is comprised of	
Member/patronage	$ 23,190,285
Nonmember/nonpatronage, net of related income taxes	2,375,444
NET INCOME	$ 25,565,729

The accompanying notes are an integral part of this consolidated financial statement.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Six-month period ended October 31, 2021

					Unallocated Retained Margin			
					Member	Non-Member		Total
	Memberships	Capital Contribution	Allocated Patronage Credits		Johnstone	Johnstone	Service One	Members'
			Qualified	Nonqualified	Supply, Inc.	Supply, Inc.	Logistics LLC	Equity
Balance, April 30, 2021	$ 5,259,432	$ 12,350,566	$ 35,740,564	$ -	$ 18,967,659	$ 2,748,503	$ 80,005	$ 75,146,729
Memberships sold	60,000	-	-	-	-	-	-	60,000
2019 patronage credits paid	-	-	(18,786,099)	-	-	-	-	(18,786,099)
Allocation of 2021 net margin	-	-	18,967,659	-	(18,967,659)	-	-	-
Memberships not paid	20,000	-	-	-	-	-	-	20,000
Capital contribution not paid	-	34,423	-	-	-	-	-	34,423
Dissolution of Service One	-	-	-	-	-	-	(80,005)	(80,005)
Net income (loss)	-	-	-	-	23,190,285	2,375,444	-	25,565,729
2022 cash patronage refund	-	-	-	-	(23,190,285)	-	-	(23,190,285)
Balance, October 31, 2021	$ 5,339,432	$ 12,384,989	$ 35,922,124	$ -	$ -	$ 5,123,947	$ -	$ 58,770,492

The accompanying notes are an integral part of this consolidated financial statement.

Johnstone Supply, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended October 31, 2021

Cash flows from operating activities	
Net income	$ 25,565,729
Adjustments to reconcile net income to net cash provided by (used in) operating activities	
Depreciation and amortization	1,162,795
Deferred income taxes	(1,931,744)
Loss (gain) on disposal of assets	20,412
(Gain) on PPP Forgiveness	(4,763,379)
Changes in assets and liabilities:	
Accounts receivable, net	(192,216,450)
Inventories	(6,322,735)
Other assets	97,430
Accounts payable, trade	68,666,153
Accrued expenses and other long-term liabilities	35,688,265
Deferred rent	(25,369)
Net cash provided by (used in) operating activities	(74,058,893)
Cash flows from investing activities	
Service One Logistics	(81,005)
Purchases of equipment and leasehold improvements	(1,106,877)
Net cash used in investing activities	(1,187,882)
Cash flows from financing activities	
Net borrowings under revolving line of credit	67,391,124
Payments on capital lease obligations	(1,298,058)
Proceeds from sale of memberships	60,000
Nonqualified patronage paid	(146,736)
Former member equity paid	(311,367)
Patronage credits paid	(18,749,417)
Cash patronage distribution	(18,967,659)
Net cash used in financing activities	27,977,887
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(47,268,888)
Cash and cash equivalents at beginning of period	60,398,687
Cash and cash equivalents at end of period	$ 13,129,799
Supplemental disclosure of cash flow information:	
Cash paid during the year for	
Taxes	$ 107,521
Interest	152,042

The accompanying notes are an integral part of this consolidated financial statement.

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Johnstone Supply, Inc. (the "Cooperative") was incorporated on April 10, 1981, under the laws of the State of Oregon as a cooperative association. Members are admitted, subject to the approval of the Board of Directors, by agreeing to comply with the by-law provisions and paying the required nonrefundable membership fee. Membership in the Cooperative is nontransferable unless approved by the Board of Directors of the Cooperative. Each Member has one vote. Membership is limited to commercial enterprises which sell the merchandise distributed by the Cooperative. Note 13 describes in more detail the dissolution of the Cooperative and the operational structure of the new entity that took effect in November 2021.

The activities of the Cooperative primarily include the purchase of heating, ventilation, air conditioning, and refrigeration supplies, equipment, and related merchandise for resale to Members. As such, substantially all revenue is derived from related parties. Products are distributed primarily through the Cooperative's facilities located in Portland, Oregon; Alburtis, Pennsylvania; Jacksonville, Florida; Las Vegas, Nevada; Joliet, Illinois; and Lancaster, Texas. In addition to revenues received from the sale of merchandise to Members, the Cooperative also derives revenues from assessing Members' fees for services performed by the Cooperative for the benefit of the Members. Such fees vary according to the type or volume of services provided.

Service One Logistics LLC is a third-party logistics company that provides logistic services to the Cooperative's Distribution Centers and is wholly owned by the Cooperative. It was dissolved in October 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Cooperative and its wholly owned subsidiary. All intercompany accounts and transactions were eliminated.

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. Estimates used in the preparation of the consolidated financial statements include, but are not limited to, the net realizable value of trade accounts receivable, product sales returns, inventory in-transit, and depreciation and amortization.

Cash and Cash Equivalents

The Cooperative considers all investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Cooperative extends unsecured credit to its Members. Based on the collection history of the Cooperative, review of specific accounts, existing economic conditions in the industry and financial stability of its Members, the Cooperative has estimated an allowance for doubtful accounts of $160,000 as of October 31, 2021. The Cooperative generally considers receivables to be past due and uncollectible after 120 days, at which time the accounts receivable are written off. The Cooperative does not have any off-balance sheet credit exposure related to its Members.

Inventories

Inventories, consisting primarily of merchandise held for sale to Members, are stated at the lower of cost or market. Cost is determined by the last-in, first-out ("LIFO") method.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Maintenance and repairs of equipment and leaseholds are charged to expense as incurred. Major improvements are capitalized. Upon retirement or sale, the cost and accumulated depreciation of the assets disposed of are removed from the accounts and resulting gains or losses are recognized in operations. Depreciation on equipment is computed using a straight-line method based on the estimated useful lives of the assets, generally four to seven years. Leasehold improvements are amortized on a straight-line method based on the shorter of the lease term or the estimated useful lives of the assets. Depreciation and amortization expense was $1,162,795 for the six-month period ended October 31, 2021.

Income Taxes

The Cooperative is subject to federal and state income taxes on non-member income, net income distributed by means of nonqualified written notices of allocation, and net income not distributed to patrons.

Income taxes are accounted for under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Cooperative recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the positions. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of October 31, 2021, the Cooperative had not identified any uncertain tax positions requiring accrual or disclosure.

The Cooperative recognizes state minimum taxes and state capital stock taxes as income taxes classified as non-operating expenses. The Cooperative recognizes all other non-income based state taxes as operating expenses. The Cooperative recognizes interest and penalties related to federal and state taxes as tax expense. The Cooperative files federal and fourteen state tax returns, which are subject to examination by the taxing authorities for the three years subsequent to the return being filed. The Cooperative's tax returns from 2018 and subsequent years remain open for examination by the tax authorities.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of contracts with the Cooperative's customers are satisfied; generally, this occurs with the transfer of control of merchandise or services. Revenue is measured as the amount of consideration the Cooperative expects to receive in exchange for transferring goods or providing services. The Cooperative excludes sales and usage-based taxes collected and recognizes revenues net of expected returns. Provisions for sales returns are provided at the time the related sales are recorded based on historic returns activity.

The Cooperative's warehouse merchandise revenue originates with a single performance obligation to ship the products, and therefore the Cooperative's performance obligations are satisfied when control of the

products is transferred to the customer per the arranged shipping terms. The customer takes ownership and assumes risk of loss for warehouse merchandise upon shipment. The Cooperative considers shipping and handling as activities to fulfill its performance obligation for warehouse merchandise revenues. Freight and handling costs billed separately on an invoice to customers are classified as revenue while the outbound freight and handling costs incurred by the Cooperative are shown as a component of warehouse expenses.

The Cooperative has drop shipments that are direct shipment arrangements with various vendors to deliver products to its customers without having to physically hold the inventory at the Cooperative's warehouses, thereby increasing efficiency and reducing costs. The Cooperative recognizes revenue for direct shipment arrangements upon shipment to the customer with contract terms that typically specify FOB shipping point. The Cooperative has assessed the principal versus agent recognition criteria and determined that it is not primarily responsible for fulfilling the promise to customers to provide merchandise at negotiated prices with the vendors, does not assume inventory risk if the product is returned by the customers, and does not assume all the credit risk for the vendors with the customers. Therefore, the Cooperative concluded it is the agent for these transactions and recognizes the revenue and cost of goods sold from these arrangements on a net basis.

The following table provides a reconciliation of the gross versus net sales recognized during the six-month period ended October 31, 2021.

	October 31, 2021
Dropship sales, gross	$ 765,964,206
Less: costs of merchandise sold	753,613,574
Dropship sales, net	$ 12,350,632

Member service fees are recognized at the time the related service is provided.

Merchandise sales are net of product returns, which were $5,795,663 for the six-month period ended October 31, 2021.

The following table provides a summary of revenues by sales category for the six-month period ended October 31, 2021:

	October 31, 2021
Net merchandise sales	$ 515,348,387
Dropship, net	12,350,632
Member service fees	830,188
Total revenues	$ 528,529,207

Advertising

Advertising costs are offset by vendor advertising allowances and recognized as incurred. At October 31, 2021, vendor advertising allowances of $3,154,033 exceeded costs incurred of $748,553 and were included as a $2,405,480 reduction of expenses in the accompanying consolidated statement of income.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future 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 by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposal group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

The Cooperative determined that there was no impairment of long-lived assets for the six-month period ended October 31, 2021.

Vendor Rebates

The Cooperative accounts for rebates received from vendors as a reduction of the cost of inventory and, therefore, are classified as a reduction of cost of sales. Vendor rebates received totaled $63,730,992 for the six-month period ended October 31, 2021 and are classified as reductions of costs of merchandise sold in the accompanying consolidated statement of income.

Freight

Freight costs incurred by the Cooperative are classified in warehouse expenses and total $14,732,308 for the six-month period ended October 31, 2021.

Fair Value Measurements

The Cooperative measures the fair value for all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis, respectively.

Nonfinancial long-lived assets (such as equipment and leasehold improvements) are measured at fair value for impairment assessment purposes. The nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be other-than-temporarily impaired. There were no nonfinancial assets and liabilities deemed other-than-temporarily impaired and measured at fair value on a nonrecurring basis.

The Cooperative has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data; and

Level 3 - Unobservable inputs that reflect the reporting entity’s own assumptions.

The Cooperative has no financial assets or liabilities that are carried at fair value as of October 31, 2021. The carrying amounts of financial instruments comprising cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to their short-term nature. The recorded balance

of the Cooperative's revolving line of credit approximates fair value based on rates and terms available for similar borrowings.

Recent Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2021. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest period presented in the financial statements. The Cooperative will adopt the provisions of this statement in its fiscal year ending December 31, 2023 and is currently assessing the potential impact on its financial position, results of operations, and liquidity, but it does not anticipate a material impact on either the consolidated statement of income or cash flows.

NOTE 3 - INVENTORIES

Inventories determined by the LIFO method were $133,174,852, net of a LIFO reserve of $45,802,120 at October 31, 2021. If the first-in, first-out inventory method, which approximates average replacement cost, had been used for these inventories, they would have been $178,976,972 at October 31, 2021 and income before the provision for income taxes would have increased by $12,753,471 for the six-month period ended October 31, 2021.

The allowance for inventory obsolescence was based on the aging of inventory, estimated usage and technology changes in products held by the Cooperative. As of October 31, 2021, the allowance for inventory obsolescence was $2,000,000.

NOTE 4 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

This account is comprised of the following:

	October 31, 2021
Office equipment	$ 2,372,722
Warehouse equipment	10,932,531
Computer software and equipment	15,173,264
Leasehold improvements	1,886,672
Assets in process	378,159
Total	30,743,348
Less: accumulated depreciation and amortization	(23,978,407)
Equipment and leasehold improvements, net	$ 6,764,941

During the six-month period ending October 31, 2021, the company paid off and fully amortized equipment held under capital leases. Amortization of assets under capital leases is included with depreciation and amortization expense.

NOTE 5 - INCOME TAXES

The provision for income taxes consists of the following:

	October 31, 2021
Current tax expense	
Federal	$ 102,747
State and local	22,379
	125,126
Deferred tax expense (benefit)	(1,931,744)
Provision for income taxes	$ (1,806,618)

Federal, state, and local income taxes payable by a cooperative are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct qualified allocated patronage credits issued to Members within eight and a half months after the end of each taxable year. These allocations by the Cooperative, partly in cash and partly in qualified written notices of allocation, are taxable to the Members in the years in which they receive the cash or written notices.

The current provision for taxes differs from the customary federal statutory rate of 21.0% for the six month period ended October 31, 2021 as follows:

	Amount	Percent
Provision for income taxes	$ 4,966,007	21.0%
Provision for state income taxes	48,497	0.2%
Benefit from deducting allocated qualified patronage credits	(4,851,737)	-20.5%
PPP loan forgiveness	(1,000,310)	-4.2%
Tax benefit of transaction costs	(448,627)	-1.9%
Other	(520,448)	-2.2%
Provision for income taxes	$ (1,806,618)	-7.6%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liability at October 31, 2021 are presented below:

Deferred income tax assets	
Future nonqualified patronage dividends	$ 12,676
Section 263(A) adjustment	157,748
AMT credit	-
Deferred rent	263,009
Inventory adjustment	460,000
Deferred compensation	394,223
Vacation accrual	114,956
Net operating loss	2,791,790
Other	521,785
Total deferred tax assets	4,716,187
Deferred income tax liability	
Fixed assets	(1,344,189)
Prepaid expenses	(268,819)
Total deferred tax liabilities	(1,613,008)
Net deferred tax asset	$ 3,103,179

NOTE 6 - MEMBERS' EQUITY

The Cooperative is organized without capital stock. Starting October 1, 2011, the current cost of membership in the Cooperative is $60,000 plus $40,000 for each additional sales outlet. For existing Members, the cost of each new sales outlet is $10,000.

Allocated patronage credits represent retained net margins which have been allocated to Members in the form of book credits - qualified and non-qualified.

- The qualified amounts have been reported to Members for inclusion in their taxable income.
- The non-qualified amounts have been allocated and reported to Members but are not taxable to the Members until distributed.

Unallocated retained margin represents current net income after providing for estimated patronage dividends currently payable.

- The Member amounts represent current Johnstone Supply, Inc. net income after providing for estimated patronage dividends currently payable.
- The non-member amounts represent the Cooperative differences between book and taxable income and the cumulative portion of the Cooperative's non-member related income and cumulative Service One Logistics, LLC earnings.

During July 2021, $18,967,659 of the unallocated retained margin was allocated to Members in the form of qualified allocated patronage credits.

On July 7, 2021, the Board of Directors approved payment of $18,786,099 of 2019's qualified allocated patronage credits in addition to the patronage dividends payable of $18,967,659 for a total September 2021 payment to Members of $37,753,758.

The Board of Directors approved payment of the 2020 and 2021 paper of $16,954,465 and $18,967,659 respectively for payment in November 2021 and the 2022 full patronage of $23,190,285 for payment in May 2022.

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Cooperative sponsors a qualified retirement plan for eligible employees. The plan is composed of two parts: defined contribution and 401(k). Eligibility requirements are different for each part of the plan. The 401(k) part of the plan includes a Safe Harbor provision that can be elected each plan year at the Board of Directors' discretion. If elected, this provision results in a minimum Cooperative 401(k) matching contribution. For the six-month period ended October 31, 2021, discretionary Cooperative contributions were $438,869.

NOTE 8 – SELF-INSURED MEDICAL BENEFITS

The Cooperative's UnitedHealthcare Choice Plus plan covers medical, dental, vision, and prescription benefits for eligible employees that elect coverage. The Cooperative has stop loss coverage of $100,000 to protect against any individual large claims and $2 million to protect against aggregate claims. The Cooperative has accrued $366,018 for potential claims incurred but not reported as of October 31, 2021.

NOTE 9 - LINE OF CREDIT

The Company has a line of credit from a bank that is secured by the assets of the Cooperative. The agreement allows for maximum principal amount of $170,000,000 for June, July, and September to November each year and $120,000,000 for January to May, August, and December each year. The line of credit bears interest at the one-month London Interbank Offered Rate plus 1.50% and is due for renewal on October 1, 2022.

At October 31, 2021, total outstanding borrowings on this line of credit were $67,391,124. As October 31, 2021, the amount available under the line of credit was $102,083,876, with unused letters of credit of $525,000.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Cooperative is obligated under noncancellable operating leases, which contain escalation clauses, for its office and warehouse space that expire through 2027. Future minimum payments under these leases are as follows:

Period Ending	Portland Office and Warehouse	Allentown Warehouse	Florida Warehouse	Las Vegas Warehouse	Illinois Warehouse	Texas Warehouse	Total
Six Months Ending 4/30/2022	$ 477,427	$ 455,679	$ 736,342	$ 260,000	$ 427,260	$ 270,829	$ 2,627,537
12 Months Ending 4/30/2023	969,176	932,203	1,495,447	791,700	796,437	547,504	5,532,467
12 Months Ending 4/30/2024	660,584	955,508	1,529,337	815,451	-	415,012	4,375,892
12 Months Ending 4/30/2025	-	895,913	1,564,145	839,915	-	-	3,299,973
12 Months Ending 4/30/2026	-	-	1,599,894	865,112	-	-	2,465,006
Thereafter	-	-	948,322	589,654	-	-	1,537,976
	$ 2,107,187	$ 3,239,303	$ 7,873,487	$ 4,161,832	$ 1,223,697	$ 1,233,345	$19,838,851

The Cooperative records lease expense on a straight-line basis, resulting in a deferred rent liability of $1,143,517 at October 31, 2021. Rent expense totaled $2,868,197 for the six-month period ended October 31, 2021.

Litigation

The Cooperative is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Cooperative's financial position, results of operations, or liquidity.

NOTE 11 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Cooperative to credit risk consist of cash and cash equivalents and trade accounts receivable. The Cooperative's cash balances are with federally insured banks and periodically exceed the insured limits.

The Cooperative purchased product from two vendors for the six-month period ended October 31, 2021, which represented 53% of total cost of products sold. Amounts due to these vendors represent 71% of trade payables at October 31, 2021.

NOTE 12 - PROMISSORY NOTE

In May 2020, the Company executed a promissory note (the “PPP Loan”) evidencing an unsecured loan in the amount of $4,763,379 under the Paycheck Protection Program. The Paycheck Protection Program (or “PPP”) was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). The Loan has been made through Wells Fargo (the “Lender”).

The PPP Loan has a two-year term and bears interest at a rate of 1.00% per annum, accruing upon funding. Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. During 2021, the Company sought forgiveness of the full amount of the PPP loan, which was granted in August 2021. As such, the remaining loan balance was $0 as of October 31, 2021 and the amount of forgiveness was recognized in other income in the consolidated statement of comprehensive income.

NOTE 13 - SUBSEQUENT EVENTS

Effective November 2021, Johnstone Supply, Inc. finalized an agreement with Redwood Capital Investments, LLC that provided the capital required for Johnstone Supply, Inc. to convert its business structure from an Oregon Cooperative into a Delaware limited liability company operating under the name Johnstone Supply, LLC. Johnstone Supply, LLC will continue operating as a wholesale distributor based in Portland, exclusively providing products and services to the former members of the Johnstone cooperative. The 90+ individual former Johnstone cooperative members executed exclusive territory distribution agreements with Johnstone Supply, LLC and will remain equity holders in the new entity, now referred to as Johnstone business owners.

This conversion also means a change in report timing as Johnstone Supply, LLC has adopted Redwood Capital, LLC’s calendar year-end.

The Cooperative has evaluated subsequent events through August 3, 2022, which is the date the consolidated financial statements were available to be issued, and identified no events, other than those disclosed above, that require consideration for adjustments to, or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

Johnstone Supply, Inc.

CONSOLIDATING BALANCE SHEET

October 31, 2021

	Johnstone Supply, Inc.	Service One Logistics LLC	Consolidating Entries	Consolidated
ASSETS				
Current assets				
Cash and cash equivalents	$ 13,129,799	$ -	$ -	$ 13,129,799
Accounts receivable, net	658,749,292	-	-	658,749,292
Inventories	133,174,852	-	-	133,174,852
Other current assets	4,397,232	-	-	4,397,232
Total current assets	809,451,175	-	-	809,451,175
Equipment and leasehold improvements, net	6,764,941	-	-	6,764,941
Deferred tax asset	3,103,179	-	-	3,103,179
Other assets	1,342,492	-	-	1,342,492
Total assets	$ 820,661,787	$ -	$ -	$ 820,661,787
LIABILITIES AND MEMBERS' EQUITY				
Current liabilities				
Accounts payable, trade	$ 583,857,626	$ -	$ -	$ 583,857,626
Accrued expenses	85,188,699	-	-	85,188,699
Revolving line of credit	67,391,124	-	-	67,391,124
Patronage dividends payable	23,190,285	-	-	23,190,285
Total current liabilities	759,627,734	-	-	759,627,734
Noncurrent liabilities				
Deferred rent	895,493	-	-	895,493
Other long-term liabilities	1,368,068	-	-	1,368,068
Total liabilities	761,891,295	-	-	761,891,295
Commitments (Note 10)				
Members' equity	58,770,492	-	-	58,770,492
Total liabilities and members' equity	$ 820,661,787	$ -	$ -	$ 820,661,787

The consolidating schedules should be read in conjunction with the consolidated financial statements and notes thereto. See accompanying report of independent certified public accountants.

Johnstone Supply, Inc.

CONSOLIDATING STATEMENTS OF INCOME

Six-month period ended October 31, 2021

	Johnstone Supply, Inc.	Service One Logistics LLC	Consolidating Entries	Consolidated
Revenues				
Revenues, net	$ 528,529,207	$ -	$ -	$ 528,529,207
Costs and expenses				
Cost of merchandise sold	456,214,062	-	-	456,214,062
Warehousing, marketing, and administrative expenses	53,872,833	-	-	53,872,833
Total costs and expenses	510,086,895	-	-	510,086,895
Operating income	18,442,312	-	-	18,442,312
Other income (expense), net				
Interest expense	(133,082)	-	-	(133,082)
Other income	5,449,881	-	-	5,449,881
Total other income (expense), net	5,316,799	-	-	5,316,799
Income before provision for income taxes	23,759,111	-	-	23,759,111
Provision for income taxes	(1,806,618)	-	-	(1,806,618)
NET INCOME	$ 25,565,729	$ -	$ -	$ 25,565,729
Net income is comprised of				
Member/patronage	$ 23,190,285	$ -	$ -	$ 23,190,285
Nonmember/nonpatronage, net of related income taxes	2,375,444	-	-	2,375,444
NET INCOME	$ 25,565,729	$ -	$ -	$ 25,565,729

The consolidating schedules should be read in conjunction with the consolidated financial statements and notes thereto. See accompanying report of independent certified public accountants.

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS 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 HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

Johnstone Supply, LLC
Balance Sheet
December 31, 2021

	Dec-21
Cash & Cash Equivalents	61,001,836
Accounts Receivable	520,111,963
Inventory	191,898,140
Other Current Assets	3,336,619
Total Current Assets	776,348,558
Property & Equipment	30,538,479
Assets in Process	822,685
Accumulated Depreciation	(375,960)
Total Property & Equipment	30,985,205
Deferred Taxes	3,103,179
Goodwill/Intangibles	1,270,784,128
Other Assets	1,021,222
Total Assets	**2,082,242,292**
Accounts Payable	534,110,641
Accrued Income Tax	(1,195,687)
Rebate Liability	3,712,121
Bank Loan - ST Revolver	275,000,000
Bank Loan - ST Term Loan	13,125,000
Patronage Dividend Payable	23,190,285
Deferred Rent - ST	257,610
Other Current Liabilities	23,612,345
Total Current Liabilities	871,812,315
Deferred Rent - LT	977,594
Bank Loan - LT Term Loan	336,875,000
Other Long Term Liabilities	1,048,278
Total Other Liabilities	338,900,872
Total Liabilities	1,210,713,187
Capital - RW	593,655,809
Capital - JSBO	254,423,918
Income Summary	23,449,378
Total Members' Equity	871,529,105
Total Liabilities & Equity	**2,082,242,292**

THESE FINANCIAL STATEMENTS 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 HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

Johnstone Supply, LLC
Income Statement
For the Two Months Ended December 31, 2021

	Actual Dec 2021	Budget Dec 2021	% chg
DC Sales	130,949,518	130,032,909	0.70%
Dropship Sales	253,243,663	180,311,020	40.45%
Product Sales	384,193,181	310,343,929	23.80%
Rebates	5,323,722	-	0.00%
Purchase Discounts	4,576,604	4,557,678	0.42%
Advertising Fees	168,813	205,253	-17.75%
Service Fees	10,069,139	4,762,931	111.41%
Interest Income	8,890	6,000	48.16%
Other Miscellaneous	1,288,599	12,500	10208.79%
Total Other Income	1,297,489	18,500	6913.45%
Total Revenues	395,559,809	315,125,360	25.52%
DC COGS	108,001,739	116,598,998	-7.37%
Dropship COGS	250,008,033	178,688,221	39.91%
Total COGS	358,009,771	295,287,219	21.24%
DC Expenses	5,562,209	5,640,427	-1.39%
Corporate Expenses	8,525,797	5,724,846	48.93%
Total Expenses	14,088,006	11,365,273	23.96%
Margin Before Taxes	23,462,031	8,472,868	176.91%
Corporate Income Tax	12,654	17,000	-25.57%
Net Income	23,449,378	8,455,868	177.31%
Return on Sales	6.10%	2.72%	
Return on Total Revenue	5.93%	2.68%	
Blend Summary:			
Total Product Sales	384,193,181	310,343,929	23.80%
Total Product COGS	358,009,771	295,287,219	21.24%
Total Product Gross Profit	26,183,409	15,056,710	73.90%
Total Product Gross Profit %	6.82%	4.85%	
DC Summary:			
Total DC Sales	130,949,518	130,032,909	0.70%
Total DC COGS	108,001,739	116,598,998	-7.37%
Total DC Gross Profit	22,947,779	13,433,911	70.82%
Total DC Gross Profit %	17.52%	10.33%	
DS Summary:			
Total DS Sales	253,243,663	180,311,020	40.45%
Total DS COGS	250,008,033	178,688,221	39.91%
Total DS Gross Profit	3,235,630	1,622,799	99.39%
Total DS Gross Profit %	1.28%	0.90%	

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Johnstone Supply, LLC
Balance Sheet
June 30, 2022

	Jun-22
Cash & Cash Equivalents	66,546,065
Accounts Receivable	731,725,579
Intercompany	3,213,524
Inventory	257,860,056
Other Current Assets	3,743,108
Total Current Assets	1,063,088,333
Property & Equipment	31,471,645
Assets in Process	1,155,629
Accumulated Depreciation	(1,514,283)
Total Property & Equipment	31,112,992
Deferred Taxes	3,103,179
Goodwill/Intangibles	1,270,784,128
Investment in Subsidiary	300,000
Other Assets	952,378
Other Assets - Operating Leases	14,613,737
Total Assets	**2,383,954,747**
Accounts Payable	751,605,792
Accrued Income Tax	(13,324,750)
Rebate Liability	32,046,367
Bank Loan - ST Revolver	275,000,000
Bank Loan - ST Term Loan	17,500,000
Other Current Liabilities	23,161,450
Total Current Liabilities	1,085,988,859
Bank Loan - LT Term Loan	328,125,000
Other Long Term Liabilities	987,235
Other Long Term Liabilities - Operating Lease	15,330,887
Total Other Liabilities	344,443,123
Total Liabilities	1,430,431,982
Capital - RW	600,958,183
Capital - JSBO	254,423,918
Retained Earnings	23,449,378
Income Summary	74,691,286
Total Members' Equity	953,522,765
Total Liabilities & Equity	**2,383,954,747**

THESE FINANCIAL STATEMENTS 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 HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

Johnstone Supply, LLC
Income Statement
For the Six Months Ended June 30, 2022

	Actual Jun 2022	Budget Jun 2022	% chg
DC Sales	561,176,585	558,946,370	0.40%
Dropship Sales	941,440,414	911,742,700	3.26%
Product Sales	1,502,617,000	1,470,689,070	2.17%
Rebates	16,400,000	16,400,000	0.00%
Purchase Discounts	15,699,320	14,816,973	5.95%
Advertising Fees	660,432	626,802	5.37%
Service Fees	32,759,751	31,843,775	2.88%
Interest Income	5,568	1,503	270.47%
Other Miscellaneous	1,782,143	1,864,227	-4.40%
Total Other Income	1,787,711	1,865,730	-4.18%
Total Revenues	1,537,164,462	1,504,398,575	2.18%
DC COGS	492,805,306	487,637,795	1.06%
Dropship COGS	929,176,234	899,826,758	3.26%
Total COGS	1,421,981,539	1,387,464,553	2.49%
DC Expenses	17,702,243	17,929,446	-1.27%
Corporate Expenses	18,491,108	19,102,893	-3.20%
Total Expenses	36,193,351	37,032,339	-2.27%
Margin Before Taxes	78,989,572	79,901,683	-1.14%
Corporate Income Tax	4,298,286	4,298,285	0.00%
Net Income	74,691,286	75,603,398	-1.21%
Return on Sales	4.97%	5.14%	
Return on Total Revenue	4.86%	5.03%	
Blend Summary:			
Total Product Sales	1,502,617,000	1,470,689,070	2.17%
Total Product COGS	1,421,981,539	1,387,464,553	2.49%
Total Product Gross Profit	80,635,460	83,224,517	-3.11%
Total Product Gross Profit %	5.37%	5.66%	
DC Summary:			
Total DC Sales	561,176,585	558,946,370	0.40%
Total DC COGS	492,805,306	487,637,795	1.06%
Total DC Gross Profit	68,371,280	71,308,575	-4.12%
Total DC Gross Profit %	12.18%	12.76%	
DS Summary:			
Total DS Sales	941,440,414	911,742,700	3.26%
Total DS COGS	929,176,234	899,826,758	3.26%
Total DS Gross Profit	12,264,181	11,915,942	2.92%
Total DS Gross Profit %	1.30%	1.31%	

THESE FINANCIAL STATEMENTS 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 HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

EXHIBIT I

STATE-SPECIFIC ADDENDA

FOR THE STATE OF CALIFORNIA

Preliminary Comment: Each provision of this Appendix to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000 - 31516, and the California Franchise Relations Act, Cal Bus. & Prof. Code §§2000 - 20043, are met independently without reference to this Addendum to the Franchise Disclosure Document.

1. Item 3 is amended to reflect that:

   Neither we nor any person or broker identified in Item 2 of the Franchise Disclosure Document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling such persons from membership is such association or exchange.

2. Item 17 is amended by the addition of the following statements:

   California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the Distribution Agreement contains a provision that is inconsistent with the law, the law will control.

   The Distribution Agreement provides for potential termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

   The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Corporations, before we solicit a proposed material modification of an existing franchise.

   The Distribution Agreement requires the application of the laws and forum of Delaware. This provision may be unenforceable under California Law.

   California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). California Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

3. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

4. OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dpfi.ca.gov.

5. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Distribution Agreement restricting venue to a forum outside the State of California.

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF CALIFORNIA

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS Business Owner") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et. seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et. seq. To the extent that the Distribution Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Distribution Agreement contains a provision that is inconsistent with the law, the law will control.

b. Franchisees shall not be required to remit any fees to Franchisor until such time as Franchisor has fulfilled all its initial obligations owed to Franchisee under the Distribution Agreement, or other documents, and the Franchisee has commenced doing business pursuant to the Distribution Agreement.

c. The Distribution Agreement provides for potential termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

d. The Distribution Agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

e. The Distribution Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the California Business and Professions Code, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

Illinois law governs the Distribution Agreement.

The following information applies to franchises and franchisees subject to the Illinois Disclosure Act of 1987. Item numbers correspond to those in the main body:

a. Item 17 - Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

b. Section 41 of the Illinois Franchise Disclosure Act provides that 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.

c. Item 17 - Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF ILLINOIS

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS Business Owner") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

ILLINOIS LAW MODIFICATIONS

1. Illinois law governs the Distribution Agreement.

2. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 515 ILCS 705/1 et. seq. To the extent that this Distribution Agreement contains provisions that are inconsistent with the following, such provision are hereby amended:

   a. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

   b. Section 41 of the Illinois Franchise Disclosure Act provides that 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.

   c. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

Item 17 of the Franchise Disclosure Document is amended to include the following paragraph:

Any general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Item 17 of the Franchise Disclosure Document is amended to include the following sentence:

A provision in the Distribution Agreement that provides for potential termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 17 of the Franchise Disclosure Document is modified to include the words:

"A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Item 17 of the Franchise Disclosure Document is amended to include the following:

The Distribution Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF MARYLAND

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS Business Owner") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

MARYLAND LAW MODIFICATION

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2010 Repl. Vol. and Supp. 2010) (the "Law"). To the extent that this Distribution Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Any general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.

b. 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.

c. Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

d. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. The Distribution Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

Item 13 of the Franchise Disclosure Document is amended to state that we will protect your right to use the trademarks, service marks, trade names, logotypes of other commercial symbols ("Marks") or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

The following is added to Item 17 of the Franchise Disclosure Document:

Under Minnesota law and except in certain specified cases, we must give you 90 days' notice of termination with 60 days to cure. We also must give you at least 180 days' notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Distribution Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

To the extent that any condition, stipulation or provision contained in the Distribution Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the nonwaiver provision of the Minnesota Franchises Law.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J. prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Distribution Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minn. Rule 2860.4400J. prohibits us from requiring you to consent to liquidated damages and prohibits waiver of a jury trial. If the Distribution Agreement contains a provision that is inconsistent with the Minn. Rule, the provisions of the Distribution Agreement will be superseded by the Minn. Rule's requirements and will have no force or effect.

Minn. Rule 2860.4400J. prohibits us from requiring you to assent to a general release. To the extent that the Distribution Agreement requires you to sign a general release as a condition of renewal or transfer, the Distribution Agreement will be considered amended to the extent necessary to comply with Minnesota law.

Minn. Rule 2860.4400J. prohibits us from requiring you to pay a termination fee. To the extent that the Distribution Agreement requires you to pay a termination fee, the provisions of the Distribution Agreement will be superseded by the Minn. Rule's requirements and will have no force or effect.

Minn. Stat. §604.113 prohibits us from requiring you to pay a service fee exceeding $30.00 for each check that is dishonored for nonsufficient funds. Civil penalties may be imposed for nonpayment.

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF MINNESOTA

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS Business Owner") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

MINNESOTA LAW MODIFICATION

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be mended to be consistent with Minnesota Franchise Act. Minn. Stat. Section 80C.01 et. seq., and the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Distribution Agreement and/or Franchise Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's proprietary marks infringes trademark rights of the third party.

b. If the Franchisee is required in the Distribution Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.

c. If the Distribution Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

d. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat. 80C.1, Subd. 5, may not be enforceable under Minnesota law.

2. Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Distribution Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Ch. 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. The Distribution Agreement and/or Franchise Disclosure Document is hereby amended to delete all references to liquidated damages (if any) in violation of Minnesota law; provided, that no such deletion shall excuse Franchisee from liability for actual or other damages and the formula for Liquidated Damages in the Distribution Agreement and/or Franchise Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Distribution Agreement and/or Franchise Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Distribution Agreement and/or Franchise Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain such relief.

6. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Minnesota Law applicable to the provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

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 B OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. 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. The following is added at the end of Item 3:

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 10 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. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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 provision 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" section of Item 17(j), titled "**Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Distribution Agreement.

7. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum"**, and Item 17(w), titled "**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.

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF NEW YORK

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS Business Owner") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

NEW YORK LAW MODIFICATION

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 to 695 (1989). To the extent that the Distribution Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Release. If Franchisee is required to execute a release of claims, or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. Governing Law. Section 19.13 of the Distribution Agreement is amended by adding the following sentence at the end of such Section: "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."

c. Termination by Franchisee. Section 3.01 of the Distribution Agreement is hereby amended to add the following sentence at the end of the Article: "Notwithstanding anything contained in this Article 3.01 to the contrary, JS Business Owners may terminate the Distribution Agreement on any grounds available by law."

d. Renewal, Extension, Approval of Transfer. Section 2.05 is amended by adding the following: "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 provision that the non-waiver provisions of the General business Law sections 687.4 and 687.5 be satisfied."

e. Assignment. Section 19.10 is amended by adding the following sentence at the end of the Article: "However, no assignment will be made except to an assignee who in good faith and judgment of Johnstone, is willing and financially able to assume Johnstone's obligations under the Distribution Agreement."

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of New York General Business Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF NORTH DAKOTA

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS Business Owner") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

NORTH DAKOTA LAW MODIFICATION

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 to 51-19-17 (1995). To the extent that the Distribution Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in the Distribution Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Distribution Agreement are enforceable only under certain conditions according to North Dakota Law. If the Distribution Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Distribution Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Distribution Agreement requires that it be governed by the law of a state other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Distribution Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

f. If the Distribution Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

h. Any provision that provides that Franchisee consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota law.

i. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota law may not be enforceable under North Dakota law.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of North Dakota Franchise Investment Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF RHODE ISLAND

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS BUSINESS OWNER") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law Tit. 19 Ch. 28.1 Sections 19-28.1-1 to 19-28.1-34. To the extent that this Distribution Agreement contains provisions that re inconsistent with the following, such provisions are hereby amended:

a. If this Distribution Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-21.1-14.

b. If this Distribution Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.

c. If Franchisee is required in this Distribution Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Rhode Island Franchise Investment Act, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT
FOR THE COMMONWEALTH OF VIRGINIA

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for JOHNSTONE SUPPLY, LLC, a Delaware limited liability company, is supplemented by the following:

"Under 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."

"Any securities offered or sold by the Investor Franchisee as part of the **JOHNSTONE SUPPLY, LLC.** Franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act."

2. The following is added to the cover page of the Franchise Disclosure Document under the heading "Special Risks to Consider about *This* Franchise":

"2. **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."

"3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails."

ADDENDUM TO
DISTRIBUTION AGREEMENT AND
INTELLECTUAL PROPERTY LICENSE AGREEMENT
FOR THE STATE OF VIRGINIA

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS BUSINESS OWNER") dated _____ (the "Distribution Agreement") and Intellectual Property License Agreement - U.S. Distributors Only between Johnstone and JS Business Owner dated _____ (the "License Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement and License Agreement (the "State Addendum"):

VIRGINIA MODIFICATIONS

1. To the extent that the Distribution Agreement or License Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended to add the following provision:

a. Nothing in this document or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement and License Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company

By:_____
Name: Julie Schultz
Title: Chief Financial Officer

Date:_____

JS BUSINESS OWNER/FRANCHISEE:
_____
_____

By:_____
Name: _____
Title: _____

Date:_____

ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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.

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF WASHINGTON

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS Business Owner") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

WASHINGTON LAW MODIFICATIONS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Distribution Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Distribution Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

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 Distribution 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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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 provisions contained in the Distribution Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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 Distribution Agreement or elsewhere are void and unenforceable in Washington.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
DISTRIBUTION AGREEMENT
FOR THE STATE OF WISCONSIN

The Distribution Agreement between JOHNSTONE SUPPLY, LLC, a Delaware limited liability company ("Franchisor" or "Johnstone") and _____ ("Franchisee" or "JS BUSINESS OWNER") dated _____ (the "Distribution Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Distribution Agreement (the "State Addendum"):

WISCONSIN LAW MODIFICATIONS

1. Notwithstanding anything that may be contained in the body of the Distribution Agreement to the contrary, the Distribution Agreement is hereby amended to add the following provision:

> For all franchises sold in the State of Wisconsin, the Franchisor will provide Franchisee at least 90 days' prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Distribution Agreement or a related document between the Franchisor and Franchisee inconsistent with the Law.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Washington law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Distribution Agreement on the date first set forth above.

JOHNSTONE SUPPLY, LLC, a Delaware limited liability company	JS BUSINESS OWNER/FRANCHISEE: _____ _____
By:_____ Name: _____ Title: _____	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

EXHIBIT J

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	**Registration Date**
California	Pending
Hawaii	Pending
Illinois	Exempt
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Exempt
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

EXHIBIT K

RECEIPT

This disclosure document summarizes certain provisions of the Distribution Agreement (franchise agreement) and other information in plain language. Read this disclosure document and all agreements carefully.

If Johnstone 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. Iowa requires that Johnstone provide you with this disclosure document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. Michigan requires that Johnstone Supply provide you with this disclosure document ten business days before you sign a binding agreement with, or make payment to, Johnstone Supply or one of its affiliates in connection with the proposed sale. New York requires that Johnstone Supply provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, Johnstone Supply or one of its affiliates in connection with the proposed sale.

If Johnstone Supply 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, D.C. 20580 and the appropriate state administrator identified in Exhibit B. We authorize the respective state agencies identified on Exhibit B to receive service of process for us if we are registered in the particular state.

Franchise Seller Information: Johnstone Supply, LLC, Attn: Julie Schultz, Chief Financial Officer, 11632 NE Ainsworth Circle, Portland, Oregon 97220, 503-419-9010, or Julie.Schultz@johnstonesupply.com.

I HAVE RECEIVED A DISCLOSURE DOCUMENT ISSUED ON AUGUST 24, 2022.

This disclosure document included the following exhibits:

Exhibit A: Distribution Agreement

Exhibit B: State Administrators and Agents for Service of Process

Exhibit C: Security Agreement

Exhibit D: Personal Guaranty

Exhibit E: Cross-Corporate Guaranty

Exhibit F: Current JS Business Owners

Exhibit G: Former JS Business Owners

Exhibit H: Financial Statements

Exhibit I: State-Specific Addenda

Exhibit J: State Effective Dates Page

Exhibit K: Receipt

Date: _____

Signature	Print Name
Company Name	Street Address
Telephone Number	City, State Zip

TO BE RETAINED BY YOU

RECEIPT

This disclosure document summarizes certain provisions of the Distribution Agreement (franchise agreement) and other information in plain language. Read this disclosure document and all agreements carefully.

If Johnstone 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. Iowa requires that Johnstone Supply provide you with this disclosure document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. Michigan requires that Johnstone Supply provide you with this disclosure document ten business days before you sign a binding agreement with, or make payment to, Johnstone or one of its affiliates in connection with the proposed sale. New York requires that Johnstone provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, Johnstone or one of its affiliates in connection with the proposed sale.

If Johnstone 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, D.C. 20580 and the appropriate state administrator identified in Exhibit B. We authorize the respective state agencies identified on Exhibit B to receive service of process for us if we are registered in the particular state.

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Exhibit I: State-Specific Addenda

Exhibit J: State Effective Dates Page

Exhibit K: Receipt

Date: _____

Signature	Print Name
Company Name	Street Address
Telephone Number	City, State Zip

This receipt will be delivered electronically when submitted. If you have any questions, please contact Julie Schultz, Chief Financial Officer, Johnstone Supply, LLC, 11632 NE Ainsworth Circle, Portland, Oregon 97220, 503-419-9010, or Julie.Schultz@johnstonesupply.com.