FRANCHISE DISCLOSURE DOCUMENT

©USA Insulation 2023 FDD issued March 31, 2023, as amended August 2, 2023

FRANCHISE DISCLOSURE DOCUMENT

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

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

The total investment necessary to begin operation of a single USA Insulation Franchised Business ranges from $259,500 to $398,000. This includes $99,000 to $135,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our corporate office at 17700 Saint Clair Avenue, Cleveland, Ohio 44110, or via telephone at (440) 951-6800.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: March 31, 2023, as amended August 2, 2023

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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 this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits G & H.
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 C 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 USA Insulation business in my 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 an USA Insulation franchisee?	Item 20 or Exhibits G & H list current and 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.

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What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends that franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit D.

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

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Special Risks to Consider About *This* Franchise

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

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

2. **Mandatory Minimum Payments**. You must make minimum royalty or brand fund payments, regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.

3. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

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NOTICE REQUIRED BY

STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided by the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This subsection does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market value or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c) above.

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to:

Franchise Administrator
Consumer Protection Division Antitrust and Franchise Unit
Michigan Department of Attorney General
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 373-7567

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ITEM 1
THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

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

The Franchisor

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

We have been offering franchises since March 2006 and through our affiliate, USA Enterprises, have been selling the same products and services that our franchisees are selling. As of December 31, 2022 we had 98 USA Insulation franchisees providing insulation services and products to customers at their properties located within a designated service area. We have never offered franchises in any other line of business.

Our Parents, Predecessors, and Affiliates

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

Affiliates

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

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

Our affiliate FlyFoe, LLC d/b/a Patio Patrol ("Patio Patrol"), is a franchisor of businesses providing residential and commercial mosquito, wasp, fly, tick control and other general pest control services under the Patio Patrol name and marks. Patio Patrol's principal business address is 77 North Washington Street, Boston, Massachusetts 02114. Patio Patrol began offering franchises in February 2018 under the "FlyFoe" name and continued until July 15, 2022 when it began offering franchises under the name "Patio Patrol"

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and increased its service offering. As of December 31, 2022, there were 7 Patio Patrol franchises in operation.

Our affiliate MaidPro Franchise, LLC ("MaidPro") is a franchisor of businesses providing residential and commercial cleaning and other related services to individuals and businesses. Its principal business address is 77 North Washington Street, Boston, MA 02114. MaidPro has been offering residential and commercial cleaning service franchises since February 1997. As of December 31, 2022 MaidPro had 241 franchised locations in the United States and 16 in Canada.

Our affiliate Men In Kilts US, LLC ("MIK"), is a franchisor of businesses providing window cleaning, gutter cleaning, pressure washing, siding cleaning, snow removal and other related services. MIK's principal business address is 77 North Washington Street, Boston, MA 02114. MIK began offering franchises in March 2019 and as of December 31, 2022 had 18 franchises.

Our affiliate Men In Kilts Canada Inc. ("MIK Canada"), is the franchisor of the Men In Kilts brand in Canada. Its principal business address is 77 North Washington Street, Boston, MA 02114. MIK Canada through its predecessor has been offering Men In Kilts franchises since 2011 and as of December 31, 2022 had 21 Men In Kilts franchises in Canada.

Our affiliate Pestmaster Franchise Network, LLC ("Pestmaster") is a franchisor of businesses providing structural and agricultural pest control and related services. Pestmaster's principal business address is 9716 South Virginia Street, Suite E, Reno, NV 89511. Pestmaster, through its predecessor, has been offering franchises since June 1991 and as of December 31, 2022 had 51 franchises.

Our affiliate PHP Franchise, LLC ("PHP"), is the franchisor of the Plumbing Paramedics and Heating & Air Paramedics franchises. Its principal place of business is 9750 E. 150th Street, Noblesville, IN 46060. In November 2021 PHP began offering Plumbing Paramedics and Heating & Air Paramedics franchises and as of December 31, 2022 it had 1 Plumbing Paramedics franchises and 3 Heating & Air Paramedics franchises.

Our affiliate Sir Grout Franchising, LLC ("Sir Grout") is a franchisor of businesses providing grout and tile cleaning, sealing, caulking and restoration services as well as other services. Its principal business address is 77 North Washington Street, Boston, MA 02114. Sir Grout has been offering franchises since August 2007 and as of December 31, 2022 had 52 franchises.

Our affiliate Granite Garage Floors Franchising, LLC is a franchisor of businesses that market, sell and install residential garage floor coating systems. Its principal business address is 110 Mansell Circle, Suite 375, Roswell, GA 30075. It has been offering franchises since June 2013 and as of December 31, 2022 had 14 franchises.

Our affiliate Mold Medics Franchising LLC is a franchisor of businesses providing mold remediation, air duct cleaning, radon testing and mitigation services, and other services and products. Its principal business address is 811 Washington Avenue, Carnegie, PA 15106. It has been offering franchises since December 2020 and as of December 31, 2022 had 1 franchise.

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

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Agents for Service of Process

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

The Franchised Business

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

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

Your Franchised Business must be operated from a location within the Designated Territory that we approve (the "Approved Location"). Your Approved Location must: (i) be located in a light industrial area; (ii) be large enough to park 2 Approved Vehicles; and (iii) have sufficient space and appropriate layout for a reception area, offices, warehouse space and room to store all required supplies, products and equipment. Your Approved Location will typically be between 1,500 to 3,000 square feet. We require a lease of at least 2 years but we do not recommend a lease of more than 3 years. You must purchase and utilize at least 1 truck that meets our System standards and specifications for equipment, branding, capability and purpose (the "Approved Vehicle").

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

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

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

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

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General Description of the Market and Competition

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

Applicable Regulations

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

ITEM 2 BUSINESS EXPERIENCE

Chairman of the Board of Managers: Tom Silk

Mr. Silk joined us as the Chairman of our Board of Managers in September 2022. Mr. Silk is the Chairman of the Board of Managers for our parent company Threshold Brands, LLC and its parent company, HS Group Holding Company, LLC. Mr. Silk is also the Chairman of the Board of Managers for all of our affiliate entities listed in Item 1. From September 2019 to August 2022 Mr. Silk was the CEO of Corporate Rewards d/b/a WorkStride in New York, NY. From January 2013 to September 2019 Mr. Silk served as WorkStride's Chief Customer Officer.

Manager: Patrick J. Pitrone

Mr. Pitrone has been one of our Managers since our formation in 2006. Mr. Pitrone served as our President from August 2004 until September 2022. Since July 2022 Mr. Pitrone has been the Group President of our parent company, Threshold Brands, in Boston, MA.

Vice-President, Secretary and Manager: Stephen Rice

Since December 2020, Mr. Rice has served as our Vice President, Secretary and Manager. Since August 2021 Mr. Rice has been the Vice President, Secretary and a Manager of our parent, Threshold Brands, LLC, and since August 2020 Mr. Rice has been the Vice President, Secretary and a Manager of Threshold Brands' parent, HS Group Holding Company, LLC. Mr. Rice is also a Vice President, the Secretary and a Manager for all of our affiliate entities listed in Item 1. Since October 2010, Mr. Rice has been a Principal of The Riverside Company, located in Cleveland, Ohio.

Vice-President and Manager: Caroline Peck

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

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Riverside Company in Santa Monica, CA. From June 2017 to June 2019 Ms. Peck was an Analyst with The Riverside Company in Santa Monica, CA.

Manager: Ryan Farris

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

Manager: Steven Siegel

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

Manager: Mark Kushinsky

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

Chief Executive Officer and Manager: Theodore Demarino

Since June 2023, Mr. Demarino has been our Chief Executive Officer ("CEO") and a member of our Board of Managers. Mr. Demarino is also the CEO and a Manager of our parent, Threshold Brands, LLC and of its parent, HS Group Holding Company, LLC. He also serves as the CEO and a Manager of our affiliates listed in Item 1. From October 2019 to May 2023, Mr. Demarino was the President of Liberty Tax in Hurst, TX. Before that, Mr. Demarino served as Operating Partner of Vintage Capital Management in Frisco, TX from September 2016 to October 2019.

Chief Financial Officer: Scott A. Fink

Since June 2023, Mr. Fink has been our Chief Financial Officer ("CFO"). Mr. Fink is also the CFO of our parent, Threshold Brands, LLC and its parent, HS Group Holding Company, LLC. He also serves as the CFO of our affiliates listed in Item 1. From October 2020 to June 2023, Mr. Fink was the CFO of The Bazaar, Inc. in River Grove, IL. Before that, Mr. Fink Served as SFO of Akash Chemicals, Inc. in Glendale Heights, IL from April 2017 to October 2020.

Chief Legal Officer: Robert G. Huelin

Since May 2021, Mr. Huelin has been our Chief Legal Officer ("CLO"). Since August 2021, Mr. Huelin has served as CLO of our parent, Threshold Brands, LLC. He also serves as the CLO of all of our affiliated

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companies listed in Item 1. From December 2014 to May 2021, Mr. Huelin was the Vice President, Legal and Compliance for Wireless Zone, LLC in Rocky Hill, CT.

Vice President, Human Resources: Somerset Buchanan

Since November 2022, Ms. Buchanan has been our Vice President of Human Resources, and the Vice President, Human Resources for our parent, Threshold Brands, LLC and each of our affiliated companies listed in Item 1. From March 2022 until November 2022, Ms. Buchanan was our Senior Director of Central Coaching. From December 2020 until March 2022, Ms. Buchanan was our Director of Central Coaching in Boston, MA. Ms. Buchanan was Director of Field and New Franchisee Learning for Dunkin Brands in Canton, MA from February 2019 to June 2020. Ms. Buchanan was previously the Senior Learning Manager of New Franchisee Learning for Dunkin Brands from January 2017 to February 2019.

Senior Director of Franchise Development: Ron Bender

Since December 2022 Mr. Bender has been our Senior Director of Franchise Development. Since August 2021 Mr. Bender has been the Senior Director of Franchise Development for our parent, Threshold Brands, LLC. From February 2019 until August 2021 Mr. Bender was the Vice President of Franchising for EnviroLogik in Bradenton, FL. From January 2015 to January 2019 Mr. Bender was the Vice President of Franchise Development for Big Frog Custom T-Shirts in Dunedin, FL.

Director of Franchise Development: Wes Sattler

Since January 2019, Mr. Sattler has served as our Director of Franchise Development. From December 2014 to January 2019, Mr. Sattler served as Director of Franchise Development of HealthSource, located in Avon, OH.

President: Suave Brachowski

Mr. Brachowski was named our President in September 2022. From February 2021 to September 2022, Mr. Brachowski was our Vice President of Franchise Operations. He previously was an independent contractor who served as our Director of Franchise Support from January 2016 through January 2021, and Director of Training from January 2015 through January 2016, and Director of Franchise Operations from September 2011 through December 2014. Since May 2011, Mr. Brachowski has also served as owner of HighMark Franchising, located in Charlotte, NC.

Director of Marketing: Elisa Keller

Since June 2019, Ms. Keller has served as Director of Marketing. From November 2015 to May 2019, Ms. Keller worked for ServiceMaster Franchise Services Group located in Memphis, TN.

Franchise Operations Manager: Doyland (Rich) White

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

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

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

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ITEM 5 INITIAL FEES

Franchise Agreement

Initial Franchise Fee

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

We may offer you the option of waiving the Initial Franchise Fee in exchange for an increase to the Royalty Fee rate by an additional 2.5% of Gross Sales (example a 5% royalty will increase to 7.5%) for the initial 10 year term and the first renewal term, if renewed. See Franchise Agreement, Exhibit G. We refer to this program as our "Franchise Option Program". See Item 6 for additional information.

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

We currently offer a multi-unit discount. If you purchase 3 or more USA Insulation franchises, you may be eligible to receive a 25% reduction of the Initial Franchise Fee off the second and any additional franchises you purchase at the time you purchase the initial USA Insulation franchise. If you qualify as a Conversion Franchisee, then we will (i) waive the Initial Franchise Fee, and (ii) reduce the monthly Royalty Fee to the greater of 2% of monthly Gross Sales or $1,000 for each of the first 24 months of the Franchise Agreement term. You must enter into a Conversion Franchise Addendum if you purchase the Franchised Business as a Conversion Franchisee.

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

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

Additional Purchases Before Opening

Before opening your Franchised Business, you must purchase certain proprietary materials and equipment from our affiliate, that will be used in the operation of your Franchised Business. Specifically, you must purchase from our affiliate FDIE: (i) certain equipment necessary to outfit the truck (model Isuzu NPR XD with Morgan 18-foot box or equivalent approved by us) (the "Equipment Package") which we estimate will cost between $40,000 to $50,000; and (ii) the initial stock of the Proprietary Foam Insulation Products inventory from FDIE before opening and additional truck inventory supplies, which we estimate will cost between $14,000 to $30,000.

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Initial Training Program

We will provide the Initial Training Program for up to 6 trainees, provided all individuals attend this Initial Training Program at the same time as you before the opening of your Franchised Business. Our current training fee for any additional trainees is $500 per day per trainer for on-site training programs, and $495 per attendee for off-site training programs.

Referral Fee

We pay a referral fee ("Referral Fee") to any current franchisee for each candidate referred to us who meets our qualifications and signs a Franchise Agreement. Currently, the Referral Fee is $10,000 for each successful referral of a candidate who is not a current franchisee of our brand or any of our affiliate brands. We can change, modify or discontinue this referral program at any time.

Other Relevant Disclosures

Except as provided in this Item, all fees paid to us that are disclosed in this Item are uniformly imposed on our franchisees/developers. All product purchases disclosed in this Item must be paid to us or our affiliate before, or at, delivery of the required purchases, and these fees are non-refundable. These fees are also uniformly imposed on franchisees.

ITEM 6 OTHER FEES

Type of Fee	Amount [1]	Due Date	Remarks
Royalty Fee [2]	The greater of: (a) 5% of Gross Sales [3] of your Franchised Business from the preceding reporting period; or (b) $1,000 per month.	Currently, payable on or before the 5th of each month based on the Gross Sales generated by the Franchised Business in the immediately prior calendar month. [9]	The Minimum Royalty of $1,000 per month begins the first full month your Franchised Business is open and operating. If you qualify as a Conversion Franchisee, then we will reduce the Royalty Fee to the greater of 2% of monthly Gross Sales or $1,000 per month for the first 24 months of the Franchise Agreement term.
Renewal Fee	20% of the then-current initial franchise fee	Upon renewal	Payable only if you want to renew your franchise.
Transfer Fee	25% of the then-current initial franchise fee, for each transfer.	Upon approved transfer or sale to another person or entity	Payable when you sell or transfer your franchise with our approval. No charge if you transfer to a legal business entity which you solely control.
Brand Fund Fee [7]	The greater of: (a) 2% of the Gross Sales of your Franchised Business from the preceding reporting period; or(b) $500 per month.	Currently, payable at the same time and in the same interval as the Royalty Fee	We may modify the Brand Fund Fee upon 30 days' notice to you.
Technology Fee [8]	$300-$500 per month	Currently, payable at the same time and in	See Note 8.

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Type of Fee	Amount [1]	Due Date	Remarks
		the same interval as the Royalty Fee	
Ongoing Product Purchases	Varies based on sales within your Designated Territory.	Payable prior to, or at, delivery	You must purchase our Proprietary Foam Insulation Products on an ongoing basis, as necessary, to service your customers. We may also require you to purchase additional items from us, or our affiliate, as necessary, to service your customers. We may adjust the purchase price, upon written notice to you. See Item 8 of this disclosure document for additional information.
Relocation Fee	Actual cost incurred by us.	As incurred	If you receive our prior written consent to relocate the Franchised Business, you must reimburse us for the reasonable costs and expenses we incur to evaluate and approving or disapprove the proposed relocation.
Training Fees (including Replacement, Additional, Remedial, and Refresher)	Additional training fee is $500 per day per trainer for on-site training programs, and $495 per attendee for off-site training programs.	As incurred	We may charge you our then-current training fee in the following circumstances: (i) if you or one of your managers/personnel that is required to complete our Initial Training Program is replaced and/or fails to complete the Initial Training Program and is required to re-attend; or (ii) if you request that we provide you with any Additional Training, or otherwise request that we provide you with on-site assistance in connection with your Franchised Business; or (iii) we require you to attend and complete any Remedial Training as part of the cure actions in connection with your default under the Franchise Agreement ("Remedial Training").
Ongoing Training	Registration fee between $0 and $2,000 per attendee	Before training	You may be required to attend on-going training/conferences but in no event will the fees exceed the actual costs for the event and you may be charged for failing to attend.
Convention Fee [4]	Annual charge of between $600 and $1,500	When billed	See Note 4.
Product/Supplier Approval Costs	Reasonable cost of inspection or testing, plus actual cost of laboratory fees,	When billed	We may require you to pay us, or an independent laboratory, for the cost of inspection or testing, if you desire to purchase or lease items to be used in the

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Type of Fee	Amount [1]	Due Date	Remarks
	professional fees and travel and living expenses of our personnel.		Franchised Business from sources we have not previously approved, or if a sample we have taken from your Franchised Business fails to conform to our specifications.
Management Fee	Our costs to operate your business.	Upon demand	Only payable if you die, become disabled or are otherwise incapacitated and we step-in and operate the Franchised Business on your behalf.
Audit Costs [5]	Actual costs incurred by us plus underpayment amount and lesser of 12% interest or maximum allowed by applicable state law.	Upon demand	See Note 5.
Fee for Failure to Obtain Signed Personnel Agreements	Currently, $1,000 per violation.	Immediately upon demand after an inspection has been conducted	Your management and certain other personnel associated with your Franchised Business must sign a Confidentiality and Non- Competition Agreement in a form that is substantially similar to that attached as Addendum E to your Franchise Agreement. You must ensure that: (i) this form of agreement is modified to address any applicable laws; and (ii) all required personnel executed the agreement. If you are not able to produce these signed agreements for any individual that is required to sign, we can charge you this fee (in addition to any other remedies we might have).
Late Submission Fee and Interest / Payment Failure [6]	$100 per violation and 12% interest per year, or maximum rate permitted by applicable state law if lower. $50 per check or electronic transfer that is dishonored, fails to process, or is returned.	Immediately after date payment is due	Charged for any payment (including a late fee), request for information, forms, data, or item/information not received when due to us or dishonored or failed to process.
Indemnification; Attorneys' Fee;	Will vary according to circumstance.	Upon demand	You must indemnify and reimburse us for our attorneys' fees and other costs

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Type of Fee	Amount [1]	Due Date	Remarks
Costs and Expenses of Enforcement			that we incur in connection with any claims and/or damages that we incur in any third-party action or otherwise arising out of or related to (a) your breach of misrepresentation of your Franchise Agreement, (b) our and your management or operation of your Franchised Business, including how you prepare and use the Proprietary Foam Insulation Products and/or (c) other specific actions or omissions on your or your representatives' part detailed more fully in your Franchise Agreement, such as failure to stop using the Marks after termination of the Franchise Agreement. You must also reimburse of all attorneys' fees and other costs we incur in connection with (a) enforcing the terms of the Franchise Agreement, and/or (b) any litigation we initiate and/or defend against related to the Franchise Agreement, provided we prevail.
Online Listing Failure	Cost of listing or advertisement.	Upon demand	Only due if you fail to obtain a listing or advertise online as we require and we do it for you.
Insurance Fee	Cost to obtain and maintain insurance plus our administrative fee.	Upon demand	Only due if you fail to maintain the insurance we require and we obtain it on your behalf.
Non-Compete Failure	Amount equal to our then-current initial franchise fee for each Competing Business we identify plus 7% of each Competing Business' Gross Sales until expiration of the non- competition period in the Franchise Agreement.	Upon Demand	Only due if you breach the non-competition restrictions in your Franchise Agreement.
Step-In Fee	A Fee equal to 8% of the Gross Sales of the Franchised Business during the	Upon demand	Only due if we can terminate your Franchise Agreement due to your default and we step in to operate the

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Type of Fee	Amount [1]	Due Date	Remarks
	time period that we are operating the Franchised Business, plus reimbursement of all our costs to operate the Business.		Franchised Business until you cure the defaults.
Liquidated Damages [9]	Amount equal to net present value of lost future Continuing Royalties and Brand Fund Fees for one (1) year following termination of Franchise Agreement .	Upon demand	Only payable if you default and we terminate your Franchise Agreement.

NOTES:

1. **Generally**. Unless otherwise disclosed in this Item, all fees noted in this Item 6 are uniformly imposed and are payable to us and are non-refundable. All fees due under the Franchise Agreement are collected by us through our Electronic Funds Transfer ("EFT") Program from a bank account that you choose. You must execute the Electronic Funds Withdrawal Authorization in a form substantially similar to that attached to the Franchise Agreement at the time you execute the Franchise Agreement. You must pay us on demand for all taxes we incur on goods or services we provide to you or on payments you make to us. We may change your payment schedule with respect to the Royalty Fee and any other amounts due to us or our affiliates under your Franchise Agreement (i.e., modifying monthly payment to weekly), or require you to use any other method of payment, upon 30 days' notice to you.

2. **Royalty Fee**. If you have accepted our offer to waive the Initial Franchise Fee under our Franchise Option Program your Royalty Fee will be 7.5% of Gross Sales for the initial 10 year term and the first renewal term, if renewed.

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

4. **Convention**. We may periodically conduct a Convention. We will charge you an annual fee of between $600 and $1,500 based on the location and duration of the Convention. If You own multiple territories, You will only be charged once. You must attend the Convention, and pay all expenses incurred in connection with your attendance, including transportation cost, meals, lodging and living expenses. We determine the duration, curriculum and location of the Convention. The Convention Fee is paid to us via EFT. This fee is not refundable and will be collected even if you do not attend the Convention.

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

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

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

8. **Technology Fee**. Currently, the Technology Fee includes up to 10 email addresses and up to 5 CRM software licenses, up to 3 sales software licenses (field service), and Intranet access. The Technology Fee will commence during the first full month your Franchised Business is open and operating. The Technology Fee for a new franchisee is $500 per month. The Technology Fee for franchises that are purchased by an existing franchisee and that operate in a territory adjacent and contiguous to the franchisee's existing franchise is $300 per month.

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

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment [1]	When due	To whom payment is to be made
Initial Franchise Fee [2]	$45,000 to $55,000	Lump sum	Upon execution of Franchise Agreement	Us
Real Property [3]	$6,000 to $12,000	Lease	As Arranged	Lessor
Leasehold Improvements [4]	$12,000 to $15,000	As Incurred	As Incurred	Contractor and Architect
Insulation Truck and Upfit [5]	$100,000 to $110,000	As Incurred	As Incurred	Us, Vendors, Suppliers

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Type of expenditure	Amount	Method of payment [1]	When due	To whom payment is to be made
Equipment [6]	$5,000 to $15,000	As Incurred	As Incurred	Us or Approved Supplier(s) we designate in the future; Third-party supplier(s)
Office Supplies, Fixtures & Signs [7]	$8,000 to $14,000	As Incurred	As Arranged	Vendors
Professional Fees [8]	$500 to $5,000	As Incurred	As Arranged	Vendors
Deposits [9]	$2,000 to $10,000	As Incurred	As Incurred	Vendors, Suppliers
Opening Inventory [10]	$14,000 to $30,000	As Incurred	As Arranged	Us or Approved Supplier(s) we designate in the future
Initial Marketing Spend [11]	$29,000 to $67,000	As Incurred	As Needed	Us/Vendors
Training and Travel and Living Expenses Associated with our Initial Training Program [12]	$4,000 to $9,000	As Arranged	As Arranged	Vendors
Insurance [13]	$4,000 to $6,000	As Arranged	Annual Premium	Insurance Company or Agent
Additional Funds – [3 months] [14]	$30,000 to $50,000	As Incurred	As needed	Suppliers/Employees
TOTAL	**$259,500 to $398,000**			

NOTES:

1. **Generally.** Except as otherwise noted, all fees noted in this Item 7 are payable to us and are non-refundable under any and all circumstances. The total investment range disclosed in the Chart above is our estimate of the costs you will incur to open and commence operating a Franchised Business, with one combination truck and the equipment and inventory necessary to provide our products and services. Many of the purchases you make to set-up the business, are paid to local suppliers as noted in the far-right hand column above.

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

3. **Real Property.** The cost per square foot of commercial space varies considerably depending upon the location and market conditions. Lease costs vary based upon square footage, the cost per square foot, required maintenance costs and other lease variables. It is difficult to estimate real estate costs. You will need approximately 1,500 to 3,000 square feet of light industrial space with easy access to major highways.

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Our estimate accounts for the first 3 months of rent. The security deposit is included under Security Deposits. These costs may not be refundable, but your security deposit may be refundable under certain circumstances.

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

Local governments and agencies typically charge you fees for such things as construction permits and operating licenses. Costs may vary based on the requirements of local government agencies. These fees are typically not refundable.

5. **Vehicle.** You must purchase and/or lease the tools, parts, equipment, Approved Vehicle, and Approved Vehicle wrap necessary to operate your Franchised Business as we designate in the manuals. The cost of these items will vary according to local market conditions, suppliers and other related factors. We do not know if the amounts you pay for tools, parts, equipment or the Approved Vehicle is refundable. A conversion franchisee may have previously purchased some or all of the items.

You must purchase at least one 18-foot box "combination" truck. This estimate includes the cost to lease a truck for your first 3 months of operation. Your actual costs for these Approved Vehicles will vary based on the location of the Franchised Business, competition among local dealers, the time of year, and other factors. These expenses are typically not refundable.

Other equipment costs include hand tools and equipment required to outfit each truck for product.

application and the warehouse area for product preparation and general maintenance. This estimation is in part based on the estimate provided by an Approved Supplier for the Approved Vehicle wrap. Your location will need the following proprietary equipment:

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

- Heat System
- Holding Tanks
- 12.5 KW Gen-Set
- Electrical
- Transfer Pump
- Air Compressor
- All Cabinetry and racking
- Foam Delivery System

In addition to the proprietary equipment above, you must obtain a designated insulation blower and a diesel-powered generator from the supplier we designate or approve in writing.

6. **Equipment.** You must purchase equipment for material handling and storage, including a forklift. You must also purchase office equipment and furniture. The low end of this estimate includes the cost of

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leasing a forklift for your first 3 months of operation. The furniture and equipment you must purchase includes a workbench, brooms, wrenches, pallet loader, desk, cabinets, and computers.

7. **Supplies, Fixtures & Signs.** You must purchase general office supplies including stationery and business cards. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers, and other things. We do not know if the amounts you pay for office equipment and supplies are refundable.

This range also includes the cost of the supplies, apparel, sales materials and a computer and 1 mobile tablet or other approved mobile device per Technician or Approved Vehicle, whichever is greater, signs and fixtures used in the Franchised Business, including building, and yard signs. Your cost will vary based upon the size and location of the Franchised Business, number of Approved Vehicles, local government requirements and local wage rates. The amounts you pay for signage are typically not refundable.

8. **Professional Fees.** You may need the assistance of an attorney, accountant or other consultants to assist in establishing your Franchised Business. These fees may vary from location to location depending upon the prevailing local rate of attorneys', accountants' and consultants' fees. These fees are typically not refundable.

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

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

You must purchase an initial supply of loose blown and batten insulation for Attic installation. We have estimated the costs of these products in sufficient quantity for the first 3 months of operation.

11. **Initial Marketing Spend.** This is the estimated costs you will incur during the first 3 months of operation. This estimate also includes the costs of sales and marketing materials required to begin your business. You must spend a minimum of $20,000 on your Initial Marketing Spend during the first 3 months of operation, exclusive of the cost of sales and marketing materials. You may choose to spend more. Depending on the size of your Designated Territory, you may be required to spend up to $45,000 on your Initial Marketing Spend within the first 3 months of operations, exclusive of the cost of sales and marketing materials. Factors that may affect your decision on what additional amounts to spend on advertising includes local media cost, location of the Franchised Business, time of year and customer demographics in the surrounding area. We may require you to demonstrate that you have expended or are in a position to expend the Initial Marketing Spend as a condition to receiving approval to attend the portion of our Initial Training Program that takes place at our corporate headquarters or designated training facility. The amounts you spend for initial marketing and advertising are typically not refundable. You must also spend 10% of the prior month's Gross Sales of your Franchised Business each calendar month as your "Local Advertising Requirement" on the local advertising and promotion of your Franchised Business within your Designated Territory.

12. **Training and Expenses Associated with our Initial Training Program.** All components of our Initial Training Program will be provided to you, your Dedicated Manager (if applicable) and any individuals you intend and expect to engage as an initial Authorized Installer that will provide the

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Proprietary Foam Insulation Products when your Franchised Business opens, without us charging you any training fee, provided all of these individuals attend training at the same time before the opening of the Franchised Business. You are responsible for all costs and expenses associated with you and your personnel attending or otherwise participating in all required training appropriate for such personnel, including the travel, food, lodging and employee salaries for the approximately 8 business days of training at our headquarters in Ohio or other training facility we designate or, at our sole discretion, by remote/virtual means.

The total costs and expenses to attend our Initial Training Program will vary on how many people, up to 6, who attend, how far you travel and the type of accommodations you choose.

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

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

13. **Insurance.** This estimate includes 3 months of the insurance coverages disclosed in Item 8. You must obtain, annually renew and submit proof to us of these insurances. You must name us and our affiliated Approved Suppliers as an additional insured party on all of your required policies. The cost of insurance varies by market and experience.

14. **Additional Funds.** We recommend that you have a minimum amount of working capital available to cover certain expenses incurred before you open and in your first 3 months of operation, including operating expenses and salaries and fees payable to us (which are not included in these estimates). The high end also accounts for a Dedicated Manager during your initial operations period. You will need to have sufficient capital to cover employment costs for three to five associates, some of which will be part time. You must be prepared to reorder inventory and supplies as necessary and to cover the costs of operations.

Additional working capital may be required. These expenses are typically not refundable. In calculating these estimates, we relied on our affiliate's over 35 years of experience in the business and the experience of our franchisees starting USA Insulation Franchised Businesses. This estimate for "Additional Funds" does not include any of your personal living expenses and does not include any fees associated with debt services.

Unless otherwise stated, all fees are non-refundable by us or your suppliers. Some pre-payments, return items, or deposits in which the conditions have been fulfilled may be refundable by local suppliers.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing when we evaluate your proposed location for the Franchised Business during training, before

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

Proprietary Foam Insulation Products and other Items

You may only market, offer, sell and provide the Proprietary Foam Insulation Products at your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Proprietary Foam Insulation Products, along with their standards and specifications, as part of the USA Insulation Operations Manual. We may update or modify this list in writing at any time.

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

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

Approved Suppliers

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

We, an affiliate or a third party may be the sole supplier of good or services you must purchase for use or sale in your Franchised Business. For example, FDIE is the only Approved Supplier for our Proprietary Foam Insulation Products and the Equipment Package. We can sell these products and the Equipment Package directly to you or designate a different supplier from which you must buy this equipment and ongoing inventory. Other than FDIE and us, none of our officers presently own an interest in any of our Approved Suppliers. Except for FDIE, neither we, nor our affiliate, are currently the Approved Supplier for any other items you will use in your Franchised Business.

We also have Approved Suppliers for the following items that you must use in connection with your Franchised Business: (i) insulation and other inventory/supplies necessary to provide the Approved

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Products and Services; (ii) certain equipment with which you must outfit and equip your Approved Vehicle, and any vehicle wrap or other trade dress; and (iii) the proprietary customer record management system (or "CRM") that you must use in connection with your Franchised Business, which we will also be able to access independently.

Non-Approved Product/Service and Alternate Supplier Approval

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

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

(i) using or offering the non-approved product or service in connection with your Franchised Business; or

(ii) purchasing from a non-approved supplier. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

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

Required Purchases and Right to Derive Revenue

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

We and our affiliates may derive revenue as a result of purchases or leases by our franchisees. This revenue may come directly from our or affiliates' sale of goods or services to franchisees or from rebates, marketing allowances or other amounts paid to us by suppliers to our franchisees. We may also be provided with discounts on goods or services we purchase, beneficial purchasing terms, or other benefits based upon our

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franchisees' purchases of goods or services from these suppliers. We may receive rebates in amounts equal to a percentage of franchisee purchases from certain preferred suppliers. In the past fiscal year this percentage was approximately 3% of the purchase value. In our most recent fiscal year ended December 31, 2022, we received a total of $110,787.39 in rebates from third-party suppliers.

In the fiscal year ended December 31, 2022: (i) we did not derive revenue from required purchases or leases made by System franchisees; and (ii) our affiliate FDIE derived $6,894,730 on account of franchisee's required purchases. This information was taken from our affiliate's internal financial statements.

Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2(B), 2(C), 5(D), and 6(A) and Exhibit A of the Franchise Agreement	Items 11 and 12
b. Pre-opening purchases/leases	Sections 6(B), 6(G), 6(I) and 6(J)	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 6(C), 6(D) and 6(E)	Items 6, 7 and 11
d. Initial and ongoing training	Sections 5(A), 5(B), 6(N)and 6(O)	Items 6, 7 and 11
e. Opening	Section 6(C)	Items 7 and 11
f. Fees	Section 4(A); Section 4 of Conversion Franchise Addendum	Items 5 and 6
g. Compliance with standards and policies/ Operating Manual	Sections 5(C), 6 and 8	Items 8 and 16
h. Trademarks and proprietary information	Section 7	Items 13 and 14
i. Restrictions on products/services offered	Sections 5(C), 6(F), 6(J), 6(K), 6(L) and 6(S)	Items 8 and 16
j. Warranty and customer service requirements	Section 6(T)	Item 16
k. Territorial development and sales quotas	Sections 2(C) and 6(Z)	Item 12
l. Ongoing product/service purchases	Sections 6(G), 6(K), 6(I) and 6(J)	Items 8 and 11

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m. Maintenance, appearance and remodeling requirements	Sections 6(G) and 6(Q)	Items 6 and 17
n. Insurance	Section 11	Items 6, 7 and 8
o. Advertising	Sections 5(F), 5(G), 5(H) and 9	Items 6, 7 and 11
p. Indemnification	Sections 7(M) and 12(C)	Item 6
q. Owner's participation/ management/staffing	Sections 6(V) and 6(Y)	Item 15
r. Records and reports	Sections 4(D) and 10	Item 11
s. Inspections and audits	Sections 5(J), 6(C), 6(K) 6(R), 6(U), 10(B) and 10(G)	Items 6, 11 and 13
t. Transfer	Section 13	Item 17
u. Renewal	Section 3(B)	Item 17
v. Post-termination obligations	Sections 14(B) and 16	Item 17
w. Non-competition covenants	Section 14	Item 17
x. Dispute resolution	Section 21	Item 17
y. Conversion Franchisee's Obligations	Sections 5 and 6 of Conversion Franchise Addendum	Items 1 and 5
z. Guaranty of franchise obligations	Section 6(DD) and Exhibit B of the Franchise Agreement	Item 15
aa. Spousal Non-Disclosure and Non-Competition Agreement	Section 8(I)	Item 15 and Exhibit K

ITEM 10 FINANCING

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

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

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

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

If you fail to make payment under the Promissory Note within 10 days after a payment date we may impose a late charge of 5% of the unpaid amount. If any payment is not made within 30 days after the due date we

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may impose an additional late charge of 5% of the unpaid amount plus a 5% late charge of the unpaid amount for each 30 day period that the amount remains unpaid. (Section 1)

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

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

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

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

A. Pre-Opening Obligations

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

1. We will provide site selection guidelines and assistance, in connection with selecting the Approved Location for your Franchised Business. The general site selection and evaluation criteria or factors that we consider in approving sites include, among other things, the condition of the premises, vehicular and pedestrian access, population demographics of the surrounding area, and general suitability. (Franchise Agreement, Sections 2(B) and 5(D)). Your Approved Location must: (i) be located in a light industrial area; and (ii) be large enough to park two 2 Approved Vehicles; and (iii) have sufficient space and appropriate layout for a reception area, offices, warehouse space and room to store all required supplies, products and equipment. Your Approved Location will typically be between 1,500 to 3,000 square feet. We will approve or reject your site proposals within 30 days of the date you provide us all reasonably requested information that we require (Franchise Agreement, Section 5(D)).

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

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3. Once you secure the Approved Location, we will define your Designated Territory for that Franchised Business and include its boundaries in Exhibit A-1 to your Franchise Agreement. (Franchise Agreement, Section 2(C)).

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

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

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

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

8. We will provide you with our Initial Training Program. (Franchise Agreement, Section 5(A)).

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

B. Initial Training Program and Other Training

Initial Training Program

Before you may open your Franchised Business, you and any operating principal must complete, to our satisfaction, the Initial Training Program including all phases of New Office Launch checklist. The topics covered are listed in the chart below. The instructional materials used in the initial training program are the USA Insulation Operations Manual that currently includes, among other things: the New Office Launch Manual, Marketing Manual, Sales Manual, Installation and Safety Manual and Policy Manual. This training is offered at our headquarters or another location we designate unless we determine to conduct training by virtual/remote means. Currently, we offer the Initial Training Program on an as-needed basis as you near the opening of your Franchised Business. Your Dedicated Manager must attend and complete the

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appropriate components of the Initial Training Program, before you open the Franchised Business. Those individuals that will be installing our Proprietary Foam Insulation Products must attend and complete the relevant components of our Initial Training Program that we designate as necessary to provide those services. (Franchise Agreement, Section 5(A)). This will typically include specific training and authorization to provide those Approved Services that involve the Proprietary Foam Insulation Products. We will then issue them an Authorized Installer Certificate and wallet card that details the services that the individual is eligible to provide through the Franchised Business.

We expect that trainees will advance through the Initial Training program at different rates depending on a variety of factors, including background and experience. The time frames set forth in the chart are an estimate of the time it will take to complete training and the number of hours required may vary based on (a) the experience of the trainee and (b) the schedules and availability of our training staff. We do not charge any tuition or training fee for you, your operating principal, Dedicated Manager, and prospective Authorized Installers to attend the appropriate portions of our Initial Training Program, provided all individuals attend at the components that are provided at our headquarters or other designated training facility at the same time before the opening your Franchised Business. You will be responsible for all costs and expenses associated with you and your personnel attending the Initial Training Program, as well as any other ongoing training that we or any third-party provides once your Franchised Business is open. You and any required trainees must complete to our satisfaction the Initial Training Program within 120 days of the date of your Franchise Agreement.

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

INITIAL TRAINING PROGRAM

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

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Technical Training	8	24	Corporate HQ, or other designated training site.
TOTALS	**74**	**28**	

We expect the Initial Training Program, will take 120 days to complete.

Alec Brown our Director of Training since September 2022 is the individual in charge of our Initial Training Program. Mr. Brown has 15 years of corporate training experience. Mr. Brown will utilize installers of ours as instructors for the Initial Training Program, including Cory Fink, our lead installer with more than 10 years of industry experience, and Rich White, our Franchise Operations Manager who has more than 20 years of industry experience. We may periodically name additional trainers if the training schedule requires it. There are no limits on our right to assign a substitute to provide training. Substitute trainers currently have a minimum of 12 years' training experience.

Training Conducted by Third-Party(ies) Before Opening

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

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

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

Additional Training

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

Conferences and Training Sessions

We, at our option, will conduct conferences or training sessions (Franchise Agreement, Section 5(O)). We may charge registration fees to subsidize the costs associated with performing these activities (see Item 6 for fees and costs). You may be required to attend the conferences or training sessions/programs. You are solely responsible for paying all related expenses, including travel, transportation, food/meals, hotel/lodging and wages (with payment to be made at the time and upon the terms specified by each vendor)

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while attending the conferences, conventions, and training sessions/programs. You must pay us an annual Convention Fee of between $600 and $1,500. (Franchise Agreement, Section 5).

C. Typical Length of Time Before Operation

We must approve a location for your Franchised Business and you must secure property control of the Approved Location all within 90 days of the date you sign the Franchise Agreement. You must open and commence operations of your Franchised Business within 6 months of the date you sign your Franchise Agreement for that Franchised Business. We estimate that it will take 4-6 six months to open your Franchised Business from the time you sign your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Approved Location, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed before opening. If we do not approve a location for your Franchised Business or you do not secure the Approved Location within 90 days of the date you sign the Franchise Agreement, or you do not open or operate your Franchised Business within 6 months of the date you sign your Franchise Agreement, then we may terminate your Franchise Agreement and any amounts you have paid us or our affiliates will not be refunded (Franchise Agreement, Sections 6(B) and 6(C)).

D. Post-Opening Obligations

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

1. We may offer, and require you and your management to attend, additional training programs and/or refresher courses, as we deem necessary ("Additional Training"). We will not require you and/or your management to attend more than: (i) two sessions of additional/refresher training year, which, combined will not exceed 7 total days and may take place at our designated training facility in Ohio (or other location that we designate); and (ii) 24 hours of additional or refresher training via webinar, Skype or other medium that allows for remote attendance and completion. We may also provide Remedial Training to you if you are in default of your Franchise Agreement or if your required trainees fail to complete any Additional Training as described more fully in Item 6 of this Disclosure Document , and we can charge you our then-current Training Fee for this Remedial Training (currently, $495 per attendee for off-site training programs). For both Additional Training and Remedial Training, you will be responsible for all expenses incurred in connection with you and your personnel attending. Additionally, if we provide any Additional Training at your Approved Location, we may require you to pay us our then-current training fee for such training (currently, $500 per trainer per day). (Franchise Agreement, Section 5(B));

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

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

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4. We will list the contact information of the Franchised Business on our Website, provided you are not in material default of your Franchise Agreement. (Franchise Agreement, Section 5(G));

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

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

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

8. We may schedule and hold a franchise conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System and hold discussion forums for System franchisees. If we schedule a conference, we may require you to attend for up to 5 days each year. You will be responsible for the costs and expenses you incur in connection with any franchise conference. You must also pay the Convention Fee. (Franchise Agreement, Section 5(O)); and

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

E. Advertising and Promotion

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

You must spend 10% of the prior month's Gross Sales of your Franchised Business each calendar month as your "Local Advertising Requirement" on the local advertising and promotion of your Franchised Business within your Designated Territory, with such obligations commencing once the approved period for your Initial Marketing Spend (described more fully below under this heading) has expired. We will approve the advertising, promotions and public relations plan and its creative execution on a periodic basis, as we deem necessary. (Franchise Agreement, Section 9 (D)).

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

(a) The purpose of the Brand Fund (the "Fund") is to support the USA Insulation brand. This means we may use monies in the Fund for any purpose that promotes the USA Insulation name or any other names we choose to use in the System, including the creation, production and placement of commercial advertising; to pay for agency costs and commissions; to pay the costs to create and produce video, audio and written advertisements; to pay for direct mail and other media advertising, including internet advertising, internet search engine campaigns, direct email marketing, and the cost to maintain and update our websites, intranet, web pages, social media and social networking sites, profiles and accounts; for the costs to create and maintain any applications, whether web-based or otherwise, and for the costs of search engine optimization; the cost to license, improve and interface with software for your use in the operation of your franchise; in-house staff assistance and related administrative costs; local and regional promotions;

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public relations campaigns including the cost of retaining public relations firms; market research; and other advertising, marketing and sales activities such as the cost of operating a call center to assist with selling USA Insulation products and services and servicing existing customers, creating sales materials and tools for your use, the costs of customer satisfaction activities such as customer surveys and the cost of training and training tools for our franchisees.

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

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

(d) In the fiscal year ended December 31, 2022, the Brand Fund (formerly known as the Advertising Fund) contributions were expended as follows: (i) Production – 5%; (ii) Creative – 6%; (iii) Technology and CRM – 6%; (iv) Website and SEO Management – 20%; (v) Call Center Fees (answering services and call tracking in connection with (800) number) – 1%; (vi) Marketing Professional Wage Reimbursement – 13%; (vii) Lead Generation/Brand Awareness – 44%; (viii) Seminar/Summit/Other – 1%; (ix) Customer Surveys – 0%; and Shared Services – 4%.

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

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

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During your first 3 months after you begin operating, you must spend an amount between $20,000 and $45,000 (depending on the size of your Designated Territory), exclusive of the cost of sales and marketing materials, on the initial advertising and promotion of your Franchised Business ("Initial Marketing Spend"), as outlined in the approved marketing plan developed with you and marketing professionals during the New Office Launch process (as described more fully in the New Office Launch component of our USA Insulation Operations Manual). You may choose to spend more. Factors that may affect your decision on the actual amount to spend includes local media cost, location of the Franchised Business, time of year and customer demographics in the surrounding area. The amounts you spend in connection with your Initial Marketing Spend are typically not refundable. We may provide you with guidance with respect to conducting these activities, as we deem appropriate, and we will review and approve the materials you use as part of your Initial Marketing Spend. (Franchise Agreement, Section 9(C)). You may use your own advertising materials to advertise your Franchised Business as long as we approve the materials before use.

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

F. Computer System

You must purchase and use any hardware and software programs we require. You must purchase and use all of the hardware and software below in connection with the operation of the Franchised Business. The use of your desktop computer must be exclusively designated for operation of the Franchised Business and may not be used or shared for any other purpose, including, personal or home use. (Franchise Agreement, Section 6(I)). The required computer hardware and software is as follows:

HARDWARE
A computer that meets our specifications as stated in our Manuals, as that otherwise meets our requirements and is approved by us.
1 mobile tablet or other approved mobile device per Technician or per Approved Vehicle, whichever is greater. The mobile device must be capable of achieving internet connectivity at all potential worksites.
SOFTWARE
Most Recent Version of QuickBooks Online
Most Recent Version of Windows Small Business
Then-current Customer Record Management (CRM) Software Platform
Additional software we may designate or specify in the future for use in connection with your Franchised Business

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

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

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

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

Website and Internet Use

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, Instagram, LinkedIn, Pinterest, Twitter, YouTube or any other social media and/or networking site. Any such Internet website or presence is considered "advertising" and must be approved by us before use, as described in this Item. If we permit you to establish one or more of the above presences on the Internet, you must: (i) establish and operate your World Wide Web or Internet site in accordance with System standards and any other policies we designate in the USA Insulation Operations Manual or otherwise in writing; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). (Franchise Agreement, Section 9(G)).

We can establish and maintain a website, that may, without limitation, promote the Marks and/or the System (the "Website"), including the contact information of your Franchised Business. We will establish an interior page on the Website to display the contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) the Franchise Agreement governing that Franchised Business is not subject to termination. (Franchise Agreement, Section 9(G)). We have sole control over all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We can discontinue operation of the Website at any time without notice to you. We can modify our policies regarding your use of social media and Internet websites in connection with your Franchised Business as we deem necessary or appropriate (or our affiliate) are the sole registrant of the Internet domain name www.usainsulation.net, as well as any other Internet domain names that we or our affiliates register in the future. You must not register any Internet domain name that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

ITEM 12 TERRITORY

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

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secured an Approved Location that is within your Designated Territory and properly staffed it to meet our System standards.

Designated Territory

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

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

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

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

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

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

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

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

Reservation of Rights

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

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

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including inside or outside of the Designated Territory and, even if such businesses are located in the Designated Territory. You do not have any of the foregoing rights under your Franchise Agreement, and we are not required to provide you any compensation in connection with conducting any of these activities.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Additional Disclosures

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

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. Neither we nor either of our affiliates have established, or presently intend to establish, any other franchised or company-owned businesses that sell our Proprietary Foam Insulation Products under a different trade name or trademark, but we reserve the right to do so in the future.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

ITEM 13 TRADEMARKS

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

The Marks in the immediate chart below are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

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

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The Marks in the chart below are pending registration on the Principal Register of the USPTO. We do not have a federal registration for these trademarks. Therefore, they do not have many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Mark	Application No.	Application Date
	97334613	March 28, 2022
USA INSULATION	97334612	March 28, 2022

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

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

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

There is no litigation pending arising out of our Marks, and we are not aware of any infringing use of our Marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court adverse to our rights in the Marks, nor are there any pending infringement, opposition, cancellation proceedings, or material litigation, involving the Marks.

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

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

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reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Marks. We will not reimburse you for disputes where we challenge your use of a Mark.

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

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

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

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

During our relationship, you will receive information we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement or any time after that, communicate, divulge, or use for the benefit of any other party any of these trade secrets, copyrighted materials, methods and other techniques and know- how concerning the operation of the Franchised Business (the "Confidential Information"). You may divulge Confidential Information only to your employees who must have access to it in order to perform their employment obligations.

The Franchise Agreement provides that if you, your employees, or principals develop any inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by you or your employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the "Improvements"), you must disclose those Improvements to us and all Improvements will automatically and without further action be owned by us without compensation to you (including all intellectual property rights therein). Whenever requested to do so by us, you will execute any and all applications, assignments, or other instruments that we may deem necessary to apply for and obtain intellectual property protection or to otherwise protect our interest therein. These obligations continue after the termination or expiration of the Franchise Agreement. If a court should determine that we cannot automatically own any of the Improvements that may be developed, then you hereby agree to grant us a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

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

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manuals in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System.

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

You must personally participate in the actual operation of your Franchised Business. You, and your Dedicated Manager, must attend, and successfully complete to our satisfaction, our Initial Training Program (described more fully in Item 11 above), and certain other training programs that we designate. All training must be completed before opening the Franchised Business.

Under certain conditions and with our prior approval, we may permit you to appoint a "Dedicated Manager" to handle day-to-day management of the Franchised Business on-site at the Approved Location. Your Dedicated Manager must complete our Initial Training Program, but we do not require that your manager have an ownership interest in a corporate or partnership franchisee. The Dedicated Manager must be approved by us and will need to sign the form a confidentiality and non-Compete Agreement in a form substantially similar to the form attached to your Franchise Agreement. Any replacement manager, must attend and complete all required training before assuming any management responsibility in connection with your Franchised Business.

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

We are not your employer. You have the right to control all decisions related to recruiting, hiring or firing any personnel, including any managers. Nothing in this Disclosure Document, or any agreement you enter into with us, will create any type of employer or joint employer relationship between (a) you and/or your personnel, and (b) us.

Each person owning an interest in the franchisee (if an entity) must sign a personal guaranty (attached to the form of Franchise Agreement) assuming and agreeing to discharge all obligations of the "Franchisee" under the Franchise Agreement. We do not require your spouse or domestic partner to sign the Franchise Agreement or personal guaranty, but we do require that your spouse or domestic partner sign a Non-Disclosure and Non-Competition Agreement, attached as Exhibit K to this Disclosure Document.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

You are prohibited from offering or selling any products or services not authorized in writing by us. You may not have ownership or an interest in a competing business, including any operation, formal or otherwise, of a business that offers any of the products or services provided by USA Insulation Franchised Businesses (which includes any services that affects the building envelope of a residential or commercial structure, regardless of age). You may not have ownership or an interest in a business that competes with

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any of our franchisor's affiliates. Any and all services you provide to your customers must be provided in accordance with the standards established by us.

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

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

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

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of franchise term	Section 3(A)	10 years commencing on the date we sign your Franchise Agreement.
b. Renewal or extension	Section 3(B)	You have the right to be considered for additional terms at the then-current term length at the time of renewal.
c. Requirements for franchisee to renew or extend	Section 3(D)	In order to renew your franchise relationship with us, you must: (i) provide timely written notice of election to renew; (ii) not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us, any of our affiliates or any of your suppliers, or have had 3 default notices during the term of your Franchise Agreement; (iii) execute our then-current franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); (iv) complete our then-current refresher training course in a timely manner; (v) execute a general release (subject to applicable state law); (vi) pay the renewal fee; and (vii) re-image, renovate, refurbish and modernize the Approved Vehicles and Franchised Business, including the Approved Location.

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Provision	Section in Franchise Agreement	Summary
d. Termination by franchisee	None	However, you may terminate as permitted by applicable law.
e. Termination by franchisor without cause	None	Not Applicable
f. Termination by franchisor with cause	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart (subject to applicable state law).
g. "Cause" defined – curable defaults	Section 15(C) Section 15(C)(22)	Your Franchise Agreement may be terminated based on the following defaults: (i) if you fail to cure any of the following defaults after 10 days' notice: (a) fail to offer only Approved Products; (b) purchase or sell any non-approved item or service; (c) failure to purchase any item from the appropriate Approved Supplier(s), and (d) fail to cure any monetary default; (ii) you fail to provide us with access to the Computer System and fail to remedy this default within 48 hours; (iii) you fail to comply with any applicable law; (iv) you fail, after 10 days' notice, to obtain any applicable license, certificate, permits, or approval; and (v) you fail to meet the Minimum Productivity Levels for 3 consecutive MPL Periods. Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 10 days of being provided with notice of your default(s).
h. "Cause" defined – non-curable defaults	Section 15(B) Section 15(C)	Your Franchise Agreement may be terminated automatically and without notice from us if: (i) you become insolvent or make a general assignment for the benefit of creditors; (ii) a bankruptcy petition if filed by or against you and not dismissed within 30 days; (iii) a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business; (iv) a receiver or custodian of your assets of property is appointed; (v) a final judgment in the amount of $10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); (vi) a party signing the Spousal Non-Disclosure and Non- Competition Agreement breaches it; and (vii) you attempt to make a transfer in violation of your Franchise Agreement. Your Franchise Agreement may be terminated with notice but without an opportunity to cure: (i) if you commit any fraud or misrepresentation in the establishment or operation of the Franchised Business; (ii) if you, your operating principal or any other required attendee fails to attend and complete the Initial Training Program to our satisfaction; (iii) if you receive 3 or more notices to cure the same or similar defaults within any 12-month period; (iv) you violate the in-term restrictive covenant; (v) you misuse the Marks or Confidential Information; (vi) you misuse any proprietary software;

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Provision	Section in Franchise Agreement	Summary
		(vii) you default under any other agreement with us, our affiliate(s) or any Approved Supplier and such default is not cured according to such agreement; (viii) you default under your lease; (ix) you fail to open the Franchised Business in the time required; (x) you abandon the Franchised Business; (xi) you are convicted of a felony or other crime that adversely affects the System; (xii) you take for your own personal use the assets or property of the Franchised Business; (xiii) there are insufficient funds in your EFT Account 3 or more times in any 12-month period; (xiv) you commit repeated violations of any applicable laws; (xv) you on 3 or more occasions, fail to comply with the standards and specifications set forth in the USA Insulation Operations Manual during any 18 month period, whether or not these failures were timely cured; or (xvi) you default, we unilaterally decrease the size of your Designated Territory or license others to operate in your Territory and you refuse to sign an amendment to that effect in a timely manner.
i. Franchisee's obligations on termination/ non- renewal	Section 16	Upon termination or expiration of the Franchise Agreement, your obligations include: (i) cease ownership and operation of the Franchised Business and cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; (ii) return of the USA Insulation Operations Manual or any other Confidential Information to us; (iii) assign to us all approved services contracts, telephone/fax numbers and domain names; (iv) cease the use of the Marks and trade dress and customer lists; (v) comply with all post- term restrictive covenants; (vi) pay us and our Approved Suppliers any amounts owed; (vii) provide us with written confirmation of compliance with these obligations within 30 days; (viii) cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee,(ix) comply with our purchase option if we exercise it.
j. Assignment of contract by franchisor	Section 13(G)	No restriction on our right to assign.
k. "Transfer" by Franchisee - defined	Section 13(A) and Section 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you (as the Franchisee).
l. Franchisor's approval of transfer by franchisee	Section 13(A)	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
m. Conditions for franchisor's approval of transfer	Section 13(E)	We can impose the following conditions on any transfer by you: (i) all of your accrued monetary obligations under the Franchise Agreement have been satisfied; (ii) you cure all existing defaults under the Franchise Agreement; (iii) you and your principals must execute a general release; (iv) you or the transferee enter into a transfer agreement approved by us;

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Provision	Section in Franchise Agreement	Summary
		(v) the transferee must meet our then-current qualifications and criteria for a new franchisee; (vi) the transferee executes our then-current franchise agreement; (vii) you or the transferee pays us a transfer fee; (viii) the transferee satisfactorily completes our Initial Training Program; (ix) you must comply with all post- termination provisions of the Franchise Agreement; (x) the transferee must obtain all permits and licenses required for the continued operation of the Franchised Business; (xi) all applicable lessors consent to the proposed transfer; and (xii) the transfer is made in compliance with all applicable laws.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13(D)	If (a) you propose to transfer any of your interest in the Franchise Agreement or Franchised Business or any interest in your lease for the Approved Location, or (b) your owners propose to transfer any interest in you (if you are an entity), except in certain circumstances (death/disability or transfer from individual franchisee to business entity), then you must first offer to sell the interest to us on the same terms and conditions as offered by the third party. If we do not exercise this right, then you will have 90 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.
o. Franchisor's option to purchase franchisee's business	Section 16(H)	Upon expiration or termination of the Franchise Agreement, we have the option to purchase your assets at net depreciated book value.
p. Death or disability of franchisee	Section 13(B)	You will have a period of 180 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our Initial Training Program and signs our then-current franchise agreement for the remainder of your term. During this 180-day period, we may step-in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with the operation on your behalf. We are not under any obligation to step-in and operate your business during this period.
q. Non-competition covenants during the term of the franchise	Section 14(A)	Neither you, your principals, guarantors, owners or Dedicated Managers, nor any immediate family member, may:(i) own, operate, or otherwise be involved with a Competing Business or that grants franchises or license for a Competing Business or any business that competes with any of our franchisor affiliates; or (ii) divert, or attempt to divert, any prospective customer to a Competing Business (subject to state law). A "Competing Business" means any business that offers, sells or provides any of the products we have authorized (including spray foam insulation, blown insulation or batten insulation) or services we have authorized (including the installation of any

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Provision	Section in Franchise Agreement	Summary
		insulation products) that are offered or provided by your business and/or other of our franchisees.
r. Non-competition covenants after the franchise is terminated or expires	Section 14(B)(1)	For a period of 2 years after the termination, expiration, or transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Dedicated Managers, nor any immediate family member, may own, operate or otherwise be involved with any business that competes with us by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of any Competing Business. May not directly or indirectly work with or for or be affiliated with a Competing Business. The restriction applies in any location where we have offered or sold franchises as of the date of termination or expiration.
	Section 14(B)(2)	For a period of 2 years after the termination, expiration, or transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Dedicated Managers, nor any immediate family member, may own, operate or otherwise be involved with any Competing Business: (i) within your Designated Territory, including at the Approved Location; (ii) within a 60 mile radius of your Designated Territory; (iii) within a 60 mile radius of any Franchised Business that is open and operating as of the date your Franchise Agreement expires and/or is terminated; (iv) within a 60-mile radius of any other designated territory that has been granted by us in connection with any Franchised Business as of the date your Franchise Agreement expires, is assigned, or is terminated, regardless of whether a Franchised Business is open and operating in that designated territory. During this 2-year period, these parties are also prohibited from: (i) soliciting business from customers of your former Franchised Business; or (ii) contacting any of our suppliers/vendors for a Competitive Business purpose (subject to applicable state law).
s. Modification of the agreement	Section 18(D)	Must mutually agree on any modifications to the Franchise Agreement but we may unilaterally modify the System and USA Insulation Operations Manual.
t. Integration/ merger clause	Sections 18(E) and 22	Only the terms of the Franchise Agreement are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 21(B) and Section 21(C)	Disputes must be initially submitted to us and if not resolved then, if we agree, must be mediated at our then-current headquarters. (subject to applicable state law).

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Provision	Section in Franchise Agreement	Summary
v. Choice of forum	Sections 21(D) and 21(E)	The state court of general jurisdiction that is closest to our then-current headquarters or, if appropriate, the United States District Court for the Northern District of Ohio (subject to applicable state law).
w. Choice of law	Section 21(A)	The Franchise Agreement is governed by the laws of the state of Ohio (subject to applicable state law).

ITEM 18 PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

Background

As of December 31, 2022 there were 98 franchised outlets in the system. This Item sets forth certain historical financial data reported by our franchisees for the calendar year ended December 31, 2022. It also discloses certain cost information based upon cost information reported to us by our franchisees for the calendar year ended December 31, 2022. Information is provided below for all territories operated by a franchisee that had been operating at least one Franchised Business in at least one territory for more than twelve months as of December 31, 2022. The first of these Franchised Business opened in 2008 and the latest opened in 2021.

Excluded from the tables below is information provided for territories operated by franchisees that had been operating in our System for less than twelve months as of December 31, 2022. We have provided information for 42 territories. We have excluded information for 32 territories that had not been operated for at least 12 months as of December 31, 2022. None of these exclusions were due to closure. We are unable to provide information for 24 territories for which the franchisees did not report data. In the chart below, the territories denoted by an asterisk consist of at least 200,000 homes built before 1980. The remainder consist of at least 150,000 homes built before 1990.

Territory	Gross Sales [1]	Cost of Proprietary Foam Products as a % of Gross Sales [2]	Cost of Goods as a % of Gross Sales [2]	Cost of sales commissions as a % of Gross Sales [2]	Cost of Labor as a % of Gross Sales [2]
Akron (OH)*	$2,684,903	6%	11%	17%	9%
Buffalo North	$750,928	6%	5%	11%	15%
Buffalo South	$1,078,528	6%	5%	11%	15%

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Carrollton	$1,122,070	11%	4%	12%	20%
Central Maryland*	$842,839	6%	24%	13%	15%
Rockville	$842,839	6%	24%	13%	15%
Fairfax	$842,839	6%	24%	13%	15%
Columbus*	$2,950,000	9%	6%	13%	12%
Cincinnati*	$3,050,000	9%	6%	19%	8%
Dayton*	$2,070,000	13%	4%	6%	10%
Detroit*	$12,096,221	3%	11%	16%	12%
Lansing*	$3,594,600	0%	11%	16%	12%
Grand Rapids	$3,783,968	11%	1%	8%	1%
Indianapolis*	$2,864,197	4%	3%	11%	8%
Jacksonville*	$2,682,535	2%	27%	8%	15%
Knoxville	$756,534	7%	12%	3%	8%
Louisville	$1,021,285	4%	8%	14%	12%
Orlando East	$214,663	8%	9%	12%	27%
Orlando West	$190,540	7%	7%	6%	16%
Philadelphia North*	$1,162,221	6%	19%	11%	14%
Philadelphia South*	$1,162,221	6%	19%	11%	14%
Philadelphia East*	$1,162,221	6%	19%	11%	14%
Scranton	$1,162,221	6%	19%	11%	14%
Lehigh Valley	$1,162,221	6%	19%	11%	14%
Pittsburgh North*	$790,620	10%	9%	15%	14%
Pittsburgh South*	$658,850	12%	9%	15%	14%
Pittsburgh East*	$395,310	20%	9%	15%	14%
Pittsburgh West*	$790,620	10%	9%	15%	14%
Raleigh-Durham	$1,453,422	6%	2%	25%	16%
Southeast Houston*	$999,984	3%	1%	0%	15%
Providence	$11,987,739	1%	2%	1%	2%
So. New Hampshire	$6,125,910	5%	7%	14%	16%
Spokane	$800,377	9%	8%	6%	16%
Syracuse	$1,739,636	6%	15%	13%	11%
Jackson	$1,223,532	8%	20%	12%	14%
Northville South & Monroe	$1,223,532	8%	20%	12%	14%
SE Michigan	$1,223,532	8%	20%	12%	14%
NW Ohio	$1,223,532	8%	20%	12%	14%

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Toledo	$1,223,532	8%	20%	12%	14%
Kalamazoo North	$1,223,532	8%	20%	12%	14%
Kalamazoo South	$1,223,532	8%	20%	12%	14%
Tri-State	$1,497,524	3%	20%	11%	12%
Average Franchise**	$2,025,126	5%	10%	11%	11%
Median Franchise	$1,223,532	6%	11%	12%	14%
Highest	$12,096,221	20%	27%	25%	27%
Lowest	$190,540	0%	1%	0%	1%

** The number of franchisees that met or exceeded the average Gross Sales was 11 or 26% of the 42 reporting franchises. The number of franchisees that met or exceeded the average Cost of Proprietary Foam Products as a % of Gross Sales was 34 or 81% of these franchisees. The number of franchisees that met or exceeded the average Cost of Goods as a % of Gross Sales was 22 or 52% of these franchisees. The number of franchisees that met or exceeded the average Cost of Sales Commissions as a % of Gross Sales was 34 or 81% of these franchisees. The number of franchisees that met or exceeded the average Cost of Labor as a % of Gross Sales was 35 or 83% of these franchisees.

NOTES:

1. "Gross Sales" as used in this Item 19 has the same meaning as "Gross Sales" disclosed in Item 6 of this Disclosure Document and as is used in the Franchise Agreement. "Costs of Good Sold" includes all insulation products other than our Proprietary Foam Insulation products that a franchisee would ordinarily purchase. "Cost of Labor" is the amounts reported to us by our reporting franchisees in payroll for their installation technicians.

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

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

Written substantiation of the data used in preparing this information will be made available upon reasonable request. The information contained in this Item was reported to us by our franchisees.

Some outlets have sold this amount. Your individual results may differ. There is no assurance you'll sell as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting our President, Suave Brachowski, at 17700 Saint Clair Avenue, Cleveland, Ohio 44110, (440) 951-6800, the Federal Trade Commission and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary For Years 2020 through 2022[1]

(Column 1) **Outlet Type**	(Column 2) **Year**	(Column 3) **Outlets at the Start of the Year**	(Column 4) **Outlets at the End of the Year**	(Column 5) **Net Change**
Franchised	2020	43	47	+4
	2021	47	66	+19
	2022	66	98	+32
Company-Owned	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
Total Outlets	2020	44	48	+4
	2021	48	67	+19
	2022	67	99	+32

[1] For purposes of Table Nos. 1 and 3 of this Item, each franchisee's Designated Territory under a Franchise Agreement is considered a "Franchised Outlet".

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2020 through 2022

(Column 1) **State**	(Column 2) **Year**	(Column 3) **Number of Transfers**
Florida	2020	1
	2021	0
	2022	0
Idaho	2020	0
	2021	0
	2022	1
Illinois	2020	0
	2021	0
	2022	2
Pennsylvania	2020	0
	2021	0
	2022	5
Texas	2020	0
	2021	0
	2022	1
Total	2020	1
	2021	0
	2022	9

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Table No. 3
Status of Franchised Outlets For Years 2020 through 2022[1]

(Col. 1) **State**	(Col. 2) **Year**	(Col. 3) **Outlets at Start of Year**	(Col. 4) **Outlets Opened**	(Col. 5) **Terminations**	(Col. 6) **Non-Renewals**	(Col. 7) **Reacquired by Franchisor**	(Col. 8) **Ceased Operations-Other Reasons**	(Col. 9) **Outlets at End of Year**
CT	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
CO	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
FL	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
GA	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
ID	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
IL	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	2	0	0	0	0	7
IN	2020	3	0	0	0	0	0	3
	2021	3	2	0	0	0	0	5
	2022	5	0	0	0	0	0	5
KY	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MD	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MI	2020	6	3	0	0	0	0	9
	2021	9	4	0	0	0	0	13
	2022	13	4	0	0	0	0	17
MN	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
MO	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	4	0	0	0	0	4
NH	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NY	2020	4	0	0	0	0	3	1
	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3

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(Col. 1) **State**	(Col. 2) **Year**	(Col. 3) **Outlets at Start of Year**	(Col. 4) **Outlets Opened**	(Col. 5) **Terminations**	(Col. 6) **Non-Renewals**	(Col. 7) **Reacquired by Franchisor**	(Col. 8) **Ceased Operations-Other Reasons**	(Col. 9) **Outlets at End of Year**
NC	2020	1	0	0	0	0	0	1
	2021	1	1	1	0	0	0	1
	2022	1	1	0	0	0	0	2
OH	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
OK	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
PA	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	2	0	0	0	0	10
RI	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
SC	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	1	0	0	0	0	1
TN	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TX	2020	1	3	0	0	0	0	4
	2021	4	4	0	0	0	0	8
	2022	8	2	0	0	0	0	10
VA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
WA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	3	0	0	0	0	4
WV	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
WI	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	5	0	0	0	0	5
Totals	2020	43	7	0	0	0	3	47
	2021	47	21	2	0	0	0	66
	2022	66	32	0	0	0	0	98

[1] For purposes of Table Nos. 1 and 3 of this Item, each franchisee's Designated Territory granted under a Franchise Agreement is considered a "Franchised Outlet".

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Table No. 4
Status of Company-Owned and Affiliate Owned Outlets For Years 2020 through 2022

(Col. 1) **State**	(Col. 2) **Year**	(Col. 3) **Outlets at Start of Year**	(Col. 4) **Outlets Opened**	(Col. 5) **Outlets Reacquired From Franchisee**	(Col. 6) **Outlets Closed**	(Col. 7) **Outlets Sold to Franchisee**	(Col. 8) **Outlets at End of Year**
Ohio [1]	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Totals	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2022	1	0	0	0	0	1

[1] This outlet is owned and operated by our affiliate.

Table No. 5 Projected Openings
As of December 31, 2022

(Column 1) **State**	(Column 2) **Franchise Agreements Signed But Outlet Not Opened**	(Column 3) **Projected New Franchised Outlets in The Next Fiscal Year**	(Column 4) **Projected New Company-Owned Outlets In the Next Fiscal Year**
AZ	0	2	0
CO	2	0	0
CT	0	1	0
FL	0	2	0
KS	0	2	0
MD	0	1	0
MO	0	1	0
NC	0	1	0
NY	1	0	0
PA	2	2	0
SC	1	1	0
TN	0	1	0
UT	0	2	0
VA	0	1	0
WI	0	1	0
Totals	6	18	0

Exhibit G lists the names of all franchisees as of December 31, 2022 and the addresses and telephone numbers of their outlets. Exhibit H lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year ending December 31, 2022, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. There are 9 franchisees on this Exhibit H. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

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

ITEM 21 FINANCIAL STATEMENTS

Included as Exhibit C are the audited consolidated financial statements of our parent, HS Group Holding Company, LLC, as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021 and for the period from August 13, 2020 (Acquisition Date) through December 31, 2020. Also attached as Exhibit C are our audited financial statements for the period from January 1, 2020 through December 22, 2020. Our parent, HS Group Holding Company, LLC guarantees our performance under the Franchise Agreement (see Exhibit C).

ITEM 22 CONTRACTS

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

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

ITEM 23 RECEIPTS

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

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

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EXHIBIT A

USA INSULATION FRANCHISE, LLC

FRANCHISE AGREEMENT

USAI # - _____

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EXHIBITS

Exhibit A: Data Sheet and Statement of Ownership
Exhibit B: Personal Guaranty
Exhibit C: EFT Authorization Form
Exhibit D: Confidentiality and Restrictive Covenant Agreement
Exhibit E: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names
Exhibit F: Franchise Option Amendment
Exhibit G: Promissory Note

USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT

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

BACKGROUND

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

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

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

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

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

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

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

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

1. REPRESENTATIONS OF FRANCHISEE

A. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were true, complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing with Franchisee expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information. Franchisee states that Franchisee and Franchisee's owners are not presently involved in any business activity that could be considered competitive in nature with a Franchised Business, unless heretofore disclosed to Franchisor in writing.

B. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency that would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.

C. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of an Franchised Business; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

D. Franchisee agrees and acknowledges as follows:

1. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment

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

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

2. GRANT OF FRANCHISE

A. **Grant of Franchise**. Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single Franchised Business (the "Franchised Business").

B. **Approved Location**. Unless Franchisor approves otherwise in writing, Franchisee will be required to operate the Franchised Business from the approved premises within the Designated Territory as set forth on Exhibit A hereto (the "Approved Location"), Franchisee may not relocate the Franchised Business without Franchisor's prior written consent. Franchisee will be required to reimburse Franchisor for reasonable costs and expenses Franchisor incurs in connection with evaluating and approving any proposed relocation.

C. **Designated Territory**. Franchisee shall only have the right to operate the Franchised Business and offer/provide the Approved Services in connection with homes that are located within the designated territory set forth in Section 2 of Exhibit A (the "Designated Territory"), which will be comprised of either up to 150,000 homes built before 1990 (Large Market) or 100,000 homes built before 1990 (Small Market) based upon the figures available from the United States Census Bureau. For so long as Franchisee is in compliance with this Agreement, Franchisor will not open or operate, or license a third party the right to open or operate, any other USA Insulation Business that is physically located within the Designated Territory.

D. **Rights Not Granted**. Franchisee acknowledges and agrees that this Agreement does not grant Franchisee any right or option to open any additional Franchised Businesses nor does this Agreement provide Franchisee with any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Approved Location and within the Designated Territory. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Franchised Businesses, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.

E. **Reservation of Rights**. Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) own and operate franchised businesses at any location(s) outside of the Designated Territory under the Proprietary Marks, or to license others the right to own and operate a Franchised Business

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

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

3. TERM AND RENEWAL

A. **Term**. Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years commencing as of the Effective Date.

B. **Renewal**. Franchisee may be eligible to renew its franchise to operate the Franchised Business granted hereunder if Franchisee meets all conditions of renewal set forth in Section 3(d). Franchisor has the absolute right to refuse to renew or extend the term of the Franchised Business granted in this Agreement if Franchisee has, during the term of this Agreement, received three (3) or more notices of default, whether or not Franchisee has subsequently cured such default.

C. Franchisee must notify Franchisor that Franchisee intend to seek renewal of the franchise for the Franchised Business by providing written notice not less than six (6) months prior to the expiration of the term of this Agreement. Failure to provide the required notice shall act as a waiver of Franchisee’s option to renew.

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

(i) Provides Franchisor with the notice required under Section 3(C); and

(ii) Is not in default under this Agreement, or any other agreement ancillary hereto as of the date of the notice; and

(iii) Has not received three (3) or more notices of default during the term of this Agreement, regardless of whether Franchisee cured the default(s); and

(iv) Has timely paid all Royalties Fees, Brand Fund Fees and any other amounts due and owing to Franchisor and any of its affiliates; and

(v) Is not in default beyond the applicable cure period with Franchisor or any of its affiliates or any of Franchisee's vendors or suppliers; and

(vi) At Franchisee's sole cost and expense, re-image, renovate, refurbish, and modernize the Approved Vehicles , the Approved Location and other aspects of the Franchised Business as necessary to meet Franchisor's then-current System standards, specifications, and design criteria.

(vii) Enter into the then-current form of franchise agreement offered by Franchisor, which may contain terms different from those contained herein including, but not limited to, different performance standards, renewal terms, royalty structures or fees, and territory; and

(viii) Pay the renewal fee of twenty percent (20%) of the then-current initial franchise fee.

(ix) Execute a general release, in a form satisfactory to us.

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

4. FEES AND PAYMENTS

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

1. *Initial Franchise Fee.* Upon execution of this Agreement, an initial franchise fee (the "Initial Franchise Fee") of either Fifty-Five Thousand Dollars ($55,000) or Forty-Five Thousand Dollars ($45,000) respectively depending upon whether Franchisee is being granted a "Large Market" or "Small Market" Designated Territory. The Initial Franchise Fee is due and payable upon execution of this Agreement, unless Franchisee is financing the Initial Franchise Fee, in which case Franchisee shall execute the Promissory Note attached as Exhibit G to this Agreement. The Initial Franchise Fee shall be deemed fully earned and non-refundable under any circumstances upon execution of this Agreement.

2. *Equipment Package.* Upon execution of this Agreement, Franchisee shall purchase certain proprietary materials and equipment from Franchisor, Franchisor's affiliate or other supplier that Franchisor designates, that will be used in the operation of the Franchised Business, including without limitation certain equipment necessary to up-fit the initial truck Franchisee must purchase in connection with establishing the Franchised Business (the "Equipment Package"). Franchisee must also purchase any and all other items and services necessary to establish, open, and operate the Franchised Business in accordance with Franchisor's standards and specifications (including the computer hardware and software that Franchisor designates). Franchisee may not make any changes to any of the equipment or products provided to Franchisee unless Franchisor provides its prior written consent. Franchisee may never sell equipment from the Equipment Package to anyone other than Franchisor or, if approved by Franchisor, another franchisee of Franchisor.

3. *Proprietary Foam Insulation Products.* Franchisee must purchase Franchisor's proprietary foam insulation formulation products (both resin and foaming agent) necessary to service Franchisee's Clients within the Designated Territory (collectively, the "Proprietary Foam Insulation Products"). Franchisee shall place its initial order of Proprietary Foam Insulation Products (ordering amounts sufficient to operate for at least three (3) months) upon execution of this Agreement or as otherwise directed by Franchisor. Franchisee shall than purchase additional Proprietary Foam Insulation Products in such amounts and on such schedule as necessary to service its Clients and according to such purchasing schedules and requirements as Franchisor may impost in its standards and specifications.

4. *Definition of Gross Sales.* In addition to the fees above, Franchisee will be required to pay Franchisor certain ongoing fees that may be based on "Gross Sales". As used in this Agreement, "Gross Sales" include all: (a) revenue from the sale of all products and performance of services from or through the Franchised Business, whether for cash, credit or barter, and regardless of collection in the case of credit, and income of every kind and nature related to the Franchised Business; and (b) any rebates or other consideration that Franchisee receives from third-party vendors/suppliers. Gross Sales will not include monies that are collected and submitted by Franchisee for the transmittal to the appropriate taxing authority. In computing Gross Sales, Franchisee shall be permitted to deduct the amount of cash refunds to, and coupons used by Clients at or prior to the time the Client has paid the full balance owed to Franchisee, provided such amounts have been included in sales. In the event Franchisee participates in any discount program, including, but not limited to, Groupon (which Franchisor must approve in writing), Gross Sales will include the full retail value of the goods or services rendered before any discounts or commission.

5. *Royalty Fee.* Once the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee will pay Franchisor a continuing monthly Royalty Fee in the amount equal to the greater of: (i) five percent (5%) of Gross Sales of the Franchised Business from the preceding month; or (ii) One Thousand Dollars ($1,000) per month (collectively, the "Royalty Fee"). Payment shall be due as directed by Franchisor in its standards and specifications. The Royalty Fee is deemed fully earned and nonrefundable upon payment.

6. *Brand Fund Fee.* Franchisor has established a System-wide Brand Fund ("Brand Fund"). Franchisee shall make monthly contributions to the Brand Fund amounting to the greater of: (i) two percent (2%) of the Gross Sales of the Franchised Business from the preceding month; or (ii) five hundred dollars ($500) per month (the "Brand Fund Fee"). Franchisor may modify these fund contributions requirements upon thirty (30) days written notice to Franchisee.

7. *Technology Fee.* Franchisee shall pay Franchisor a monthly Technology Fee of $500, or if this Agreement is for a Franchised Business that will operate in a territory that is adjacent and contiguous to the territories of one or more of Franchisee's operating USA Insulation franchises, the Technology Fee shall be reduced to $300 per month. The Technology Fee shall commence during the first full month the Franchised Business is open and operating.

8. *Other Amounts.* The other amounts detailed in this Agreement that Franchisee will be required to expend on are: (a) local advertising and promotion of the Franchised Business; (b) training/tuition fees; (c) evaluation costs; (d) ongoing software licensing fees for software that Franchisor designates for use in connection with the Franchised Business; and (e) marketing materials, inventory and/or other supplies that must be purchased on an ongoing basis in accordance with Franchisor's System standards and specifications. Franchisor may require Franchisee to purchase any of the foregoing items or services from Franchisor, its affiliate or another supplier that Franchisor approves and/or designates.

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

1. *Method of Payment.* With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor, its affiliates, and designated vendors and suppliers, under this Agreement through an electronic funds transfer program (the "EFT Program"), under which all payments owed under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, or designated vendors and suppliers, is automatically deducted to Franchisor, from the bank account Franchisee provides to Franchisor for use in connection with the EFT Program (the "EFT Account"). Upon Franchisor's written request, Franchisee must make any or all payments by bank or certified check.

2. *Use of EFT Account for Operational Funds.* Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee's bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Authorization Form attached as Exhibit C to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the EFT Account.

C. **Access to Computer System**. Franchisor may, without notice to Franchisee, have the right to independently and remotely access any proprietary software program and the computer system that Franchisee is required to use in connection with the Franchised Business or will be required to use in the future (the "Computer System"), via the Internet or other electronic means, in order to obtain any financial and/or Client information that is related to the operation of the Franchised Business, including without limitation, Gross Sales and Client contact and property information. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribes for use in connection with the Franchised Business and, utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement.

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

1. Franchisee shall provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Sales report on or before the 5th day of each month for Gross Sales generated during the immediately preceding month detailing the information from the preceding week, including (a) Gross Sales of the Franchised Business, (b) Franchisee's calculated Royalty Fee, (c) Brand Fund Fees, (d) Cooperative contributions (if applicable), and such evidence that Franchisee has made its local advertising expenditures required by Franchisor under this Agreement, the Manual, policy, or otherwise in writing; (ii) on or before the fifteenth (15^{th}) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within sixty (60) days of each calendar quarter, an unaudited balance sheet reflecting the financial position of the Franchised Business as of the end of that calendar quarter; (iv) within sixty (60) days of Franchisor's request, a financial statement that details the total assets and liabilities of the Franchised Business (and, if appropriate Franchisee and personal guarantors under this Agreement); (v) within sixty (60) days after the close of each fiscal year of Franchisee, financial statements which must include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (vi) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.

2. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee's Royalty Fee, Brand Fund Fee and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a weekly rather than monthly basis). In such event, Franchisee's reporting obligations may also be modified by Franchisor accordingly.

3. Franchisee hereby grants Franchisor permission to report and distribute Franchisee's gross sales, gross sales mix, cost of material and labor and other certain expenses to other existing franchisees of Franchisor and others with such

additional information as Franchisor may deem appropriate, including the identification of Franchisee, the address of Franchisee's Approved Location, and such other information as may make the gross sales/gross sales mix information a useful business aid to Franchisee and other franchisees of Franchisor.

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

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

G. **Taxes Owed by Franchisee**. No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.

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

5. DUTIES OF FRANCHISOR

A. **Initial Training**.

1. *Initial Training Prior to Opening.* Franchisor will provide (a) its initial training program (the "Initial Training Program") to Franchisee (or its operating principal if Franchisee is an entity) and, if applicable, Franchisee's "Dedicated Manager" as defined in this Agreement, and (b) the appropriate installation and other components of the Initial Training Program, to each additional individual that

Franchisee expects or intends to engage as an Authorized Installer that will be authorized to provide certain Approved Services and Approved Products through the Franchised Business. Franchisor will not charge any tuition or its then-current training fee to provide the Initial Training Program or appropriate components thereof to the foregoing individuals (up to six (6) trainees), provided all individuals attend such training at the same time as the Franchisee prior to opening the Franchised Business. Franchisee shall pay Franchisor's then-current training fee for any additional trainees. The parties agree and acknowledge that: (i) certain portions of the Initial Training Program will be provided by Franchisor remotely via telephone calls, webinars or other online learning management system/technology; (ii) other portions of the Initial Training Program must be attended and completed at Franchisor's headquarters or other designated training facility, unless Franchisor, in its sole discretion, determines that the entire training will be by remote/virtual means; and (iii) Franchisee shall bear all its costs and expenses incurred by Franchisee and all other trainees in connection with the Initial Training Program, including without limitation, travel, lodging, meals, local transportation and wages for any personnel.

2. *Replacement Personnel.* Franchisor will also provide the Initial Training Program or appropriate portions thereof, to any replacement personnel that will serve as Franchisee's Dedicated Manager and/or an Authorized Installer of the Franchised Business, provided Franchisee pays Franchisor's then-current training fee for such training as set forth in its Manual (as well as any costs and expenses incurred) and subject to the schedule and availability of Franchisor's training staff.

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

B. **Additional and Refresher Training**.

1. *Additional Training.* Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses ("Additional Training"), and require Franchisee, its operating principal, its Dedicated Manager and any other Authorized Installers to attend such courses either in-person or via remote presentation. Franchisor may charge its then-current training fee for each attendee at any Additional Training. Franchisee shall be responsible for all costs and expenses, including travel, lodging, food and salaries, to attend any Additional Training.

2. *Requested Additional Training and/or On-Site Assistance.* Franchisor may also provide Additional Training or other on-site assistance at Franchisee's reasonable written request, subject to: (i) the schedule and availability of Franchisor's training personnel; and (ii) Franchisee paying Franchisor's then-current training fee for each trainer that is provided in connection with the requested Additional Training,

as well as Franchisee covering the costs and expenses that such personnel incur in providing such training. Franchisor will provide Additional Training under this Section as it deems appropriate in its discretion.

3. *Remedial Training.* Franchisor may require Franchisee to attend up to five (5) days of remedial training that Franchisor reasonably determines Franchisee and appropriate personnel must undertake in response to (a) the failure of Franchisee or any other required personnel to sufficiently complete the Initial Training Program or any type of Additional Training that Franchisor requires, or (b) Franchisee's failure to operate the Franchised Business in accordance with the terms of the Franchise Agreement after Franchisor has provided Franchisee with written notice of such failure (each, an instance of "Remedial Training"). Franchisor reserves the right to charge its then-current training fee for any Remedial Training that is provided to Franchisee and/or its personnel at any location. Franchisee must cover the costs and expenses incurred by Franchisor and its personnel in providing such Remedial Training if such training is provided at a location other than Franchisor's headquarters.

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

D. **Site Selection Review and Approval**. Following execution of this Agreement, Franchisor shall: (i) provide Franchisee with basic site selection criteria that Franchisor establishes for the premises of the Franchised Business, if any; (ii) review and evaluate any site relocation proposals from Franchisee; and (iii) approve or reject such site selection proposals within 30 days of the date Franchisee provides Franchisor with all reasonably-requested information that Franchisor requests in connection with a given site proposal. The parties agree and acknowledge, however, that Franchisor's approval of any given site does not constitute a guarantee or other representation that the Franchised Business will succeed or otherwise perform at a certain level at that location.

E. **Initial Marketing Assistance**. Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the Initial Marketing Spend (as defined and described more fully in Section 9 of this Agreement), which program will be conducted at Franchisee's expense.

F. **Review of Advertising Materials**. Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.

G. **Website**. For so long as Franchisor has an active website containing content designed to promote the USA INSULATION brand, System and Proprietary Marks (collectively, the "Website"), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement.

H. **Email Addresses**. Franchisor will provide Franchisee with at least one (1) email address, which: (i) Franchisee is required to use in connection with the Franchised Business; and (ii) must be the only email address(es) used in connection with the Franchised Business.

I. **Private Label Products**. Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be used by Franchisee and/or offered and sold by Franchisee as part of the Approved Services that are provided at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier that Franchisor designates.

J. **Inspections of the Approved Location and Approved Vehicles**. Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and, upon 48 hours' notice, of the Approved Location and/or Approved Vehicles to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Such inspections may include: (i) inspections of the Approved Location and/or Approved Vehicles and inspecting any and all books and records; and/or (ii) conducting mystery shop services and/or inspections designed to evaluate the Approved Products and Approved Services provided by the Franchised Business and any pre-sale activities involved with the same. Inspections of the Approved Location and/or Approved Vehicles will only occur during normal business hours and, with respect to the Approved Location, will only involve the physical area that is specifically devoted to the Franchised Business. Franchisee is solely responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.

K. **Administration of Brand Fund**. Franchisor will administer the Brand Fund as it deems advisable in its sole discretion as described more fully in Section 9 of this Agreement.

L. **No Assumption of Liability**. Franchisor shall not, by virtue of any approvals or advice provided to Franchisee under this Agreement, including site approval or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its designee in relation to the selection or development of the Approved Location is only for the purpose of determining compliance with System standards and

does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Approved Location, that the development of the Approved Location is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.

M. **Delegation of Duties**. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

N. **Pre-Opening Obligations Acknowledgement**. If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within sixty (60) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.

O. **Conferences and Conventions**. Franchisor may, at its discretion, from time-to-time conduct conventions or host meetings of some or all of the franchisees. ("Conventions"). The duration, curriculum and location of the Conventions will be determined by Franchisor, in its sole and exclusive discretion. Franchisee may be required to attend one or more of Conventions, and to pay all of Franchisee's expenses incurred in connection with attending the Conventions, including transportation cost, meals, lodging and living expenses. Franchisee will pay Franchisor annually a Convention Fee of between $600 and $1,500 based on the duration and location of the Convention. Franchisee will only be charged one annual Convention Fee, regardless of how many Franchised Businesses Franchisee owns and operates. Franchisee shall pay the Convention Fee via EFT when invoiced. The Convention Fee is not refundable and will be collected and retained even if Franchisee does not attend any Conventions in a given calendar year.

P. **Call Center**. Franchisor reserves the right, but is under no obligation, to establish a System-wide call center (the "Call Center"). If Franchisor or its designee does so, Franchisee will have the right to participate, provided Franchisee pays the then-current rate charged by Franchisor or Franchisor's Approved Supplier for call center services. Franchisee understands and acknowledges that Franchisor may require Franchisee to use a Call Center in the following circumstances to handle both inbound and outbound calls for the Franchised Business, including all "rehash" or "win back" calls: (i) during the first two years the Franchised Business is operating; and (ii) in any given subsequent calendar year of operation upon written notice from Franchisor if the Franchised Business fails to generate at least $1,000,000 in Gross Sales in the prior calendar year of operation.

6. DUTIES OF FRANCHISEE

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

B. **Lease**. Franchisee must enter into an approved lease for the Approved Location (the "Lease") within ninety (90) days from the execution of this Agreement and ensure that it complies with all provisions of the Lease, including those provisions related to leasehold

improvements and signage. Franchisor may review any proposed Lease for the Approved Location and approve such Lease prior to Franchisee's execution for use in connection with operating the Franchised Business. Franchisee must ensure that the Lease contains the following terms as a condition to Franchisor's approval thereof:

1. The Lease requires the landlord to provide Franchisor with a written notice of Franchisee's default or deficiency under the Lease at the same time such notice of default is sent to Franchisee;

2. The Lease requires the landlord to provide Franchisor with written notice of Franchisee's failure to cure any default under the Lease within the appropriate cure period and grants Franchisor the right (but not the obligation), in its sole discretion, to cure any such default or deficiency under the lease within thirty (30) days after the expiration of the Franchisee's cure period if Franchisee fails to cure;

3. The Lease evidences the right of Franchisee to display the Proprietary Marks in accordance with the specifications required by the Manuals, subject only to provisions of applicable law;

4. The Lease requires the Approved Location be used solely for the operation of a Franchised Business;

5. The Lease prohibits modification, supplementation, cancellation, termination, or amending of the Lease without Franchisor's reasonable prior express written approval.

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

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

2. Franchisee shall complete the construction or development of the Approved Location of the Franchised Business and open for operations no later than six (6) months from the date this Agreement is executed.

3. If Franchisee fails to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor

approves in writing), this Agreement will be deemed terminated upon written notice to Franchisee from Franchisor.

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

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

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

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

2. *Personnel that May Provide Certain Approved Services and/or Approved Products.* Franchisee agrees and acknowledges that: (i) for the offer and sale of certain Approved Services and corresponding Approved Products through the Franchised Business, including those Approved Services involving the Proprietary Foam Insulation Products, Franchisee, its Dedicated Manager or other individual must first complete the appropriate components of the Initial Training Program necessary to become an Authorized Installer of such Approved Services and

Approved Products; (ii) upon completion of such initial training, Franchisor will provide Franchisee, its Dedicated Manager (if applicable) and/or other individual with a written acknowledgement that he/she is an Authorized Installer (the "Authorized Installer Notice") that confirms and details the specific Approved Services that the installer may provide to Clients of the Franchised Business (the "Authorized Installer Services"); and (iii) Franchisee must ensure that any Approved Services and Approved Products provided through the Franchised Business are provided by an Authorized Installer (which may be Franchisee or its Dedicated Manager or other individual) that has received an Authorized Installer Notice detailing the relevant services/products as part of the Authorized Installer Services.

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

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

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

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

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

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

L. **Alternative Supplier Approval**. If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

M. **Computer Issues**. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders in connection with the operation of the Franchised Business, including the any proprietary software used in connection with the System.

N. **Training Completion and Conference Attendance**.

1. Franchisee must ensure that Franchisee, any operating principal, its Dedicated Manager and any other prospective Authorized Installers each attend and successfully complete the Initial Training Program, or appropriate portions thereof with respect to any prospective Authorized Installers, prior to opening the Franchised Business. Franchisee agrees and acknowledges that Franchisor may require Franchisee and its personnel to complete the components of the Initial Training Program that are provided via remote participation within 30 days of the date this Agreement is executed.

2. Franchisee agrees and acknowledges that Franchisee and its operating principal, if any, must complete and/or satisfy the following Training Pre-Conditions before Franchisor will approve Franchisee or any of its designated trainees to attend the components of the Initial Training Program that are provided at Franchisor's headquarters or other designated training facility:

   i. submit, and obtain Franchisor's approval of, Franchisee's Initial Marketing Spend plan for the Franchised Business;

   ii. demonstrate that Franchisee has pre-paid all amounts in connection with the Initial Marketing Spend or is in a position to do so in the near future;

   iii. undertake all steps to establish the EFT Account, as described in Section 4(B) of this Agreement, including providing Franchisor and/or its designee with all authorizations and approvals necessary to access such EFT Account;

   iv. demonstrate that Franchisee has obtained all required insurance coverages as set forth in this Agreement and the Manuals;

   v. consult with counsel to ensure any then-current template agreement or services agreement that Franchisor provides to Franchisee in its Manuals are reviewed by counsel and ensure the validity and enforceability of any such agreement; and

   vi. provide Franchisor with completed copies of all agreements and contracts that are attached as Addenda to this Agreement that are signed by Franchisee and/or appropriate third party(ies), to the extent such documents have not been signed, completed or need to be updated as of that date.

3. In addition to the Initial Training Program, Franchisee and any other management personnel of the Franchised Business must attend a training program that is

conducted by one (1) or more of Franchisor's Approved Suppliers and designed to provide further instruction and training regarding the operation of the Franchised Business and provision of certain Approved Services (the "Third-Party Training"). Franchisee will be: (i) required to pay the then-current training fee, and any course materials charges, for those that attend the Third-Party Training; and (ii) responsible for the costs and expenses associated with Franchisee and any other required trainees attending such training. Once the Franchised Business is open, Franchisor will have the right to make this kind of Third-Party Training part of any Additional Training or Remedial Training that Franchisor may require under this Agreement.

4. Franchisee must also ensure that Franchisee, any operating principal, its Dedicated Manager and any other Authorized Installers attend and complete and Additional Training or Remedial Training that may be required pursuant to this Agreement.

5. Any failure by Franchisee, its operating principal, its Dedicated Manager or other Authorized Installer to (a) attend and complete the Initial Training Program, or (b) any other training/conferences that such individual(s) are required to attend and/or complete hereunder or as set forth in the Manuals will constitute a material default of this Agreement and grounds for termination if not cured within the appropriate cure period set forth in this Agreement.

O. **Training of Personnel other than Authorized Installers**. Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the entire Initial Training Program must conduct training classes for, and properly train, all of Franchisee's employees on sales, advertising, maintenance of the Approved Location, the POS and computer system, as well as any other information that is relevant to each individual's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing. Further, at least one (1) person that has completed the entire Initial Training Program must manage the Franchised Business at all times.

P. **Hours of Operation**. Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals, or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.

Q. **Image**. Franchisee shall maintain the image of the Approved Vehicle and Franchised Business at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that each Approved Vehicle is maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures used in connection with the Franchised Business remains in good, clean condition.

R. **Client Lists and Data/Agreements; Privacy Laws**.

1. Franchisee must (i) maintain a list of all of its current and former Clients, as well as their properties and any Approved Services contracts associated therewith (the "Client Information"), at the Approved Location; and (ii) make such lists and contracts available for Franchisor's inspection upon request. Franchisee must promptly return this information to Franchisor upon expiration or termination of this Agreement for any reason. This Client Information is deemed "Confidential Information" (as later defined in this Agreement) and Franchisor's exclusive

property hereunder, including all Approved Services contracts with such Clients. Franchisee acknowledges that Franchisor may have automatic access to any or all of this information via the Computer System and related software that Franchisor requires for use in connection with the Franchised Business.

2. Franchisee agrees to comply with all applicable laws pertaining to the privacy of the Client, employee, and transactional information ("Privacy Laws"). Franchisee further agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee will: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent.

S. **Promotional Prices; Pricing Guidelines**. To the extent permitted under applicable law, Franchisee must use commercially reasonable efforts to follow Franchisor's general pricing guidelines set forth in its Manuals, including any promotional prices set by Franchisor for a particular Approved Product or Approved Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition with respect to the pricing of the Approved Products and Approved Services.

T. **Operation of Franchised Business and Customer Service**. Franchisee shall manage and operate the Franchised Business with high standards of quality, appearance and operation. in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to Clients and always keep its Clients' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all Client complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of Client complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.

U. **Access for Inspections/Audit**. To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (ii) allow Franchisor to inspect photograph, or videotape the Franchised Business, equipment, or operations therein; (iii) interview or survey personnel and Clients of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken) and take such steps as may be necessary to immediately correct the deficiencies detected during any such inspection. If Franchisor exercises any of these rights, Franchisor will use commercially reasonable efforts to not unreasonably interfere with the operation of the Franchised Business.

V. **Personal Participation by Franchisee**. Franchisee or Franchisee's operating principal must personally perform the tasks of management and provide direct supervision full-time in the operation of the Franchised Business, unless Franchisee engages a Dedicated Manager as described in the Manual that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business and who must devote full-time efforts to the operation of the Franchised Business. A Dedicated Manager must successfully complete the Initial Training Program prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.

W. **Credit Cards and Payment Methods**. Franchisee must accept credit cards in connection with the Franchised Business to facilitate sales, including any credit cards designated by Franchisor. Franchisee may also accept cash and/or checks in connection with the Franchised Business. Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards ("PCI DSS"), as such standards may be revised and modified by the PCI Security Standards Council (see www.pcisecuritystandards.org), or any successor organization or standards that Franchisor may reasonably specify. Franchisee's requirements include, but are not limited to, implementing the enhancement, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

X. **Payments to Franchisor**. Franchisee agrees to promptly pay Franchisor all payments and contributions that are due to Franchisor, its affiliates or any Approved Supplier.

Y. **Employment and Other Personnel Decisions**. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained.

Z. **Minimum Performance Requirement**. Franchisee must meet the following applicable minimum productivity levels in connection with its operation of the Franchised Business for sales made to Clients within Franchisee's Designated Territory (collectively, the "Minimum Productivity Levels" or "MPL"), with such Minimum Productivity Levels based on whether Franchisee has been granted a Large Market or Small Market Designated Territory and how long the Franchised Business has been open and operating. The Minimum Productivity Levels are evaluated on a rolling three-month average to reflect the seasonal nature of the business.

LARGE MARKET MPL Period(s) at Issue	**Minimum Productivity Level for the MPL Period (Average Monthly Gross Sales over Period)**
Each MPL Period once the Franchised Business has been open for a period of six (6) months	$30,000
Each MPL Period once Franchised Business has been open for a period of one (1) year	$40,000

Each MPL Period once Franchised Business has been open for a period of two (2) years	$60,000
Each MPL Period once Franchised Business has been open for a period of three (3) years	$70,000

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

AA. Franchisee grants Franchisor the right to freely use, without Franchisee's consent, any pictures, video and voice recording or biographical material relating to Franchisee or Franchisee's Franchised Business for use in promotional literature or in any other way beneficial to Franchisor's System as a whole. Franchisee will cooperate in securing photographs, video and voice recordings including obtaining consents from any persons appearing in photographs, video and voice recordings.

BB. Franchisee or its Dedicated Manager must participate in Franchisor's calls with franchisees and summits as described and required in the Manuals.

CC. Franchisee shall comply with all of the System rules, regulations, policies and standards which are by their terms mandatory including, without limitation, those contained in the Manuals. Franchisee shall operate and maintain the Franchised Business solely in the manner and pursuant to the standards prescribed herein, in the Manuals or in other materials provided by Franchisor to Franchisee which shall include all modifications and/or additions made by Franchisor from time to time. Franchisee understands and agrees that Franchisee may not use the System or Franchisor's network of franchisees for any purpose which is not specifically authorized by Franchisor.

DD. Each and every person with an ownership interest in Franchisee, shall sign the Guaranty Agreement attached to this Agreement as Exhibit B, and Franchisee shall provide the original signed Guaranty Agreements to Franchisor.

7. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS

A. **Ownership of Proprietary Marks**. Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of

Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.

B. **Permitted Use**. It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.

C. **Use of Proprietary Marks in Advertising and Signage**. To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:

1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;

2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.

3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, USA INSULATION, under a license agreement with USA Insulation Franchising Company."

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

E. **Legal Action Involving Proprietary Marks**. Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either

of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.

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

G. **Modification or Substitution of Marks by Franchisor**. If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages.

H. **Modification of Proprietary Marks by Franchisee**. Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.

I. **Non-Exclusive Use of Proprietary Marks**. Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.

J. **Acknowledgements**. With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:

1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;

2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and

3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.

K. **Use Outside Scope**. Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.

L. **Notification of Infringement**. Franchisee shall immediately notify Franchisor of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.

M. **Indemnification Regarding Marks**. Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 7. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement.

N. **Other Obligations of Franchisee**. In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:

1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the Internet or otherwise online, except as approved in writing by Franchisor; and

2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time.

8. OPERATIONS MANUALS AND CONFIDENTIAL INFORMATION

A. **Manuals**. Franchisor will provide Franchisee with physical or online access to the Manuals. The Manuals shall at all times remain the sole property of Franchisor and any and all copies (hard copies or electronic files) of the Manuals must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement. In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals. In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.

B. **Control of Franchised Business**. Franchisee acknowledges any Manual(s) provided by Franchisor to Franchisee are intended to protect Franchisor's standards, System, names, and marks, and are not intended to control day-to-day operation of Franchisee's Franchised Business. Franchisee further acknowledges and agrees that the Franchised Business will be under the control of the Franchisee at all times, and that Franchisee will be responsible for the day-to-day operation thereof.

C. **Confidential Information**. In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all owners and guarantors of Franchisee agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.

D. **Trade Secrets and Confidential Information**. The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this

Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary/confidential information include the following:

1. The Manuals;

2. Any Client and prospect data, including the names, contact information, rental preferences and any other information concerning users of the Approved Products or Services, except for credit card numbers, bank information or other financial data related to the transaction of funds between the Franchisee and Clients (collectively, the "Client Data");

3. Any and all information and materials, including all items covered by copyright or any other intellectual property, associated with any proprietary software used in connection with the System;

4. Trade Secrets and any information or materials, whether technical or non-technical, that is used in connection with or otherwise related to the establishment and operation of a Franchised Business or the System that is not commonly known by, or available to, the public, including without limitation, any proprietary software;

5. The terms and conditions of this Agreement; and

6. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Confidential Information").

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

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

1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or

2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.

G. **Reasonable Efforts to Maintain Confidentiality**. Franchisee shall at all times treat the Confidential Information as confidential and shall keep such information secret and confidential, including without limitation, all logins/passwords/keys necessary to access any component of the Computer System or related software used in connection with the

Franchised Business. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.

H. **Prevention of Unauthorized Use or Disclosure**. Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, "Restricted Persons") execute Franchisor's prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit D (the "Confidentiality and Restrictive Covenant Agreement"). Franchisee must obtain a signed copy of the Confidentiality and Restrictive Covenant Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Restrictive Covenant Agreement within ten (10) days of Franchisor's request. If Franchisee is not able to provide a signed form for any Restricted Person within that 10-day period and Franchisee is not able to cure such a breach of its obligations by having that Restricted Person sign and return the Confidentiality and Restrictive Covenant Agreement, then Franchisor reserves the right to charge Franchisee a penalty fee amounting to $1,000 in additional to any other remedies that Franchisor may have under this Agreement or applicable law.

I. **Spousal Agreements.** Franchisee's spouse or domestic partner (and if Franchisee is a business entity, then the spouses or domestic partners of all shareholders, members, or partners) shall execute Confidentiality and Non-Competition Agreements in a form approved by Franchisor, at the time of the signing of this Agreement or otherwise promptly upon becoming a spouse or domestic partner. The Confidentiality and Non-Competition Agreement shall prohibit spouses or domestic partners from disclosing or using any trade secrets, Client lists or other information, knowledge or know-how deemed confidential or proprietary by Franchisor concerning the System or the operation of Franchised Business and from competing with the System or franchised businesses during the term of this Agreement and for two (2) years following termination or expiration of this Agreement.

9. ADVERTISING

A. **Advertising and Sales Promotion Programs**. Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the Franchised Businesses operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/ timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (at Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.

B. **Approval for all Advertising/Promotional Materials**. All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials twenty (20) days prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have fifteen (15) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously-approved materials in writing. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase "Franchises Available" and references to Franchisor's telephone number and/or website.

C. **Initial Marketing Spend**. During the initial three (3) months of operating the Franchised Business, Franchisee must spend at least $20,000 to $45,000, exclusive of the cost of sales and marketing materials, on local advertisement and promotion of the grand opening of the Franchised Business ("Initial Marketing Spend"), in accordance with the marketing plan that Franchisor approves prior to, or around the time of opening. Prior to the opening of the Franchised Business, Franchisor will designate the exact minimum that Franchisee must expend on Initial Marketing within this initial three (3) month period, which will typically be based on the size and demographics of the Designated Territory. Prior to their use, all initial marketing materials must be approved by Franchisor. Franchisor will have the right to approve and/or designate the type of expenditures that are made as part of Franchisee's Initial Marketing Spend. Initial Marketing Spend expenditures will be in addition to any Local Advertising expenditures and Brand Fund Fees, as set forth in this Agreement.

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

1. After the expiration of the three (3) month period wherein Franchisee is required to expend the Initial Marketing Spend under Section 9(C) above, for each month for the remainder of the term of this Agreement, Franchisee must spend ten percent (10%) of the prior month's Gross Sales on advertising and promoting the Franchised Business in the immediate locality surrounding the Franchised Business in accordance with the advertising/marketing plan that Franchisor approves (the "Local Advertising Requirement").

2. Franchisor may require Franchisee to prepare an initial comprehensive local advertising plan and program prior to opening the Franchise Business that details Franchisee's budget and anticipated expenditures for the Local Advertising Requirement for the Franchised Business's first year of operations, which must be approved by Franchisor prior to opening. Franchisor may further require that

Franchisee submit an annual Local Advertising Requirement plan or program for each subsequent year of the Franchised Business's operation on or before the beginning of the Franchised Business's fiscal year that must be approved by Franchisor prior to implementation. Franchisor may from time to time provide to Franchisee, at Franchisee's expense, such approved advertising and promotional plans and materials as Franchisor deems advisable. Franchisor may, as it deems necessary in its sole discretion, provide general guidelines for conducting local advertising so as to better assist Franchisee. Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on local advertising for the preceding month.

3. Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only; and (ii) the Franchised Business is listed in the appropriate Internet-based directories and Chamber(s) of Commerce that Franchisor designates. Franchisee shall obtain at least two (2) telephone numbers solely dedicated to the Franchised Business, which Franchisee shall assign to Franchisor, at Franchisor's option, upon termination, expiration, or transfer of this Agreement. Franchisee must list and advertise the telephone number(s) for the Franchised Business in Google and/or other relevant search engines under the category "Insulation Service Contractors" or such other category as Franchisor may specify from time-to-time. Franchisee must place the classified directory advertisement and listings together with other USA Insulation Businesses operating within the distribution area of the search engine.

4. Furthermore, Franchisee shall obtain listings and/or advertise with Franchisor and other franchisees of the System on electronic yellow pages directory and other online directors as Franchisor may designate, including Google Local, and similar online directories. In the event Franchisee does not comply with Franchisor's requests regarding such online listings or advertisement, Franchisor reserves the right to place, modify, or remove such listings and advertisements on behalf of Franchisee. For any listings or advertisements that Franchisor posts on behalf of Franchisee due to Franchisee's non-compliance under this Section, Franchisee shall promptly pay, upon demand by Franchisor, its pro rata share of the costs of such listings or advertisements. Upon termination, transfer, or expiration of this Agreement, Franchisee agrees to take any and all steps necessary to assist Franchisor in removing or assigning control of all listing under this Section to Franchisor.

5. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise has not been granted in connection with any other Franchised Business, and Franchisee cannot ever engage in targeted advertising (e.g. digital, direct mail, etc.) outside of Franchisee's Designated Territory.

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

1. Franchisor may use monies in the Brand Fund for any purpose that promotes the USA Insulation name or any other marks it chooses to use in the System, and in

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

2. No portion of the fees collected will be used principally to sell franchises. However, a brief statement about availability of information regarding the purchase of USA Insulation franchises may be included in advertising and other items produced and/or distributed using the Brand Fund. If any taxes become due based upon the activities of the Brand Fund, these taxes may be paid out of the funds in the Brand Fund. Franchisor may terminate the Brand Fund only after all monies have been spent.

3. Franchisor may collaborate with the advertising and marketing funds of certain franchise systems affiliated with it. There can be no assurance that the Brand Fund's participation in these collaborations and joint efforts will benefit the Franchised Businesses proportionately or equivalently to the benefits received by the other franchised businesses or the other franchised systems affiliated with us that also participate. The Franchisor has no obligation to make proportionate expenditures of contributions to the Brand Fund. Franchisor does not guarantee that expenditures from the Brand Fund will benefit Franchisee or any other franchisee directly, on a pro rata basis, or at all. Franchisee agrees and acknowledges that the Brand Fund is not a trust and the Franchisor has no fiduciary duty to Franchisee in administering the Brand Fund.

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

G. **Website**. Franchisor may establish an interior page on its corporate website to display the Premises and contact information associated with the Franchised Business for so long as

(i) the Franchised Business is open and actively operating; and (ii) this Agreement is not subject to termination. If Franchisor creates and includes any information about Franchisee on a website, then Franchisor may require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate. Franchisee must follow Franchisor's social media policies and directives as set forth in the Manuals, including the Policy and Procedures Manual and/or Marketing Manual.

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

10. ACCOUNTING AND RECORDS

A. **Maintenance of Records**. Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles ("GAAP"), maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for the duration of this Agreement and for a period of at least five (5) years thereafter. Upon Franchisor's request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents).

B. **Examination and Audit of Records**. Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files and data,

including any proprietary software used in connection with the System, at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Sales of the Franchised Business (or any amount due to Franchisor) for any period or periods, Franchisee must pay Franchisor, within fifteen (15) days after receipt of the inspection or audit report, the underpayment amount which was not paid as a result of the understatement, plus interest as provided in Section 4.B. If an inspection or audit discloses an understatement of two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must also upon demand: (i) reimburse Franchisor for any costs/expenses incurred in connection with conducting the inspection and audit including, without limitation, the charges of any independent accountant and the travel, lodging, and meal expenses and compensation of Franchisor's employees.

C. **Computer System for Records**. Franchisee shall record all transactions of the Franchised Business on a Computer System designated or approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4(C) of this Agreement.

D. **Computer System Files and Passwords**. Franchisee shall not install or load any computer software on the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement. Consistent with the other provisions of this Agreement, Franchisee agrees and acknowledges that Franchisor may have automatic access to Franchisee's specific passwords/keys/logins through the Computer System components and related software that Franchisor requires Franchisee to use in connection with the Franchised Business.

E. **Current Contracts, Listings and Projects**. At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects related to Clients and/or properties that Franchisee is involved in, working with or soliciting.

F. **Tax Returns**. Upon Franchisor's request, Franchisee shall furnish Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, and that of each of its owners, all of which Franchisee and such owners shall certify as true and correct.

G. **Right to Require Audit if Franchisee Underreports**. In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has underreporting the Gross Sales of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that

comply with GAAP and generally accepted auditing standards for Franchisee's fiscal year within one hundred twenty (120) days of Franchisee's fiscal year end.

H. **Change to Ownership of Franchisee**. In addition to the foregoing statements, and subject to Section 13 (including obtaining Franchisor's consent), Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any of the Dedicated Manager(s) that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisee is required to first notify Franchisor and obtain its approval prior to making any such change.

11. INSURANCE

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

1. Commercial general liability insurance, including personal injury, completed operations, contractual liability, and products liability, in an amount of not less than Two Million Dollars ($2,000,000) per occurrence for bodily injury and not less than Two Million Dollars ($2,000,000) per occurrence for property damage, and naming Franchisor as an additional insured in each such policy or policies;

2. Fire, vandalism, and extended coverage insurance with primary and excess limits of not less than the full replacement value of the premises of the Franchised Business and its furniture, fixtures, and equipment;

3. Auto insurance for all vehicles used in connection with operating the Franchised Business, including Franchisee-owned vehicles, and non-Franchisee-owned vehicles, which will include liability coverage in the minimum amount of One Million Dollars ($1,000,000) per year, as well as commercial auto insurance for Franchisee-owned vehicles, which will include collision and comprehensive coverage as well as liability coverage in the minimum amount of Two Hundred Fifty Thousand Dollars ($250,000) per person and Five Hundred Thousand ($500,000) per accident per year, or the minimum required by state regulations, whichever is greater;

4. Employer's liability, workers' compensation insurance and such other insurance as may be required by statute or rule of the state or locality in which the Franchised Business is located and operated;

5. Business interruption insurance, which may also be called Business income insurance, based on projected annual income for the business, with coverage in the

minimum amount of Five Hundred Thousand Dollars ($500,000) per occurrence per year; and; and

6. Such insurance as necessary to provide coverage under the indemnity provisions set forth in this Section 11.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

B. **General Contractor Insurance**. In connection with any construction, renovation, refurbishment, or remodeling of the Franchised Business, Franchisee shall cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for vehicles, builder's risk, private liability, and independent contractors coverage) in at least the amount of Two Million Dollars ($2,000,000), with Franchisor named as an additional insured, and workers' compensation and employer's liability insurance as may be required by law.

C. **Failure to Procure and Maintain Insurance**. If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. **No Fiduciary Relationship**. In all dealings with third parties, including without limitation, employees, suppliers, and Clients, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.

B. **Independent Contractor Relationship**. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): "This Franchised Business is independently owned and operated pursuant to a franchise agreement."

C. **Indemnification**.

1. Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, members, partners, shareholders, affiliates (including any affiliate supplier), subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's (a) breach or attempted breach of, or misrepresentation under, this Agreement, and/or (b) ownership, construction, development, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

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

13. TRANSFER AND ASSIGNMENT

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

B. **Death or Disability**.

1. In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals/owners/guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if: (i) within one hundred and eighty (180) days from the date of death, disability or incapacity (the "180 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement

for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

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

3. Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves, pursuant to Section 13(E).

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

D. **Right of First Refusal**. If (a) Franchisee proposes to transfer any of its interest in this Agreement or the Franchised Business or any interest in its lease for the Premises, or (b) Franchisee's owners propose to transfer any interest in Franchisee if Franchisee is an

entity (other than under Section 13(C) hereof or in the event of Franchisee's death/disability/ incapacitation as set forth in Section 13(B)), then Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed ninety (90) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

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

1. Franchisee has paid in full all amounts due to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors;

2. Franchisee is not in default of this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, or Franchisor's designated/approved suppliers and vendors;

3. Franchisee, its transferee and Franchisor have entered into a transfer agreement in a form satisfactory to Franchisor, and Franchisee shall execute a general release in favor of Franchisor;

4. The transferee is approved by Franchisor to purchase the Franchised Business, having demonstrated to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;

5. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date agreed to by the transferee, Franchisee and Franchisor;

6. Franchisee or transferee shall pay Franchisor a transfer fee equal to twenty five percent (25%) of the then-current standard initial franchise fee charged by Franchisor for new USA Insulation franchises; provided, if Franchisor is not selling USA Insulation franchises at the time of transfer, the transfer fee due hereunder will be the greater of the transfer fee or twenty five percent (25%) of the initial franchise fee originally paid by Franchisee;

7. The transferee shall satisfactorily complete Franchisor's Initial Training Program within the time frame Franchisor sets forth without paying an additional tuition fee, but the transferee will be responsible for all costs and expenses associated with attending the Initial Training Program;

8. Franchisee (and Franchisee's owners, principals, guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;

9. The transferee must demonstrate that is has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business; and

10. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer.

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

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

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

14. COVENANTS

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

A. **During the Term of this Agreement**. During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Dedicated Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Dedicated Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

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

2. Divert, or attempt to divert, any prospective client to a Competing Business in any manner.

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

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

2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

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

i. within the Designated Territory, including at the Approved Location;

ii. within a sixty (60) mile radius of the Designated Territory;

iii. within a sixty (60) mile radius of any USA Insulation Franchised Business that is open and operating as of the date this Agreement expires and/or is terminated; or

iv. within a sixty (60) mile radius of any other designated territory that has been granted by Franchisor or its affiliates in connection with a USA Insulation Franchised Business as of the date this Agreement expires and/or is terminated, regardless of whether a Franchised Business is open and operating in that designated territory; or

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

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

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

E. **No Defense**. Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14.

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

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

15. DEFAULT AND TERMINATION

A. Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

B. **Automatic Termination**. This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;

2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;

3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;

4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;

5. A final judgment in excess of Ten Thousand Dollars ($10,000.00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or

6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.

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

1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;

2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;

3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C)(22) of this Agreement during the term hereof, whether or not these breaches were timely cured;

4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenants not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;

5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);

6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business;

7. If Franchisee or any of Franchisee's owners or principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;

8. If Franchisee defaults under the Lease for the Approved Location and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Approved Location to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);

9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;

10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Approved Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates; and/or (iv) failure to comply with any of the standards required in the Manual;

11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;

12. If Franchisee fails to provide Franchisor with access, or otherwise blocks Franchisor's access, to Franchisee's Computer System as required under this Agreement, and fails to remedy this default within forty-eight (48) hours of being notified by Franchisor;

13. If Franchisee fails to pay Franchisor, its affiliates, any of its Approved Suppliers or any Client any amount that is due and owing that party within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;

14. If Franchisee fails after notification of non-compliance by appropriate authority, to immediately comply with any law or regulation applicable to the operation of the Franchised Business;

15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;

16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the reasonable opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;

17. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;

18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period;

19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or clients;

20. If Franchisee fails to meet the Minimum Productivity Levels set forth in Section 6 of this Agreement for three (3) consecutive MPL Periods;

21. If Franchisee, on three (3) or more occasions, fails to comply with the standards and specifications set forth in the Manuals during the term of this Agreement, whether or not these failures were timely cured; or

22. If Franchisee (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement; and (ii) fails to cure such breach or violation within ten (10) days of the date Franchisee is provided with notice thereof by Franchisor.

D. **Loss of Designated Territory**. Notwithstanding the foregoing, if Franchisee is in default of this Agreement pursuant to Section 6(Z), Franchisor may, in its sole discretion and as an alternative to terminating this Agreement, elect to reduce the size of Franchisee's Designated Territory and own and operate, or license another to operate, additional USA Insulation businesses in the Designated Territory. In the event Franchisor elects to reduce Franchisee's Designated Territory , Franchisor will provide Franchisee with written notice thereof. Upon receipt of such notice, Franchisee will have ten (10) calendar days to execute an addendum to this Agreement detailing the revised boundaries of the Designated Territory. If Franchisee does not execute this Addendum with the prescribed time period, then Franchisor may, at its option, immediately terminate this Agreement upon notice to Franchisee.

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

16. POST-TERM OBLIGATIONS

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

A. **Cease Ownership and Operation of Franchised Business; Cease Affiliation with Franchisor and Brand Generally**. Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. If this Agreement is terminated for cause by Franchisor, then Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of a Franchised Business (unless Franchisor agrees otherwise in writing);

B. **Return Manuals and Confidential Information**. Return to Franchisor the Manuals and all trade secrets, Confidential Information (including all Client lists and Approved Services agreements) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;

C. **Assignment of Approved Services Contracts, Telephone/Facsimile Numbers and Domain Names**. Take such action as Franchisor may designate to: (i) provide and assign to Franchisor the then-current and up-to-date (a) Client and property lists, and (b) any Approved Services contracts and other agreements between Clients and the former Franchised Business; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the former Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Addendum E.

D. **Cease Using Proprietary Marks**. Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System or in which Franchisor has a proprietary right, title, or interest, cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System, and all client lists owned by Franchisor or required to be transferred to Franchisor, and all other indicia of operations associated with the System. Remove all trade dress, then Franchisee must remove physical characteristics, color combinations, and other indications of operation under the System from the Premises and from the Approved Vehicles (and provide documentation thereof to Franchisor as set forth in Section 16(G) below).

1. Franchisee shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's Manuals, confidential information, trade secrets, procedures, forms, techniques, know-how, or materials acquired by Franchisee by virtue of the relationship established hereby, including but not limited to, USA Insulation services, programs and products, specifications or descriptions of USA Insulation services and products; lists of Clients and lists of employees and independent contractors; any telephone number listed in any telephone directory under the name "USAI", “USA Insulation” or any similar designation or directory listing which relates to the Franchised Business.

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

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

E. **Compliance with Post-Term Covenants**. Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;

F. **Payment of Amounts Due**. Pay all sums owing to Franchisor within seven (7) days including, but not limited to, any and all amounts owed under this Agreement or otherwise in connection with the former Franchised Business including, but not limited to, all sums due and owing to any employees, taxing authorities, and all other third parties. Upon termination for any default by Franchisee, said sums shall include actual and consequential damages, costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor as a result of Franchisee's default and the obligation to pay said sums shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the real property, personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee or the Franchised Business at the time of default and/or against any of Franchisee's monies held or otherwise in Franchisor's possession.

G. **Written Evidence of Compliance**. Provide Franchisor with written evidence that Franchisee has complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and

H. **Purchase of Assets**. Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's operating assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).

I. **Disconnection of Telephone Number on Termination/Renewal**. Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the name USA INSULATION or any name similar to it. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.

17. TAXES AND INDEBTEDNESS

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

B. **Debts and Obligations**. Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

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

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

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

C. **Terms of Other Franchise Agreements**. No warranty or representation is made by the Franchisor that all franchise agreements heretofore or hereafter issued by Franchisor in connection with a Franchised Business do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that

Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.

D. **Modification of System and Manuals**. Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.

E. **No Disclaimers of Franchise Disclosure Document**. Nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor has made in the franchise disclosure document.

19. ENFORCEMENT

A. **Injunctive Relief**. The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current Clients of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.

B. **No Withholding of Payments**. Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.

C. **Enforcement Costs and Expenses**. Franchisee shall pay Franchisor on demand any and all costs and expenses Franchisor incurs in enforcing the terms of this Agreement or any related agreement, including, but not limited to, its overhead costs and expenses for its staff's time and efforts to obtain overdue reports and/or payments or to address and/or resolve defaults; costs and commissions due a collection agency; attorneys' fees; and our administrative costs. If a claim for amounts owed by Franchisee to Franchisor or any of its affiliates is asserted in any legal proceeding or if Franchisor is required to enforce this Agreement in a judicial proceeding or if Franchisee institutes any legal action to interpret or enforce the terms of this Agreement and Franchisor prevails, Franchisee must reimburse Franchisor for its costs and expenses, including court costs, expert witness fees, discovery costs, and reasonable accounting and attorneys' fees and costs on appeal together with interest charges on all of the foregoing whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. All such costs and expenses shall be prorated to properly reflect any partial prevailing in the proceeding, as determined by the court. Franchisor is entitled to have any amount awarded be part of the award or judgment. Franchisee's duty to pay all of the above costs and expenses shall survive the termination or expiration of this Agreement.

20. NOTICES

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

21. GOVERNING LAW AND DISPUTE RESOLUTION

A. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without reference to this state's conflict of laws principles, except for any actions or disputes involving any franchise or business opportunity law must be governed by the law of the state where the Franchised Business is located.

B. **Internal Dispute Resolution**. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

C. **Mediation**. At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 21(B) above, will be submitted first to mediation to take place in the County of Cuyahoga, Ohio, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and

Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

D. **Injunctive Relief**. Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee's use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise System or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

E. **Venue**. Subject to Sections 21(C) and 21(D) above, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction in the County of Cuyahoga, Ohio or, if appropriate, the United States District Court for the Northern District of Ohio. Franchisee acknowledges that this Agreement has been entered into in the State of Ohio, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Ohio as set forth in this Section.

F. **Third Party Beneficiaries**. Franchisor's officers, directors, shareholders, owners, members, managers, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Franchisee.

G. **Notice Requirement**. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty

(30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

H. **No Withholding of Payments**. Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements. No endorsement or statement on any check or payment of any sum less than the full sum due to Franchisor shall be construed as an acknowledgement of payment in full or an accord and satisfaction, and Franchisor may accept and cash such check or payment without prejudice to Franchisor's right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments made by Franchisee against any past due indebtedness of Franchisee as Franchisor may see fit. Franchisor may set off against any sums payable to Franchisee hereunder any unpaid debts due from Franchisee to Franchisor.

I. **Limitation of Actions**. Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

J. **Waiver of Punitive Damages**. The parties waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, or special damages against each other regardless of each parties' respective right to such damages under the choice of law provision herein except with regard to claims involving Franchisor's Marks and/or Franchisor's Confidential Information Any claim for lost earnings or profits by Franchisee shall be limited to a maximum amount equal to the net profits of the Franchised Business for the prior year as shown on Franchisee's federal income tax return. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

K. **Damages.** Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages. Franchisor and Franchisee agree that, in addition to such other damages awarded, if this Agreement is terminated because of Franchisee's default, Franchisee shall be liable to Franchisor for a lump sum amount equal to the net present value of lost future Royalty Fees and Brand Fund Fees that would have become due following termination of this Agreement for one (1) year following termination of this Agreement. Royalty Fees and Brand Fund Fees for purposes of this Section shall be calculated based on the Franchised

Business' average monthly Gross Sales for the twelve (12) months preceding the termination date. If you have not operated your Franchised Business for at least twelve (12) months preceding the termination date, Royalty Fees and Brand Fund Fees will be calculated based on the average monthly Gross Sales of all USA Insulation franchised businesses during our last fiscal year. This fee is in addition to, and not in lieu of any other damages we sustain as a result of the termination.

L. **WAIVER OF JURY TRIAL**. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

M. **WAIVER OF CLASS ACTIONS**. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

22. SEVERABILITY AND CONSTRUCTION

A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.

B. This Agreement may be executed in any number of counterparts, including via digital or electronic signature, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.

C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as

the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

23. VARIATIONS ON THE STANDARD

Franchisor reserves the right to materially vary the terms and standards of eligibility, including financial terms and conditions, for any franchisee, including Franchisee, based upon the peculiarities of a particular area, including density of population, business potential, population of trade area, existing business practices, or any other conditions which Franchisor determines to have or to potentially have a significant effect on the successful operation of such franchisee's business. Variations from standard specifications and practices granted to other franchisees shall not under any circumstances, because to require Franchisor to grant to Franchisee a like or similar variation hereunder, either now or in the future.

24. MISCELLANEOUS

A. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew, this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and this Agreement shall otherwise be enforced as originally made and entered into in all other jurisdictions.

B. The rights and remedies of the parties hereunder are cumulative and no exercise or enforcement by a party of any right or remedy hereunder shall preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.

C. Franchisee agrees and acknowledges that Franchisee has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises, or inducements whatsoever, whether oral or written, and whether directly related to the contents hereof or collateral hereto, made by Franchisor, Franchisor's officers, members, managers, directors, shareholders, agents, employees or contractors which are not contained within this Agreement.

D. Neither party hereto shall be liable for any loss or damage due to any delay in the performance of the terms hereof (except for the payment of money which shall not be delayed) by reason of strikes, lockouts and other labor troubles, fires, riots, wars, embargos and commotion, or acts of God. Any such delay shall extend performance only so long as such event is in progress.

E. In all respects, time shall be of the essence hereof.

F. The provisions hereof shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, successors and assigns unless otherwise specifically restricted by the terms of this Agreement.

G. Franchise and Franchisor agree that if this Agreement contains any errors or omissions that each will sign corrective documents as needed.

H. Franchisee acknowledges and agrees that exchanging information with Franchisor by electronic transmission ("e-mail") is efficient and desirable for day-to-day communications and that Franchisor and Franchisee may utilize e-mail for such communications. Franchisee authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and Affiliates ("Official Senders") to Franchisee during the term of this Agreement and any renewal thereof. Franchisee further agrees that: (a) Official Senders are authorized to send e-mails to those of Franchisee's employees as Franchisee may occasionally authorize for the purpose of communicating with Franchisor; (b) Franchisee will cause Franchisee's officers, directors, members, managers, and employees to give their consent to Official Senders' transmission of e-mails to them; (c) Franchisee will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with Franchisee; and (d) Franchisee will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the Term and any renewal thereof. The consent given in this Section will not apply to the provision of notices by either party under this Agreement pursuant to Section 20 unless the parties otherwise agree in a written document signed by both parties.

I. Whenever Franchisor reserves or is deemed to have reserved discretion in a particular area or where Franchisor agrees or is deemed to be required to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy Franchisor's obligations whenever Franchisor exercises Reasonable Business Judgment in making Franchisor's decision or exercising Franchisor's rights. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving service or product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System. Franchisor is not required to consider any of Franchisee's or any other franchisee's particular economic or other circumstances when exercising Franchisor's Reasonable Business Judgment. Decisions Franchisor makes using Franchisor's Reasonable Business Judgment will not affect all franchisees equally, and some may be benefited while others are not. Neither Franchisee nor any third party (including without limitation a court of competent jurisdiction), shall substitute its judgment for Franchisor's Reasonable Business Judgment.

J. This Agreement has been negotiated in the English language and the rules of construction and definitions of the English language will be applied in interpreting this Agreement. Franchisee represents that Franchisee, Franchisee's owners, and office personnel are fluent in English and have consulted with legal counsel to the extent necessary to understand the provisions of this Agreement. The English language version of this Agreement will be the official and binding Agreement between the parties. All notices and communications required or permitted under this Agreement, including without limitation all meetings, mediations, and litigation, will be conducted and written in the English language. In addition, Franchisor will provide all services and materials under this Agreement, including without limitations the Manuals and all training programs, seminars, conventions, programs and meetings, in the English language and will not have a duty to provide any translation or interpreter services for any of Franchisee's personnel. Franchisee will be solely responsible for the cost of any related translation or interpreter services.

K. If Franchisee consists of more than one person, Franchisee's liability under this Agreement shall be joint and several.

25. ACKNOWLEDGMENTS

A. No representation has been made by Franchisor (or any employee, agent or salesperson thereof) and relied upon by Franchisee as to the future or past income, expenses, sales, volume or potential profitability, earnings or income of the Franchised Business, or any other franchised business, other than the information provided in Franchisor's Franchise Disclosure Document.

B. Prior to the execution of this Agreement, Franchisee has had the opportunity to contact all of Franchisor's existing franchisees.

C. Franchisor has certain rights reserved to Franchisor to own and operate franchised businesses; to franchise other franchised businesses; and, to otherwise use the System, the Marks, know-how, techniques and procedures, including (without limitation) those expressly set forth in Section 2 of this Agreement.

D. Franchisee acknowledges that Franchisee has received a complete copy of this Agreement, with all Attachments, Addenda and Exhibits referenced in this Agreement, and other related Agreements, if any, at least seven (7) days prior to the date on which this Agreement was executed. Franchisee further acknowledges that Franchisee received Franchisor's Franchise Disclosure Document at least fourteen (14) days prior to the date on which this Agreement was executed by Franchisee.

E. No representation or statement has been made by Franchisor (or any employee, agent or salesperson thereof) and relied upon by Franchisee regarding Franchisee's ability to procure any required license or permit that may be necessary to the offering of one or more of the services contemplated to be offered by the Franchised Business.

F. Franchisee affirms and agrees that Franchisor may sell Franchisor's assets, Franchisor's Marks, or the System outright to a third party; may go public; may engage in a private placement of some or all of Franchisor's securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "USA Insulation Franchise, LLC" as franchisor hereunder.

G. The covenants not to compete set forth in this Agreement is fair and reasonable, and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience and education which affords Franchisee the opportunity to derive income from other endeavors.

H. Franchisee specifically acknowledges that the only financial performance information Franchisor furnishes is set forth in Item 19 of Franchisor's Franchise Disclosure Document; that no officer, director, employee, agent, representative or independent contractor of Franchisor's is authorized to furnish Franchisee with any other financial performance information; that, if they nevertheless do, Franchisee will not rely on any such financial

performance information given to Franchisee by any such individual; and, that if any such individual attempts to or actually does give Franchisee any such financial performance information in contravention of this provision, Franchisee will immediately communicate such activity to Franchisor. For the purpose of this Agreement, "financial performance information" means information given, whether orally, in writing or visually which states, suggests or infers a specific level or range of historic or prospective sales, expenses and/or profits of franchised or non-franchised businesses.

I. Franchisee has carefully considered the nature and extent of the restrictions upon Franchisee set forth in this Agreement (including, without limitation, the covenants not to compete and the restrictions on assignment) and the rights and remedies conferred upon Franchisee and Franchisor under this Agreement. Franchisee acknowledges such restrictions, rights and remedies: (a) are reasonable, including, but not limited to, their term and geographic scope; (b) are designed to preclude competition which would be unfair to Franchisee and Franchisor; (c) are fully required to protect Franchisee's and Franchisor's legitimate business interests; and, (d) do not confer benefits upon Franchisee or Franchisor that are disproportionate to Franchisee's detriment.

J. Franchisee agrees and acknowledge that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law or otherwise shall be Franchisor's sole responsibility and none of Franchisor's agents, employees, representatives, nor any individuals associated with Franchisor or Franchisor's affiliates shall be personally liable to Franchisee for any reason.

K. Franchisee acknowledges and understands that any training, support, guidance or tools Franchisor provides to Franchisee as part of the franchise are for the purpose of protecting the System, brand, and Marks and to assist Franchisee in the operation of Franchisee's Franchised Business and not for the purpose of controlling or in any way intended to exercise or exert control over Franchisee's decisions or day-to-day operations of the Franchised Business, including Franchisee's sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of Franchisee's employees and all other employment and employee related matters.

26. EFFECTIVE DATE

This Agreement shall not be effective until accepted by Franchisor as evidenced by signing by an authorized representative of the Franchisor.

[The remainder of this page is intentionally left blank.

Signatures appear on the following page.]

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

FRANCHISOR:	**FRANCHISEE:**
USA INSULATION FRANCHISE, LLC	_____*[corporate entity name]*
_____	_____
By: Suave Brachowski	By: _____
Its: President	Its: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT

DATA SHEET AND STATEMENT OF OWNERSHIP

1. APPROVED LOCATION

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

_____
_____
_____

2. DESIGNATED TERRITORY

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

_____
_____
_____

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

Name: _____

Daytime Telephone No.: _____

Evening Telephone No.: _____

Cellular Telephone No.: _____

Facsimile No.: _____

E-mail Address: _____

EXHIBIT B TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY

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

ARTICLE I
PERSONAL GUARANTY

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

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

ARTICLE II
CONFIDENTIALITY

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

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

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

ARTICLE III
NON-COMPETITION

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

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

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

1.2 Divert or attempt to divert business or Clients of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

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

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

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

(i) within the Designated Territory;

(ii) within a sixty (60) mile radius of the Designated Territory;

(iii) within a sixty (60) mile radius of any Franchised Business that is open or under development as of the date the Franchise Agreement expires and/or is terminated; or

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

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

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

ARTICLE IV
DISPUTE RESOLUTION

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

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

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

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

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

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

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

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

7. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS GUARANTY, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON**

AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, YOU AND FRANCHISOR OR ITS AFFILIATES/ OFFICERS/ EMPLOYEES/ AGENTS/ REPRESENTATIVES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

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

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

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

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

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

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

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

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

GUARANTOR:

_____

[NAME]
in [his/her] individual capacity

EXHIBIT C TO THE FRANCHISE AGREEMENT

EFT AUTHORIZATION FORM

Bank Name: _____

ABA# : _____

Acct. No.: _____

Acct. Name: _____

Effective as of the date of the signature below, _____ *[Franchisee Name]* (the "Franchisee") hereby authorizes **USA INSULATION FRANCHISE, LLC** (the "Company") or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the Franchise Agreement dated _____ (the "Franchise Agreement") for the Franchised Business located at: _____ (the "Franchised Business"): (i) all Royalty Fees; (ii) Brand Fund Fees; (iii) Technology Fees; (iv) any amounts due and owing the Company or its affiliates in connection with technology, marketing materials or other supplies or inventory that is provided by Company or its affiliates; and (v) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees or other amounts described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a monthly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company.

_____ *[Franchisee Name]* shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE:

_____

[insert name of corporate entity]

_____

By: _____

Its: _____

FRANCHISOR APPROVAL:

USA INSULATION FRANCHISE, LLC

_____

By: Suave Brachowski President

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

EXHIBIT D TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

(for Dedicated Mangers and other management personnel, Authorized Installers, as well as any officers, directors, or owners of the Franchisee that did not sign the full Personal Guaranty)

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from **USA INSULATION FRANCHISE, LLC** (the "Company" or "Franchisor") to: (i) establish and operate a franchised business (the "Franchised Business"); and (ii) use in the operation of the Franchised Business the Company's trade names, trademarks and service marks (collectively, the "Proprietary Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of Franchised Business businesses (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved location: _____ (the "Premises").

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company's proprietary and confidential Manuals and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the "Manuals"); Franchisor's proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other Franchised Businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of Franchised Business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the "Confidential Information").

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manuals, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I

cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that: (i) is an insulation service business that is similar to the Franchised Business and/or that features, offers and/or sells products and services similar to the those offered and sold by the Franchised Business and/or other USA Insulation franchises (a "Competing Business"); or (ii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more Competing Businesses. I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Dedicated Manager of Franchised Business or Manager/Officers/Directors of Franchisee*. In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 60 mile radius of the Premises; or (ii) within a 60-mile radius of any other Franchised Business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two (2) year period following the termination or expiration of my employment with the Franchisee.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the

Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF **[INSERT STATE WHERE FRANCHISEE IS LOCATED]** AND MYSELF HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO THE PREMISES OF THE FRANCHISED BUSINESS OR, IF APPROPRIATE, THE FEDERAL COURT CLOSED TO SUCH PREMISES. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY **[INSERT STATE]** OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

For notices to Franchisor, the notice shall be addressed to

USA INSULATION FRANCHISE, LLC
17700 Saint Clair Avenue
Cleveland, Ohio 44110

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED:

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE:

[FRANCHISEE NAME]

By: _____

Its: _____

EXHIBIT E TO THE FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES

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

Telephone Number(s): _____
Facsimile Number(s): _____
Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): _____
_____

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

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

ASSIGNOR:

_____ **[enter entity name]**

_____ Date: _____
By: _____
Its: _____

ASSIGNEE:

USA INSULATION FRANCHISE, LLC

_____
By: Suave Brachowski
Its: President

EXHIBIT F TO THE FRANCHISE AGREEMENT

FRANCHISE OPTION AMENDMENT TO FRANCHISE AGREEMENT

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

1. Franchisee is approved by Franchisor to participate in the Franchise Option Program. Franchisor and Franchisee hereby agree to amend the Franchise Agreement entered into between them with effect as of [DATE]. The Franchise Agreement is amended as follows:

   The Initial Franchise Fee stated in Section 4(a)(1) of the Franchise Agreement is waived and Franchisee shall not pay to Franchisor the Initial Franchise Fee.

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

   Strike "five percent (5%)" and replace with "seven and one-half percent (7.5%)".

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

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

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

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

USA INSULATION FRANCHISE, LLC

By: _____

FRANCHISEE

By: _____

EXHIBIT G TO THE FRANCHISE AGREEMENT

PROMISSORY NOTE

$_____ Dated: _____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MAKER:

FRANCHISEE ENTITY

By Its Members:

By: _____
[NAME]
Its: [TITLE]

PAYEE:
USA INSULATION FRANCHISE, LLC

By: _____
[NAME]
Its: [TITLE]

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EXHIBIT C

FINANCIAL STATEMENTS/PARENT GUARANTEE

HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

Consolidated Financial Report
December 31, 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
HS Group Holding Company LLC and Subsidiaries d/b/a Threshold Brands

Opinion

We have audited the consolidated financial statements of HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in members' equity, and cash flows for the years ended December 31, 2022, 2021 and for the period from August 13, 2020 (Acquisition Date), through December 31, 2020, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years ended December 31, 2022, 2021, and for the period from August 13, 2020 (Acquisition Date), through December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the Company adopted new accounting guidance Accounting Standards Codification 842: Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Detroit, Michigan
March 29, 2023

HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,140,848**	$ 7,181,077
Accounts receivable, net	**2,959,600**	3,103,333
Inventory	**814,623**	643,430
Prepaid expenses and other current assets	**2,829,645**	824,037
Total current assets	**9,744,716**	11,751,877
Property and equipment, net	**2,322,195**	2,351,757
Other assets:		
Goodwill, net	**53,301,755**	46,891,935
Intangibles, net	**21,583,738**	20,870,313
Right of use asset - operating leases, net	**5,387,291**	-
Capitalized contract costs	**3,913,698**	2,797,306
Other assets	**367,951**	94,716
Total other assets	**84,554,433**	70,654,270
Total assets	**$ 96,621,344**	$ 84,757,904
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	**$ 2,742,183**	$ 535,257
Accrued expenses	**3,407,728**	3,371,998
Current portion of long-term debt	**284,372**	284,372
Operating lease liabilities, current	**1,294,361**	-
Current portion of deferred franchise and territory fees	**1,703,657**	3,035,222
Total current liabilities	**9,432,301**	7,226,849
Long-term debt, net	**27,158,660**	27,233,503
Deferred franchise and territory fees, net of current portion	**6,581,039**	3,820,652
Operating lease liabilities noncurrent	**4,181,062**	-
Other liabilities	**79,560**	210,500
	38,000,321	31,264,655
Total liabilities	**47,432,622**	38,491,504
Members' equity	**49,188,722**	46,266,400
Total liabilities and members' equity	**$ 96,621,344**	$ 84,757,904

See notes to consolidated financial statements.

HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

Consolidated Statements of Operations
Years Ended December 31, 2022, 2021 and for the Period from August 13, 2020 (Acquisition Date) through December 31, 2020

	2022	2021	2020
Revenues:			
Recurring revenue	**$ 49,952,460**	$ 35,732,914	$ 5,781,317
Franchise fee revenue	**2,284,333**	1,148,834	283,548
Total revenues	**52,236,793**	36,881,748	6,064,865
Operating expenses:			
Cost of services	**10,370,829**	7,426,467	380,075
General and administrative expenses	**20,540,509**	13,518,147	2,434,096
Payroll and benefits	**23,860,189**	16,589,524	3,599,307
Depreciation and amortization expenses	**8,629,385**	6,451,934	1,473,992
Transaction expenses	**884,988**	2,054,118	3,045,954
Total operating expenses	**64,285,900**	46,040,190	10,933,424
Loss from operations	**(12,049,107)**	(9,158,442)	(4,868,559)
Other expense (income):			
Interest expense (income)	**2,434,486**	1,364,806	(2,689)
Other (income) expense	**(211,155)**	(135,282)	19,673
Other expense	**2,223,331**	1,229,524	16,984
Net loss	**$ (14,272,438)**	$ (10,387,966)	$ (4,885,543)

See notes to consolidated financial statements.

HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2022, 2021 and for the Period from August 13, 2020 (Acquisition Date) through December 31, 2020

Balance, August 13, 2020 - Pushdown of basis from Riverside, net of transaction expenses	$ 29,879,014
Contributed capital related to acquisitions	25,392,955
Net loss	(4,885,543)
Balance, December 31, 2020	50,386,426
Issuance of Class A units	1,150,000
Contributed capital related to acquisitions	5,150,000
Foreign currency translation	(32,060)
Net loss	(10,387,966)
Balance, December 31, 2021	46,266,400
Issuance of Class A units	774,578
Contributed capital related to acquisitions	16,500,000
Foreign currency translation	(79,818)
Net loss	(14,272,438)
Balance at December 31, 2022	**$ 49,188,722**

See notes to consolidated financial statements.

HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

Consolidated Statements of Cash Flows
Years Ended December 31, 2022, 2021 and for the Period from August 13, 2020 (Acquisition Date) through December 31, 2020

	2022	2021	2020
Cash flows from operating activities:			
Net loss	**$ (14,272,438)**	$ (10,387,966)	$ (4,885,543)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	**8,569,099**	6,370,658	1,473,992
Accretion of debt issuance costs	**209,532**	122,886	-
Gain on sale of fixed assets	**(24,018)**		
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	**370,896**	(487,558)	556,040
Prepaid expenses and other current assets	**(2,005,608)**	407,111	(590,962)
Inventories	**(78,308)**	(476,180)	-
Capitalized contract costs	**(1,084,997)**	(1,228,179)	(41,967)
Other assets	**(118,426)**	162,394	(12,037)
Accounts payable and accrued expenses	**2,140,788**	1,252,712	(341,995)
Deferred franchise and territory fees	**1,098,016**	330,255	7,041
Other liabilities	**(130,940)**	210,500	-
Operating lease assets and liabilities	**86,293**	-	-
Net cash used in operating activities	**(5,240,111)**	(3,723,367)	(3,835,431)
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	**(13,858,805)**	(13,460,421)	(22,841,392)
Purchase of property and equipment	**(544,325)**	(972,162)	(73,905)
Purchases of intangibles assets	**-**	(200,000)	-
Proceeds from sales of equipment	**192,627**	208,379	-
Net cash used in investing activities	**(14,210,503)**	(14,424,204)	(22,915,297)
Cash flows from financing activities:			
Borrowings on long-term debt	**-**	16,000,000	12,500,000
Payment of debt issuance costs	**-**	(551,094)	(410,323)
Payments on long-term debt	**(284,375)**	(143,594)	(533,611)
Proceeds from capital contributions	**15,774,578**	1,150,000	22,638,948
Net cash provided by financing activities	**15,490,203**	16,455,312	34,195,014
Effect of exchange rate changes on cash	**(79,818)**	(42,530)	-
Net (decrease) increase in cash and cash equivalents	**(4,040,229)**	(1,734,789)	7,444,286
Cash and cash equivalents, beginning	**7,181,077**	8,915,866	1,471,580
Cash and cash equivalents, ending	**$ 3,140,848**	$ 7,181,077	$ 8,915,866

(Continued)

HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2022, 2021 and for the Period from August 13, 2020 (Acquisition Date) through December 31, 2020

	2022	2021	2020
Supplemental disclosures of cash flow information:			
Interest paid	**$ 2,001,525**	$ 1,077,276	$ -
Income taxes paid	**$ -**	$ -	$ -
Supplemental schedule of noncash operating, investing and financing activities:			
Pushdown accounting of acquisition of business:			
Net assets acquired	**$ -**	$ -	$ 11,892,873
Goodwill	**-**	-	18,063,821
Subtotal	**-**	-	29,956,694
Pushdown of basis from Riverside, net of transaction costs	**-**	-	(29,879,014)
Working capital adjustment	**-**	-	(77,680)
	$ -	$ -	$ -
Acquisition of businesses:			
Assets acquired	**$ 3,538,411**	$ 6,096,407	$ 12,467,823
Liabilities assumed	**(478,214)**	(2,105,264)	(3,560,093)
Net identifiable assets acquired	**3,060,197**	3,991,143	8,907,730
Goodwill	**12,428,214**	15,536,934	18,530,396
Net assets acquired	**15,488,411**	19,528,077	27,438,126
Less cash acquired	**(129,606)**	(917,656)	(2,087,657)
Add due from seller	**-**	-	244,930
Less units issued as consideration	**(1,500,000)**	(5,150,000)	(2,754,007)
Cash purchase price	**$ 13,858,805**	$ 13,460,421	$ 22,841,392

See notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of business: HS Group Holding Company, LLC and Subsidiaries d/b/a Threshold Brands (collectively, the Company) through its wholly owned subsidiaries including Threshold Brands LLC, MaidPro Franchise, LLC (MaidPro), FlyFoe, LLC (FlyFoe), Men In Kilts US, LLC (Men in Kilts), Men in Kilts Canada Inc. (MIKC), Pestmaster Franchise Network, LLC (PFN), Pestmaster Services, L.P. (PSI), Kaigan LLC (Kaigan), USA Insulation Franchise, LLC (USA), USA Enterprises, LLC (USAE), FDIE, LLC (FDIE), Sir Grout Franchising, LLC (SGF), Sir Grout, LLC (SG), Plumbing Heating Paramedics LLC (PHP), PHP Franchise LLC (PHPF), Granite Garage Floors Franchising, LLLC (GGFF), and Granite Garage Floors Atlanta (GGFA) is in the business of selling franchises as well as operating certain franchises and supply companies.

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

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

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

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

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

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

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

GGFA was established in 1980. The company provides upgrading of concrete surfaces (garage floors, basements, workshops, unfinished spaces, exterior porches, and patios) with an industrial coating system with finishes appearing like Granite, Quartz, Stone, Metallic or Terrazzo. GGFF will sell franchises providing services similar to GGFA.

Note 1. Summary of Significant Accounting Policies (Continued)

Significant accounting policies:

Basis of presentation: The consolidated balance sheets are presented as of December 31, 2022 and 2021. The consolidated statements of operations, changes in members' equity, and cash flows are presented for the year ended December 31, 2022, 2021, and for the period August 13, 2020 (acquisition date), through December 31, 2020. The accompanying consolidated financial statements of the Company include its wholly owned subsidiaries.

All intercompany transactions have been eliminated. The accompanying consolidated financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Company follows to ensure its financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these notes to the consolidated financial statements are to the FASB Accounting Standards Codification (ASC).

Revenue recognition policy: The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows: identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when or as performance obligations are satisfied.

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

The Company's revenue consists primarily of franchise revenue (which is discussed above), which includes franchise royalties, advertising fund contributions, franchise fees, and support services performed for franchisees. Initial franchise fees are based on the market type selected and are paid at the time an individual franchise agreement is signed. Territory fees are for the purchase of additional territory over and above the minimum qualified households allowable based on the market type selected and are also paid at the time an individual franchise agreement is signed.

The Company also operates certain franchise locations. The revenue for these consists of revenue recognized at a point in time as the service is completed.

Note 1. Summary of Significant Accounting Policies (Continued)

Payment terms
The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Agreements may include initial and renewal franchise fees, sales-based royalties, and fees for administrative services performed for the franchisee.

The Company believes its franchising agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the Company and (b) the sales-based royalty is variable and based on factors outside the Company or the franchisee's control.

Revenue recognition
Initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement beginning when the agreement is signed. Franchise agreements typically have a term of five to 10 years with the option to renew for an additional five years if the franchisee is in compliance with the terms of the franchise agreement.

Continuing royalties are calculated as a percentage of franchisees' reported sales that are related entirely to the Company's performance obligation under the franchise agreement. These royalties are considered variable consideration, but because they relate to a license of intellectual property, they are not included in the transaction price. Instead, royalty revenue is recognized as franchisee sales occur. Advertising contributions received from the Company's franchisees are recorded as a component of franchise royalties and fees in the consolidated statements of operations.

Contract balances
The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred franchise and territory fees) also is recorded.

Commission costs
The Company defers those direct and incremental costs associated with the sale of franchises. Deferred costs are charged to earnings when the related deferred franchise and territory fees are recognized as revenue over the term of the respective agreement. The Company has determined the period of benefit for direct and incremental costs associated with the sale of franchises to be the initial term of the franchise agreement. Amortization is recognized on a straight-line basis commensurate with the pattern of revenue recognition. Deferred costs are recorded in prepaid expenses and other current assets and other noncurrent assets in the accompanying consolidated balance sheets.

Advertising funds
The Company collects funds from its franchisees for advertising pursuant to the Company's franchise agreements at a percentage of franchisee sales. These advertising services are not considered distinct because they are highly dependent and interrelated to the franchise right. Advertising contributions are considered part of the transaction price for the franchise right and recognized as revenue as the underlying sales occur. The advertising costs incurred for franchisees will be expensed in accordance with the Company's normal policy.

Cash and cash equivalents: The Company considers all short-term, highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. Cash equivalents consist of money market accounts.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its franchisees and customers to make required payments. Management considers the following factors when determining the collectability of specific accounts: credit worthiness of franchisees, past transaction history with the franchisee, current economic industry trends, and changes in franchisee payment terms. Certain franchisees are on payment plans for outstanding balances but continue to make payments in accordance with the established payment plans. If the financial conditions of the Company's franchisees or customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to the allowance. Accounts receivable that remain outstanding after the Company has made reasonable collection efforts are written off against the allowance and a credit to accounts receivable. Recoveries of accounts receivable previously written off are recorded when received. The allowance for doubtful accounts on accounts receivable was approximately $505,000, and $491,000, at December 31, 2022 and 2021 respectively.

Concentration of credit risk: The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company grants credit to its franchisees and customers. Consequently, the Company's ability to collect the amounts due from franchisees and customers is affected by economic fluctuations. The Company routinely assesses the financial strength of its franchisees and customers and believes that its accounts receivable credit risk exposure is limited.

Franchisor advertising: Advertising costs of the franchisor are charged against income during the period the advertising is displayed. Advertising costs are expensed as incurred and totaled approximately $1,863,000, $2,148,000, and $184,000 for the years ended December 31, 2022, 2021, and for the period from August 13, 2020 (acquisition date), through December 31, 2020, respectively.

Software development costs: Costs for software developed for internal use are accounted for in accordance with ASC 350, Intangibles – Goodwill and Other - Internal-Use Software. ASC 350 requires the capitalization of certain costs incurred in connection with developing or obtaining internal-use software. In accordance with ASC 350, the Company expenses costs incurred in the preliminary project stage of developing or acquiring internal use software, such as research and feasibility studies, as well as costs incurred in the post-implementation/operational stage, such as maintenance and training. Capitalization of software development costs occurs only after the preliminary project stage is complete, management authorizes the project, and it is probable that the project will be completed and the software will be used for the function intended. Costs associated with the purchase and development of computer software are capitalized and amortized on a straight-line basis over the estimated useful life of the related asset. Software development costs are recorded in property and equipment in the accompanying consolidated balance sheets. The Company capitalized software development costs. There were no capitalized costs for the year ended December 31, 2022 and approximately $130,000 of capitalized software costs for the year ended December 31, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Property and equipment: Property and equipment is stated at cost, net of accumulated depreciation and amortization. Expenditures for additions and improvements are capitalized while maintenance and repair expenditures are charged to operations as incurred. When assets are sold or otherwise retired from service, their cost and related accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in the results of operations. Depreciation and amortization is computed using the straight-line method based on the following estimated useful lives:

	Years
Equipment	5-10
Vehicles	5-10
Furniture and fixtures	3-5
Leasehold improvements	Lesser of useful life or lease term
Software development costs	3-7

Goodwill and intangibles: Goodwill is recognized for the excess of the fair value of an acquired business over the fair value of the identifiable net assets acquired. Under FASB ASC Topic 350, Intangibles—Goodwill and Other, the Company elected the accounting alternative to amortize goodwill on a straight-line basis over 10 years.

The Company has elected the provisions of FASB Accounting Standards Update (ASU) 2014-18, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination*. ASU 2014-18 specifies that a private company that elects the accounting alternative to recognize or otherwise consider the fair value of intangible assets as a result of any in-scope transactions should no longer recognize separately from goodwill: (1) customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business and (2) noncompetition agreements.

The Company tests its recorded goodwill for impairment upon a triggering event. Factors that could trigger an impairment test include, but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the overall business, significant negative industry or economic trends and a sustained period where market capitalization, plus an appropriate control premium, is less than member's equity. Goodwill is tested using a fair-value approach at the entity level. No indications of impairment were identified for the years ended December 31, 2022, and 2021.

Intangible assets include franchise agreements, trade names, trade secrets and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range between 7 to 25 years.

Long-lived assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If impairment is considered, recoverability of these assets is measured by a comparison of the carrying amount of the asset to estimated future undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount of which the carrying amount of the asset exceeds the fair value of the asset. No indications of impairment were identified for the years ended December 31, 2022, and 2021.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair value measurements: The Company uses the fair value measurement and disclosure guidance for all assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that management believes market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable, reflecting the entity's own assumptions about assumptions market participants would use in pricing the asset or liability.

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, Leases.

The Company elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Company does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon the adoption of Topic 842 on January 1, 2022.

Note 1. Summary of Significant Accounting Policies (Continued)

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its various asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred. Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's operating leases of approximately $6.67 million and $6.71 million, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact consolidated net earnings or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Income taxes: As a limited liability company, the Company is treated as a partnership for federal and state income tax purposes. As such, the taxable income of the Company is allocated in the tax returns of its members for federal and state tax purposes in accordance with their respective percentage ownership. Accordingly, no provision for federal income taxes is included in the consolidated financial statements. Entity-level, composite state and local income taxes (benefits) are accrued at the applicable rates, if any, and are included in the consolidated statements of operations.

The FASB provides guidance for how uncertain tax provisions should be recognized, measured, disclosed, and presented in the consolidated financial statements. The Company identifies its tax positions taken or expected to be taken in the course of preparing its tax returns and determines whether any tax positions are more likely than not of being sustained when challenged or when examined by the applicable tax authority. Management has determined that there are no uncertain tax positions at December 31, 2022, 2021, nor for the period from August 13, 2020 (acquisition date), through December 31, 2020.

Debt issuance costs: Debt issuance costs are carried at cost less accumulated amortization as a direct deduction from the carrying amount of the related loan. The costs are amortized over the term of the related loan using a method that approximates the effective interest rate method. Amortization expense is classified in interest expense in the accompanying consolidated statements of operations. Amortization expense recognized on debt issuance costs was approximately $210,000, $123,000, and de minimus as of December 31, 2022, 2021, and for the period from August 13, 2020 (acquisition date), through December 31, 2020, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

***Foreign currency translation*:** The functional currency of the Company's international subsidiary is the Canadian dollar. Foreign currency denominated assets and liabilities are translated into United States dollars at the rate of exchange in effect at year-end. Income and expenses are translated at a weighted average rate of exchange for the year ended December 31, 2022. The aggregate effect of translating the financial statements is included in foreign currency translation in the statement of changes in members' equity.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and does not expect the impact to be significant.

***Subsequent events*:** The Company evaluated subsequent events for potential required disclosure through March 29, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2. Acquisition of Businesses

HS Group: On August 13, 2020, by the effects of the purchase agreement, Riverside acquired HS Group Holding Company, LLC which at the time included the entities of MaidPro, Flyfoe and Men in Kilts, in exchange for fair value of total consideration of $29,956,694.

The acquisition was funded through equity contributions from Riverside and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. Goodwill is deductible for income tax purposes.

Note 2: Acquisition of Businesses (Continued)

The business combination was accounted for under the acquisition method of accounting. In accordance with the pushdown basis of accounting, the net assets of the Company were adjusted to their estimated fair values as of the date of acquisition. The total consideration and net assets of the Company are summarized in the following table:

Consideration:	
Cash	$ 13,970,942
Due to seller	17,469
835 Class A Units of HS Group Holding Company, LLC	1,500,000
Total invested capital	$ 15,488,411
Recognized amount of net assets of the Company:	
Cash	$ 129,606
Receivables	227,163
Inventory	92,885
Other current assets	154,809
Contract assets	31,395
Fixed assets	23,852
Right-of-use asset	43,701
Tradename	1,038,000
Franchise agreements	1,797,000
Accounts payable and accruals	(101,868)
Lease liability	(45,540)
Deferred revenue	(330,806)
Total identifiable net assets acquired	3,060,197
Goodwill	12,428,214
	$ 15,488,411

The fair value of the 2,650 Class A Units was determined on the basis of contemporaneous contributed capital of other members' of the Company's Class A Units on the acquisition date.

As of December 31, 2020, the Company had not yet finalized the purchase price allocation. During the year ended December 31, 2021, the Company made adjustments to the preliminary purchase price allocation as additional information became available. Accordingly, the Company recorded an adjustment to Goodwill of approximately $91,000.

In connection with the transaction, Riverside incurred $1,307,039 of transaction expenses which were netted with the total pushdown of basis from Riverside within the consolidated statement of changes in members' equity.

Of the $11,555,000 of identified intangible assets, $7,258,000 was assigned to franchise agreements (10-year life), $2,610,000 was assigned to trade names (20-year life), and $1,687,000 to developed software (7-year life).

Note 2: Acquisition of Businesses (Continued)

Pestmaster: Effective September 23, 2020, the Company acquired 100% of the membership interest in PFN, PSI and Kaigan for total consideration of $9,970,416.

The acquisition was funded through equity contributions and the issuance of membership units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. The majority of goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and assets acquired and liabilities assumed recognized at the preliminary fair value at the date of acquisition:

Consideration:	
Cash	$ 9,290,124
1,000 Class A Units of HS Group Holding Company, LLC	864,150
Due from seller	(183,858)
Total invested capital	$ 9,970,416
Recognized amount of identifiable assets acquired and liabilities assumed:	
Cash	$ 30,402
Receivables	849,588
Prepaid expenses and other assets	32,436
Capitalized contract costs	89,523
Notes receivable	67,356
Property and equipment	851,603
Intangible assets	2,796,000
Accounts payable	(289,723)
Accrued expenses and other liabilities	(360,622)
Deferred franchise and territory fees	(601,732)
Notes payable	(533,611)
Total identifiable net assets acquired	2,931,220
Goodwill	7,039,196
	$ 9,970,416

The fair value of the 1,000 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

As of December 31, 2020, the Company had not yet finalized the purchase price allocation. The Company was in on-going negotiations with the seller on the working capital adjustment. During the year ended December 31, 2021, the Company made adjustments to consideration and the preliminary purchase price allocation as additional information became available and the working capital adjustment was finalized. Accordingly, the Company recorded an adjustment to Goodwill of $133,000 during the period, primarily related to the working capital adjustment.

Note 2: Acquisition of Businesses (Continued)

In connection with the transaction, the Company incurred $1,663,661 of transaction expenses which were expensed as incurred in the accompanying consolidated statement of operations.

Of the $2,796,000 of identified intangible assets, $1,879,000 was assigned to franchise agreements (10-year life) and $917,000 was assigned to trade names (20-year life).

USA Insulation: Effective December 23, 2020, the Company acquired 100% of the interest in USA, USAE and FDIE for total consideration of $17,283,852.

The acquisition was funded through equity contributions, draw down of debt, and the issuance of membership units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and the assets acquired and liabilities assumed recognized at fair value at the date of acquisition:

Consideration:	
Cash	$ 15,638,925
Due from seller	(244,930)
2,200 Class A Units of HS Group Holding Company, LLC	1,889,857
Total invested capital	$ 17,283,852
Recognized amount of identifiable assets acquired and liabilities assumed:	
Cash	$ 2,057,255
Receivables	362,950
Prepaid expenses and other assets	210,738
Capitalized contract costs	321,014
Notes receivable	34,678
Property and equipment	602,280
Intangible assets	4,162,000
Accounts payable	(163,956)
Accrued expenses and other liabilities	(549,809)
Deferred franchise and territory fees	(1,111,051)
Total identifiable net assets acquired	5,926,099
Goodwill	11,357,753
	$ 17,283,852

The fair value of the 2,200 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred $1,382,293 of transaction expenses which were expensed as incurred in the accompanying consolidated statement of operations.

Note 2. Acquisition of Businesses (Continued)

Of the $4,162,000 of identified intangible assets, $1,605,000 was assigned to franchise agreement (10-year life), $1,476,000 was assigned to trade names (20-year life) and $1,081,000 was assigned to trade secrets (25-year life).

Men in Kilts Canada: On February 8, 2021, the Company acquired 100% of the assets in MIKC for total consideration of $1,450,854.

The acquisition was funded through equity contributions and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. Goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and assets acquired and liabilities assumed recognized at the preliminary fair value at the date of acquisition:

Consideration:		
Cash	$	1,300,854
150 Class A Units of HS Group Holding Company, LLC		150,000
Total invested capital	$	1,450,854
Recognized amount of net assets of the Company:		
Other current assets	$	34,500
Intangible assets		927,000
Accrued expenses and other liabilities		(69,593)
Total identifiable net assets acquired		891,907
Goodwill		558,947
	$	1,450,854

The fair value of the 150 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred $252,478 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

Of the $927,000 of identified intangible assets, $829,000 was assigned to franchise agreements (10-year life) and $98,000 was assigned to trade names (20-year life).

Note 2. Acquisition of Businesses (Continued)

Plumbing Heating Paramedics: Effective May 7, 2021, the Company acquired 100% of the membership interest in PHP for total consideration of $5,380,087.

The acquisition was funded through equity contributions, draw down of debt and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and assets acquired and liabilities assumed recognized at the preliminary fair value at the date of acquisition:

Consideration:		
Cash	$	2,436,860
Due from seller		(56,773)
3,000 Class A Units of HS Group Holding Company, LLC		3,000,000
Total invested capital	$	5,380,087
Recognized amount of identifiable assets acquired and liabilities assumed:		
Cash	$	783,815
Receivables		265,090
Prepaid expenses and other assets		20,621
Property and equipment		195,658
Intangible assets		905,000
Accounts payable		(11,857)
Accrued expenses and other liabilities		(630,062)
Deferred service contract		(130,955)
Notes payable		(132,500)
Extended warranties		(541,548)
Total identifiable net assets acquired		723,262
Goodwill		4,656,825
	$	5,380,087

The fair value of the 3,000 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred $669,400 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

The $905,000 of identified intangible assets were assigned to trade names (20-year life).

Note 2. Acquisition of Businesses (Continued)

Sir Grout: Effective September 13, 2021, the Company acquired 100% of the membership interest in SGF and SG for total consideration of $12,697,136.

The acquisition was funded through equity contributions, draw down of debt and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and the assets acquired and liabilities assumed recognized at preliminary fair value at the date of acquisition:

Consideration:	
Cash	$ 10,697,136
1,354 Class A Units of HS Group Holding Company, LLC	2,000,000
Total invested capital	$ 12,697,136
Recognized amount of identifiable assets acquired and liabilities assumed:	
Cash	$ 133,841
Receivables	152,790
Other assets	66,092
Intangible assets	2,612,000
Accounts payable	(5,338)
Accrued expenses and other liabilities	(128,159)
Deferred revenue	(455,252)
Total identifiable net assets acquired	2,375,974
Goodwill	10,321,162
	$ 12,697,136

The fair value of the 1,354 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred $697,658 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

Of the $2,612,000 of identified intangible assets, $2,029,000 was assigned to franchise agreements (10-year life) and $583,000 was assigned to trade names (20-year life).

Note 2. Acquisition of Businesses (Continued)

Granite Garage: Effective May 13, 2022, the Company acquired 100% of the membership interest in GGFF and GGFA for total consideration of $15,488,411.

The acquisition was funded through equity contributions, and the issuance of member units to the sellers.

The goodwill arising from the above acquisition is largely due to the fair value of certain intangible assets along with the assembled workforce being subsumed into goodwill, the Company's presence in the marketplace, and its long-term expected revenue growth. A tax election was filed; therefore, goodwill is deductible for income tax purposes.

The business combination was accounted for under the acquisition method of accounting. The following table summarizes the consideration paid and the assets acquired and liabilities assumed recognized at preliminary fair value at the date of acquisition:

Consideration:	
Cash	$ 13,970,942
Due to seller	17,469
835 Class A Units of HS Group Holding Company, LLC	1,500,000
Total invested capital	$ 15,488,411
Recognized amount of net assets of the Company:	
Cash	$ 129,606
Receivables	227,163
Inventory	92,885
Other current assets	154,809
Contract assets	31,395
Fixed assets	23,852
Right-of-use asset	43,701
Tradename	1,038,000
Franchise agreements	1,797,000
Accounts payable and accruals	(101,868)
Lease liability	(45,540)
Deferred revenue	(330,806)
Total identifiable net assets acquired	3,060,197
Goodwill	12,428,214
	$ 15,488,411

The fair value of the 835 Class A Units was determined based on the value of the Company at the acquisition date, using unobservable inputs.

In connection with the transaction, the Company incurred $884,988 of transaction expenses, which were expensed as incurred in the accompanying consolidated statement of operations.

Of the $2,830,000 of identified intangible assets, $1,792,000 was assigned to franchise agreements (10-year life) and $1,038,000 was assigned to trade names (20-year life).

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Equipment	$ 715,331	$ 594,155
Vehicles	1,773,069	1,408,474
Furniture and fixtures	97,051	74,083
Leasehold improvements	629,288	503,139
Work in process	68,915	-
Software development costs	133,357	133,357
Total property and equipment	3,417,011	2,713,208
Less accumulated depreciation and amortization	(1,094,816)	(361,451)
Property and equipment, net	$ 2,322,195	$ 2,351,757

Depreciation expense for the years ended December 31, 2022, 2021, and for the period from August 13, 2020 (acquisition date), through December 31, 2020, was approximately $428,000, $297,000, and $64,000 respectively.

Note 4. Intangible Assets and Goodwill

Following is a summary of intangible assets:

	December 31, 2022			
	Weighted-Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Franchise agreements	8.04	$ 15,351,284	$ 3,023,790	$ 12,327,494
Trade names	18.12	7,821,407	736,027	7,085,380
Software	4.62	1,776,300	599,008	1,177,292
Trade secrets	22.98	1,081,000	87,428	993,572
		$ 26,029,991	$ 4,446,253	$ 21,583,738
Goodwill	8.26	$ 64,527,306	$ 11,225,551	$ 53,301,755

Note 4: Intangible Assets and Goodwill (Continued)

	December 31, 2021			
	Weighted-Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Franchise agreements	9.03	$ 13,600,000	$ 1,544,043	$ 12,055,957
Trade names	19.08	6,789,000	364,499	6,424,501
Software	5.62	1,687,000	333,957	1,353,043
Trade secrets	23.98	1,081,000	44,188	1,036,812
		$ 23,157,000	$ 2,286,687	$ 20,870,313
Goodwill	9.08	$ 52,088,447	$ 5,196,512	$ 46,891,935

The change in the carrying value of goodwill for the years ended December 31, 2022 and 2021, is as follows:

Balance at December 31, 2020	$ 35,677,018
Additions of goodwill	15,536,934
Amortization expense	(4,279,313)
Measurement period adjustment	(42,704)
Balance at December 31, 2021	46,891,935
Additions of goodwill	12,433,214
Amortization expense	(6,023,394)
Balance at December 31, 2022	$ 53,301,755

A measurement period adjustment was recorded in 2021 that related primarily to the working capital adjustment for the acquisition of Pestmaster and an adjustment to notes receivable for the acquisition of HS Group Holding Company, LLC. The net effect adjusted goodwill by approximately $43,000. The effect of amortization expense was de minimis.

Amortization expense recognized on intangible assets and goodwill totaled approximately $2,100,000 and $6,020,000, respectively, as of December 31, 2022. Amortization expense recognized on intangible assets and goodwill totaled approximately $1,800,000 and $4,280,000, respectively, as of December 31, 2021. Amortization expense recognized on intangible assets and goodwill totaled approximately $493,000 and $917,000, for the period August 13, 2020 (acquisition date) through December 31, 2020, respectively.

Note 4: Intangible Assets and Goodwill (Continued)

The future estimated aggregate amortization expense for intangibles and goodwill as of December 31, 2022, is as follows:

	Goodwill	Intangibles
Years ending December 31:		
2023	$ 6,452,731	$ 2,259,116
2024	6,452,731	2,259,116
2025	6,452,731	2,259,116
2026	6,452,731	2,259,116
2027	6,452,731	2,259,116

Note 5. Long-Term Debt

In connection with the Company's acquisition of USA on December 23, 2020, the Company entered into a credit agreement with a financial institution. Maximum borrowings under the credit agreement allow for $2,000,000 of a revolving loan, $12,500,000 of a senior secured term loan and $20,000,000 of additional term loans, which are secured by substantially all of the assets of the Company. The available borrowings on the revolver are limited to a borrowing base, calculated from the adjusted senior debt to earnings before interest, taxes, depreciation and amortization (EBITDA) as further defined in the credit agreement. In connection with the agreement, the Company incurred debt issuance costs of $410,323, which are amortized over the term of the credit agreement.

In connection with the Company's Acquisition of PHP on May 7, 2021, the Company signed the First Amendment to the Loan Agreement (the First Amendment) which provided an additional term loan of $4,000,000. The Company incurred debt issuance costs of $100,000, which are amortized over the term of the credit agreement.

On September 13, 2021, the Company signed the Second Amendment to the Loan Agreement (the Second Amendment), which granted approval for the acquisition of Sir Grout, LLC, and provided an additional term loan of $12,000,000. The Company incurred debt issuance costs of $451,094, which are amortized over the term of the credit agreement.

On May 13, 2022 and August 24, 2022 the Company signed the Third and Fourth Amendments, respectively. These amendments had no impact to cash flows and were to allow for the acquisition of Granite Garage and to update the definition of EBITDA, as it relates calculations required to be performed to confirms that the Company has met its debt covenants.

The interest rate is a floating rate equal to the lesser of London Interbank Offered Rate (LIBOR) plus the applicable margin and the maximum rate, as defined in the credit agreement, which is 9.2% as of December 31, 2022. Principal payments are due quarterly on the first day of each quarter in an amount equal to $71,093 and with a balloon payment on December 23, 2025. There is $28,072,031 outstanding on the senior secured term loan at December 31, 2022, and nothing drawn down on the revolving loan or the additional term loans.

The credit agreement includes certain ratios and excess cash flow payments. The credit agreement is collateralized by all business assets of the Company. As of December 31, 2022, the Company was in compliance with its debt covenants.

Note 5. Long-Term Debt (Continued)

Amortization expense recognized on debt issuance costs was approximately $210,000, $123,000, and de minimus as of December 31, 2022, 2021, and for the period from August 13, 2020 (acquisition date), through December 31, 2020, respectively.

A summary of long-term debt is as follows as of December 31, 2022:

	2022	2021
Term loan	$ 28,072,031	$ 28,356,406
Less unamortized debt issuance costs	(628,999)	(838,531)
Less current portion	(284,372)	(284,372)
	$ 27,158,660	$ 27,233,503

Future maturities of long-term debt are as follows:

2023	$ 284,372
2024	284,372
2025	27,503,287
	$ 28,072,031

Note 6. Leases

Operating lease: The Company leases real estate and vehicles, under operating lease agreements that have initial term of four to 15 years. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease five times up to a term of five years each. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Lease expense is approximately $1,426,819 for the year ended December 31, 2022. Weighted average lives remaining on lease terms are 4-10 years and the weighted average discount rates are 1.00%.

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2022:

Operating leases	
Operating cash outflows—payments on operating leases	$ 1,379,117
Right-of-use assets in exchange for new lease obligations:	
Operating leases	$ 6,670,560

Note 6. Leases (Continued)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2022:

Years ending December 31:	
2023	$ 1,291,303
2024	1,277,119
2025	1,220,701
2026	594,701
2027	288,550
Thereafter	803,049
Total lease payments	5,475,423
Less imputed interest	172,113
Total present value of lease liabilities	$ 5,647,536

Future minimum rentals, as determined under Topic 840, for all non-cancelable leases as of December 31, 2021 payments are as follows:

2022	$ 1,304,478
2023	1,215,191
2024	1,215,070
2025	1,118,024
2026	400,947
Thereafter	564,049
	$ 5,817,759

Note 7. Commitments and Contingencies

Legal matters: From time to time, the Company may be involved in legal actions arising in the ordinary course of business or, conditions may exist that may result in a loss but will only be resolved when one or more future events occur or fail to occur. Each of these actions or matters is assessed by the Company's management and legal counsel to evaluate the perceived merits of any proceeding or claim, as well as any relief sought or expected to be sought. Such assessment involves the exercise of judgment. The Company establishes accruals for losses that management deems to be probable and subject to reasonable estimate. If the assessment indicates that a potentially material loss contingency is not probable but reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Related-party transaction: A company related to the Company's majority member charges the Company for financial and management services under a management services agreement for reimbursement of reasonable direct expenses, which is included in general and administrative expense on the accompanying consolidated statements of operations. The total expense for the years ended December 31, 2022, 2021, and for the period from August 13, 2020 (acquisition date), through December 31, 2020, is approximately $295,000, $294,000 and $100,800, respectively.

Note 8. Members' Equity

Members' equity consisted of the following membership units:

	2022	
	Units Authorized	Units Outstanding
Class A Units	1,000,000	72,224
Class B Units	7,524	4,184

	2021	
	Units Authorized	Units Outstanding
Class A Units	1,000,000	62,608
Class B Units	6,510	5,137

Class A Units have voting rights on all matters requiring the consent, approval or vote of the Members. The Class A Units receive preference on distributions.

Class B Units are profit interests that do not have voting rights and have been issued to designated management employees of the Company without any corresponding capital contribution. The holders of these units are entitled to share in the appreciation of the Company's assets that occur subsequent to the date of grant. The Class B Units are dilutive to the participating preferred units.

The Company has issued 8,415, 6,452, 1,367 units to certain management employees as of December 31, 2022, 2021, and for the period from August 13, 2020 (acquisition date), through December 31, 2020, respectively. The units substantially vest upon a change in control of the Company, if still employed. The fair value of the awards at the date of grant is estimated using option pricing models. The expected terms assumption reflects the period for which the Company believes the awards will remain outstanding and is based on the expected behavior of the award holders. The Company determined the volatility of the fair value of its units through comparison to similar entities considering such characteristics as industry, stage of life cycle, size, and financial leverage. The risk free rate reflects the U.S. Treasury yield curve for similar expected life instruments in effect at the time of grant. During the years ended December 31, 2022 and 2021, and for the period from August 13, 2020 (acquisition date), through December 31, 2020 there were 4,231, 1,314, and zero cumulative units forfeited, respectively.

For the years ended December 31, 2022, 2021, and for the period from August 13, 2020 (acquisition date), through December 31, 2020 there was unrecognized compensation costs related to the Class B Units of approximately $943,000, $2,250,000 and $504,000, respectively. The unrecognized compensation costs will be recognized at the time the vesting criterion is probable to occur.

GUARANTEE OF PERFORMANCE

For value received, **HS GROUP HOLDING COMPANY, LLC**, a Delaware limited liability company (the "Guarantor"), located at Rockefeller Center, 630 Fifth Avenue, Suite 400, New York, New York 10111, absolutely and unconditionally guarantees to assume the duties and obligations of **USA INSULATION FRANCHISE, LLC**, located at 17700 Saint Clair Avenue, Cleveland, Ohio 44110 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Santa Monica (city), California (state), on the 29 day of March, 2023.

GUARANTOR:

HS GROUP HOLDING COMPANY, LLC

By: Caroline Peck

Name: Caroline Peck
Its: Vice President and Manager

USA INSULATION FRANCHISE CORPORATION

Financial Statements
For the Period from January 1, 2020 to December 22, 2020
and for the Year ended December 31, 2019

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MARTINET RECCHIA

INDEPENDENT AUDITORS' REPORT

To the Stockholders
USA Insulation Franchise Corporation
Cleveland, OH

We have audited the accompanying financial statements of USA Insulation Franchise Corporation (an Ohio S Corporation), which comprise the balance sheets as of December 22, 2020 and December 31, 2019, and the related statements of income, changes in stockholders' equity, and cash flows for the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019, 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 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of USA Insulation Franchise Corporation as of December 22, 2020 and December 31, 2019 and the results of its operations and its cash flows for the period from January 1, 2020 to December 22, 2020 and the year ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Matter
On December 23, 2020, 100% of the assets of the Company were sold. Accordingly, the balance sheet and the results of operations for the Company have been included through the date of the transaction. See Note 7 for additional information.

MARTINET RECCHIA INC
WILLOUGHBY, OHIO

Martinet Recchia

May 12, 2021

USA INSULATION FRANCHISE CORPORATION
BALANCE SHEETS
As of December 22, 2020 and December 31, 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 791,512	$ 640,011
Marketing Fund	329,030	256,723
Accounts Receivable - from Franchisees	265,180	193,427
Prepaid Expenses	52,020	1,725
Total Current Assets	1,437,742	1,091,886
PROPERTY AND EQUIPMENT		
Vehicles	43,728	138,648
Furniture	98,712	61,230
Equipment	8,795	8,795
Leasehold Improvements	73,331	73,331
Websites and Software	91,930	91,930
	316,496	373,934
Less: Accumulated Depreciation	(144,995)	(161,258)
Total Property and Equipment	171,501	212,676
OTHER ASSETS		
Financed Franchise Fees	34,677	162,344
TOTAL ASSETS	$ 1,643,920	$ 1,466,906

See Independent Auditors' Report and Accompanying Notes to Financial Statements

USA INSULATION FRANCHISE CORPORATION
BALANCE SHEETS
As of December 22, 2020 and December 31, 2019

	2020	2019
LIABILITIES		
LIABILITIES		
Accounts Payable	$ 1,989	$ 9,003
Accrued Expenses	94,108	106,363
Marketing Fund Liability	333,178	256,723
Deferred Revenue	335,000	120,000
Total Current Liabilities	764,275	492,089
TOTAL LIABILITIES	764,275	492,089
EQUITY		
EQUITY		
Common Stock		
No Par Value, 1,000 Shares Authorized		
700 Shares Issued and Outstanding	25,185	25,185
Additional Paid-in Capital	169,958	169,958
Retained Earnings	684,502	779,674
Total Equity	879,645	974,817
TOTAL LIABILITIES AND EQUITY	$ 1,643,920	$ 1,466,906

See Independent Auditors' Report and Accompanying Notes to Financial Statements

USA INSULATION FRANCHISE CORPORATION
STATEMENTS OF INCOME
For the Period from January 1, 2020 to December 22, 2020 and year ended December 31, 2019

	2020	Percent	2019	Percent
REVENUES				
Franchise, Product and Royalties	$ 2,943,552	92.39%	$ 2,772,168	83.63%
Initial Franchise Fees	242,500	7.61%	542,500	16.37%
Total Revenues	3,186,052	100.00%	3,314,668	100.00%
COST OF REVENUES	3,732	0.12%	33,056	1.00%
GROSS PROFIT	3,182,320	99.88%	3,281,612	99.00%
OPERATING EXPENSES				
Advertising Expense	107,785	3.38%	137,632	4.15%
Apparel	6,223	0.20%	6,497	0.20%
Auto Expense	10,803	0.34%	29,421	0.89%
Commissions	73,250	2.30%	78,750	2.38%
Consulting Expense	88,305	2.77%	47,855	1.44%
Depreciation and Amortization	47,920	1.50%	51,859	1.56%
Donations	-	0.00%	2,200	0.07%
Dues and Subscriptions	8,768	0.28%	21,202	0.64%
Education, Training and Support	36,978	1.16%	83,749	2.53%
Insurance	36,303	1.14%	27,307	0.82%
Marketing Fund Expenses	500,352	15.70%	487,421	14.70%
Miscellaneous	59,784	1.88%	20,060	0.61%
Office Expense	60,960	1.91%	41,313	1.25%
Printing	13,919	0.44%	15,009	0.45%
Professional Fees	122,263	3.84%	121,371	3.66%
Rent Expense	42,155	1.32%	43,200	1.30%
Repairs and Maintenance	44,702	1.40%	17,529	0.53%
Retirement Plan Contribution	22,762	0.71%	24,459	0.74%
Taxes - Business	70,457	2.21%	23,677	0.71%
Support Travel and Business Meals	41,890	1.31%	102,635	3.10%
Utilities	30,686	0.96%	14,894	0.45%
Wages and Payroll Taxes	813,182	25.52%	831,019	25.07%
Total Operating Expenses	2,239,447	70.27%	2,229,059	67.25%
	942,873	29.61%	1,052,553	31.75%
OTHER INCOME (EXPENSE)				
Interest Income	4,812	0.15%	8,739	0.26%
Extinguishment of debt - PPP Loan	158,852	4.99%	-	0.00%
Other Income	2,677	0.08%	-	0.00%
Loss on Sale of Property and Equipment	(20,030)	-0.63%	28,372	0.86%
Interest Expense	(262)	-0.01%	-	0.00%
Total Other Income (Expense)	146,049	4.59%	37,111	1.12%
NET INCOME	$ 1,088,922	34.20%	$ 1,089,664	32.87%

See Independent Auditors' Report and Accompanying Notes to Financial Statements

USA INSULATION FRANCHISE CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Period from January 1, 2020 to December 22, 2020 and year ended December 31, 2019

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance as of January 1, 2019	700	$ 25,185	$ 169,958	$ 560,076	$ 755,219
Net Income	-	-	-	1,089,664	1,089,664
(Distributions)/ Contributions	-	-	-	(870,066)	(870,066)
Balance as of December 31, 2019	700	25,185	169,958	779,674	$ 974,817
Net Income	-	-	-	1,088,922	1,088,922
(Distributions)/ Contributions	-	-	-	(1,184,094)	(1,184,094)
Balance as of December 22, 2020	700	$ 25,185	$ 169,958	$ 684,502	$ 879,645

See Independent Auditors' Report and Accompanying Notes to Financial Statements

USA INSULATION FRANCHISE CORPORATION
STATEMENTS OF CASH FLOWS
For the Period from January 1, 2020 to December 22, 2020 and year ended December 31, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,088,922	$ 1,089,664
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Add back: Items Not Affecting Cash		
Depreciation and Amortization	47,920	51,859
Gain on disposal of fixed assets	20,030	(10,374)
Cash Provided By/ (Used in) Changes in the Following Items:		
Increase in Accounts Receivable	(71,753)	(1,424)
Decrease in Prepaid Expenses	(50,295)	19,298
Decrease in Accounts Payable	(7,014)	(5,148)
Decrease in Accrued Expenses	(12,255)	85,754
Increase in Marketing Fund Liability	76,455	15,247
Net Change in Deferred Revenue	215,000	120,000
Net Cash Provided by Operating Activities	1,307,010	1,364,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Property and Equipment	74,174	-
Purchase of Property and Equipment	(100,949)	(30,228)
Net Cash Used in Investing Activities	(26,775)	(30,228)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Financed Franchise Fees	127,667	(162,344)
Distributions	(1,184,094)	(870,066)
Net Cash Used in Financing Activities	(1,056,427)	(1,032,410)
NET INCREASE IN CASH		
CASH, CASH EQUIVALENTS AND RESTRICTED CASH	223,808	302,238
CASH, CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF THE YEAR	896,734	594,496
CASH, CASH EQUIVALENTS AND RESTRICTED CASH END OF THE YEAR	$ 1,120,542	$ 896,734

See Independent Auditors' Report and Accompanying Notes to Financial Statements

USA INSULATION FRANCHISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Period from January 1, 2020 to December 22, 2020
and for the Year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of USA Insulation Franchise Corporation (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (US GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Operations
The Company develops operational procedures and systems to sell "USA Insulation" home insulation franchises to qualified franchisees throughout the United States. The Company operates from their headquarters located in Cleveland, Ohio. The Company grants franchises, under franchise agreements with ten-year terms, to establish and operate a business offering residential insulation services for existing homes in specific geographic territories. As of December 22, 2020 and December 31, 2019 the Company had sold a total of 56 and 49 territories to franchisees, respectively.

Use of Estimates
The preparation of financial statements in conformity with US GAAP 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.

Cash and Cash Equivalents
The Company considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of December 22, 2020 and December 31, 2019, the Company's cash and cash equivalents were deposited in a single financial institution. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. The Company does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Marketing Fund (Restricted Cash)
The Company has restricted cash that relates to unspent advertising fees paid by franchisees which may be used solely for the cost of producing, maintaining, administering, and directing consumer advertising. The amount of restricted cash as of December 22, 2020 and December 31, 2019 was $329,030 and $256,723, respectively. The corresponding liability is recorded as a current liability under the caption "Marketing Fund Liability." As the funds collected are expected to be used within one year, both the asset and the corresponding liability have been classified as current. Pursuant to *Accounting Standards Update 2016-18 Statement of Cash Flows: Restricted Cash* the Company has retrospectively included the restricted cash balance as part of cash, cash equivalents in the accompanying statement of cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounts Receivable – Franchisees

Accounts Receivable are reported at the amount the Company expects to collect. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical experience and a review of the current status of accounts receivable. It is reasonably possible that the estimate of the allowance for doubtful accounts will change. Management has determined based on its assessment that the accounts receivable presented are fully collectible and an allowance for doubtful accounts is not necessary. For the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019, the Company did not have any bad debt expense.

Property and Equipment

Property and equipment are stated at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs that do not substantially improve or extend the lives of the assets are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant property and equipment are as follows:

	Years
Vehicles	10
Furniture	5 - 10
Equipment	5 - 10
Leasehold Improvements	40
Website and Software	5

Depreciation expense for the period from January 1, 2020 to December 22, 2020 and for the year ending December 31, 2019 was $47,920 and $51,859, respectively

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there were no impairments to recognize as of December 22, 2020 and December 31, 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Income Taxes

USA Insulation Franchise Corporation, with consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. In lieu of corporation income taxes, the shareholder of an S corporation and members in a partnership, are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. Certain specific deductions and credits flow through the Company to its stockholders. State commercial activity taxes and local income taxes are paid by the Company.

The Company files income tax returns in the U.S. federal jurisdiction and local jurisdictions. Neither Company is subject to U.S. federal and local examinations by tax authorities for years before 2017.

The Company reports liabilities for unrecognized tax benefits under US GAAP which clarifies the recognition threshold and measurement attribute for the financial statement reporting and measurement of a tax position taken or expected to be taken in a tax return. Management is not aware of any issues that would require the Company to record a liability for unrecognized tax benefits for the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019. If applicable, the Company would record interest accrued related to unrecognized tax benefits in interest expense and any accrued penalties in operating expense.

Revenue Recognition

Initial franchise fees which have been included in the accompanying statement of income represent fees paid to the franchisor by the franchisee upon execution of the franchise agreement. These fees are non-refundable. Management has determined that since there are no provisions for discount or non-payments of the fee, the fee is recognized as income when substantially all material obligations under the franchise agreement have been performed. The initial franchise agreement may be financed at the discretion of management. Initial franchise fees that are financed are secured by a continuing security interest in any operating assets of the franchisees business. As of December 22, 2020 and December 31, 2019, deferred revenue related to initial franchise fees paid but not yet earned was $335,000 and $120,000.

In addition to the initial franchise fee, the franchisees are obligated, among other things, to pay a continuing royalty based on a fixed percentage of sales and contribute to an advertising program for the term of the franchise agreement. These fees are recorded as revenues when due from the franchisees.

Direct franchising costs are recognized in the same period as the related revenues. Revenues from the sale of USA Insulation products, equipment, and other items for use in the operations of the franchisees' business, are recognized when the product has shipped to the franchisee and title has transferred.

Advertising

Advertising costs are expensed in the period incurred. Advertising expense totaled $107,785 and $137,632 for the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Policies Adopted

In May 2014, the FASB issued 2014-09, Revenue from Contracts with Customers (Topic 606). This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The Company has adopted this standard effective for the year ended December 31, 2019 using a modified retrospective approach. Although the modified retrospective approach was applied management has determined that there is no adjustment to beginning retained earnings.

Taxes on Revenue-Producing Transactions

Revenue-related taxes include any tax assessed by a governmental authority that is imposed concurrent with or subsequent to a revenue-producing transaction between a seller and a customer. US GAAP permits entities to adopt a policy of presenting such taxes in the statement of operations either on a gross basis within revenues or on a net basis. The Company's policy is to present such revenue-related taxes on a net basis.

Employee Benefit Plans

The Company has a 401(k) defined contribution plan ("Plan") to provide retirement and incidental benefits for its employees. Eligible employees may contribute to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Company matches employee contributions at 100% up to 4% of annual compensation. The Company's contributions to the Plan totaled $22,762 and $24,459 for the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019, respectively.

Contingencies

Certain conditions may exist which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they arise from guarantees, in which case the guarantees would be disclosed. As of December 22, 2020 and December 31, 2019, management is not aware of any such contingencies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contingencies - continued

Throughout the current year and subsequent the COVID-19 pandemic will continue to be a risk factor affecting economic and social environment of the Company. Future government shutdowns could affect demand for work, labor supply and disruption to the Company operations.

2. CONCENTRATION OF CREDIT RISK

The credit risk for customers is concentrated due to the outstanding balances comprised substantially from the Company's franchisees. However, customer accounts are generally collected within 30 days of invoice date and based on its assessment of current conditions, management believes realization of losses on amounts outstanding will be immaterial for the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019.

3. FINANCED FRANCHISE FEES

From time to time the Company enters into promissory notes with current franchisees to pay for initial franchise fees charged to expand territories. Interest and payment terms of the notes are charged as defined in the promissory notes. Notes can be prepaid without penalty. Notes are secured by continuing security interest of the operating assets of the franchisees business. As of December 22, 2020 and December 31, 2019 total financed franchise fees outstanding were $34,677 and $162,344.

4. LINE OF CREDIT AND LONG-TERM DEBT

On March 16, 2018 the Company entered into a line of credit note with Chase Bank with a maximum borrowing limit of $300,000. Borrowings under the line of credit bear interest at a variable rate based on the Prime Rate (as defined in the agreement) plus 1.4%. The borrowing is collateralized by substantially all assets of the Company. There is also a personal guarantee by the two majority shareholders of the Company. As of December 31, 2019 the outstanding balance on the line of credit was $0. During 2020 the line of credit with Chase Bank expired and was not renewed.

5. RELATED PARTY TRANSACTIONS

Related Party Leases

The Company leases their operating facilities from PJ3 Holdings, LLC, an entity that is wholly owned by the Company's major stockholders. Total rent expense for these lease was $42,155 and $43,200 for the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019, respectively.

5. RELATED PARTY TRANSACTIONS – continued

Related Party Leases – continued
Future maturity of the leases are as follows for the years ended December 31:

2021	$	43,200
2022		43,200
2023		43,200
2024		43,200
2025		32,400
	$	248,400

The Company has applied the guidance of *ASU 2014-07, "Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements"* and as a result, is not required to apply variable interest entity guidance to certain common control leasing arrangements to the leasing company.

Related Party Transactions
USA Insulation Franchise and FDI Enterprises, LLC, an entity that is wholly owned by the Company's major stockholders, have an exclusive distribution and supply agreement, whereby FDI Enterprises, LLC pays licensing fee to USA Insulation Franchise. The term of the agreement is for three successive ten-year renewals. For the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019, total fees paid were $760,064 and $650,950, respectively.

December 22, 2020 and December 31, 2019, the Company was owed $20,564 and $13,256, respectively, from franchisees that were owned by the shareholders. The amount is included in "Accounts Receivable – from Franchisees". For the period from January 1, 2020 to December 22, 2020 and for the year ended December 31, 2019, the Company received $171,316 and $120,003, respectively, in revenues from these franchisees.

6. PAYCHECK PROTECTION PROGRAM LOANS

The Company received a loan under the Paycheck Protection Program ("PPP Loan") established by the Coronavirus Aid, Relief and Economic Security (CARES) Act. The loan is subject to a loan agreement and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expense described in the CARES Act. As of December 22, 2020 the Company received 100% forgiveness of the outstanding PPP loan of $158,852. The extinguishment of debt has been included as other income in the accompanying financial statements.

7. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 12, 2021 which represents the date the financial statement were available to be issued.

On December 23, 2020 the shareholders of the Company entered into a membership purchase agreement with HS Group Holding Company, LLC (Riverside) for the purpose of selling substantially all the assets in the Company to Riverside for an initial purchase price of $16,000,000. This transaction was done in conjunction with the sale of other related companies FDI Enterprises, LLC and USA Enterprises, Inc to Riverside as well. After the transactions was completed the original shareholders each maintained an indirect minority ownership in the new Company. The purchase of the Company has not been included in the financial statements as presented. As of May 12, 2021, the effect of the sale has not been determined.

EXHIBIT D

LIST OF STATE ADMINISTRATORS

California Dept. of Financial Protection & Innovation 2101 Arena Blvd. Sacramento, CA 95834 (866-275-2677 (toll free)	Office of the Attorney General Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7786
Florida Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 245-6000	Michigan Dept. of the Attorney General Consumer Protection Division Antitrust and Franchise Unit Mennen Williams Building, 1st Floor 525 W. Ottawa Street Lansing, MI 48909 (517) 373-7117
Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2744	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 296-6328
Franchise Division Illinois Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Nebraska Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, NE 68508 P.O. Box 95006 Lincoln, NE 68509-5006 (402) 471-2171
Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	New York State Dept of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8222
Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankford, KY 40602 (502) 696-5389	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712
Oregon Dept. of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 (503) 378-4387	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 (801) 530-6601

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Rhode Island Dept. of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920 (401) 222-3048	Virginia State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051
South Dakota Dept. of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Washington Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760
Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 (512) 475-1769	Wisconsin Dept. of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-8557

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EX. D

EXHIBIT E

LIST OF AGENTS FOR SERVICE OF PROCESS

Our registered agent in the State of Ohio:

C T Corporation System
4400 Easton Commons Way, Suite 125
Columbus, Ohio 43219

California Commissioner of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 1-(866) 275-2677 (toll free)	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600
Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813	New York Secretary of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231 (212) 416-8236
Franchise Division Illinois Office of the Attorney General 500 South Second Street Springfield, IL 62706	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol – Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510
Indiana Secretary of State 200 West Washington Street Indianapolis, IN 46204	Director Rhode Island Dept. of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	South Dakota Dept. of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501
Michigan Dept. of Commerce Corporations and Securities Bureau Mennen Williams Building, 1st Floor 525 W. Ottawa Street Lansing, MI 48909	Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219
Director, Dept. of Financial Institutions Securities Division 150 Israel Road, S.W. Tumwater, WA 98501	Wisconsin Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

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EX. E.

EXHIBIT F

STATE SPECIFIC ADDENDA

ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF ILLINOIS

The conditions under which the Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Illinois law (815 ILCS 705/19 and 705/20).

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, Illinois law governs.

Although the Franchise Agreement requires litigation to be instituted in a court in Ohio, all litigation must be instituted in a court of competent jurisdiction located in the State of Illinois, subject to the internal dispute and mediation provisions of the Franchise Agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF INDIANA

Neither USA Insulation Franchise, LLC nor any person identified in Item 2 has any material arbitration proceeding pending, or has during the ten (10) year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by a franchisee shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement.

With respect to Item 17, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise. Additionally, any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

With respect to Item 17, under certain circumstances, the Franchise Agreement requires you to submit to a court proceeding in the State of Ohio. These provisions may run contrary to the Maryland Franchise Registration and Disclosure Law. Therefore, nothing will preclude you from being able to enter into litigation with us in Maryland, as long as the nature of the litigation is not the type of dispute, controversy, claim, action, or proceeding which would be subject to litigation under the Franchise Agreement.

With respect to Item 17's discussion of our right to terminate you upon your bankruptcy, this provision in the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C.§101 *et. seq*.).

Maryland law applies to claims arising under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MINNESOTA

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14 subdivisions 3, 4 and 5 which require, except in certain specific cases, that you be given ninety (90) days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400(J), prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

We will protect franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minn. Rule Part 2869.4400(D) prohibits us from requiring that you assent to a general release as set forth in Item 17, Provision (m) of this Disclosure Document.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J).

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NEW YORK

All references to "Disclosure Document" shall be deemed to include the term "Disclosure Document" as used under New York law.

The State Cover Page is amended to include the following additional Risk Factors:

4. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THE PROSPECTUS.

5. **AFTER YOUR FRANCHISED BUSINESS HAS BEEN OPEN FOR A PERIOD OF PERIOD OF SIX (6) MONTHS, FRANCHISEE MUST GENERATE A CERTAIN AMOUNT IN GROSS SALES ON A MONTHLY BASIS IN ORDER TO MAINTAIN FRANCHISEE'S EXCLUSIVE RIGHTS TO THE PROTECTED TERRITORY (THE "MINIMUM PRODUCTIVITY LEVEL"). IF YOU FAIL TO ACHIEVE YOUR MINIMUM PRODUCTIVITY LEVELS FOR A PERIOD OF THREE (3) CONSECUTIVE MONTHS, WE MAY REDUCE THE SIZE OF YOUR PROTECTED TERRITORY AND ALLOW OR OPERATE (OR LICENSE OTHERS TO OWN AND OPERATE) ADDITIONAL USA INSULATION BUSINESSES IN YOUR PROTECTED TERRITORY, AS DEEMED NECESSARY IN OUR SOLE DISCRETION, AS AN ALTERNATIVE TO TERMINATING YOUR FRANCHISE AGREEMENT.**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. Item 3 of this Disclosure Document is supplemented with the following: "Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

a. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

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b. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

c. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

d. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

3. Item 5 shall be supplemented with the following: "The franchisor may use the Initial Franchise Fee for any purpose, including to defray its costs of offering franchises and assisting franchisees to start business."

4. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

5. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

6. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), title "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

7. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor,

franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

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EX. F.

ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE NORTH DAKOTA

1. The Summary column of Item 17 paragraph (c) of this Disclosure Document is modified to read as follows:

> "Give us at least 90 days' notice of your intention to renew, sign our current form of franchise agreement renewable and ancillary agreements, sign a release (except for matters coming under the North Dakota Franchise Investment Law (the "North Dakota Law")."

2. The Summary column of Item 17 Paragraph (i) of this Disclosure Document is modified by adding the following at the end of the sentence:

> "Consent to termination or liquidated damages are generally unenforceable in the State of North Dakota."

3. The Summary column of Item 17 Paragraph (r) of this Disclosure Document is modified by adding the following at the end of the sentence:

> "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

4. The Summary column of Item 17 paragraph (u) of this Disclosure Document is amended by adding the following at the end of the paragraph:

> "Except that matters coming under the North Dakota Law will be submitted to mediation in a mutually agreeable location."

5. The Summary column of Item 17 paragraph (v) of this Disclosure Document is amended to read as follows:

6. "Except for matters coming under the North Dakota Law, litigation must be in the State in which our principal place of business is located, which is currently Ohio ."

7. The Summary column of Item 17 paragraph (w) of this Disclosure Document is amended to read as follows: The law of North Dakota governs.

8. No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for USA Insulation Franchise, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17, Provision (h):

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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WASHINGTON ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY 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.

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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STATE SPECIFIC ADDENDUM TO THE
USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT

ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for USA Insulation Franchise, LLC is amended as follows:

Section 23 of the Franchise Agreement shall be supplemented by the addition of the following new Section 23(C):

> C. Receipt and Documentation. Franchisee acknowledges that Franchisor is relying upon any acknowledgments of receipt for Franchisor's Franchise Disclosure Document for the State of Illinois and for the completed original of this Agreement executed by Franchisee as to the actual dates and fact of receipt for such documents. Franchisee acknowledges that it has had ample opportunity to consult with its counsel and representatives regarding the content of this Agreement and the Franchisor's Franchise Disclosure Document. FRANCHISEE HAS ATTACHED HERETO ANY WRITTEN STATEMENT, REPRESENTATION, WARRANTY OR INFORMATION, FURNISHED BY FRANCHISOR, OTHER THAN THAT INCLUDED IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, IF ANY, REGARDING THE POTENTIAL VOLUME, PROFITS OR EXPENSES OF A USA INSULATION FRANCHISE AUTHORIZED UNDER THIS AGREEMENT UPON WHICH FRANCHISEE IS RELYING IN MAKING ITS DECISION TO ENTER INTO THIS AGREEMENT.

Notwithstanding Sections 3 and 15 of the Franchise Agreement, the conditions under which the Franchise Agreement can be terminated and the parties' rights upon non-renewal may be affected by Illinois law, (815 ILCS 705/19 and 705/20).

Section 23 of the Franchise Agreement is hereby modified by adding the following text as the last sentence:

> The parties expressly confirm that there are no other oral or written agreements, "side-deals", arrangements or understandings between them except as set forth herein and in Franchisor's applicable Franchise Disclosure Document.

Notwithstanding anything to the contrary set forth in Section 21 of the Franchise Agreement, Illinois law shall govern this Agreement and all actions arising under or related to the Franchise Agreement may be brought in a court of competent jurisdiction in Illinois.

Nothing in the Franchise Agreement shall limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under the Illinois Franchise Disclosure Act of 1987, as amended.

Any condition, stipulation or provision of the Franchise Agreement purporting to bind Franchisee to a waiver of compliance with the Illinois Franchise Disclosure Act of 1987, as amended, is void.

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No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF INDIANA

Section 21(D) of the Franchise Agreement is hereby modified by deleting the words ". . . are likely to cause" in the third sentence thereof and replacing them with "may". Additionally, the words ". . . to a preliminary and/or permanent injunction and to a decree of specific performance of the terms of this Section 21 without the necessity of showing actual or a threatened damage" in the fourth sentence of Section 21(D) is hereby deleted in its entirety and replaced with ". . . to seek to obtain a preliminary and/or permanent injunction and to a decree of specific performance of the terms of this Section 21."

Section 13(E)(7) of the Franchise Agreement is hereby deleted in its entirety.

Section 15 of the Franchise Agreement, under the heading "Termination", shall be supplemented by the addition of the following Section 15(F) and Section 6.3, respectively:

> Indiana Law. The conditions under which this Agreement can be terminated may be affected by Indiana law [IC Stat. Sec. 23-2-2.5 and 23-2-2.7] which provides Franchisee with certain termination rights.

Section 21(I) of the Franchise Agreement is hereby modified by deleting the language of this provision after the words "commenced against Franchisor or it Affiliate within" and replacing the deleted portion with "two (2) years after the violation of IC Stat. 23-2 and, with respect to other claims, three (3) years after discovery by the Franchisee of the facts constituting the violation."

Any covenant not to compete in the Franchise Agreement which extends beyond the termination of the Franchise Agreement may not be enforceable under Indiana law.

Notwithstanding anything to the contrary in Section 21(A) of the Franchise Agreement, the laws of the State of Indiana shall govern the construction and enforcement of the Franchise Agreement.

Section 21 of the Franchise Agreement is hereby modified by adding the following text as the last sentence of the first paragraph:

> This provision shall not in any way abrogate or reduce any rights of Franchisee as provided for under Indiana law including, but not limited to, the right to submit matters to the jurisdiction of the courts of Indiana.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by a franchisee shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement.

Subsection (C) of Section 24 of the Franchise Agreement is deleted in its entirety and replaced with "[Intentionally Deleted]".

Subsections (A), (D), (E) and (H) of Section 25 of the Franchise Agreement are deleted in their entirety and replaced with "[Intentionally Deleted]".

Section 21(I) of the Franchise Agreement is hereby modified by adding the following at the end of the first paragraph thereof: ". . . , provided, however, that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise."

With respect to franchisor's right to terminate you upon your bankruptcy as set forth in Section 15(A) of the Franchise Agreement, termination of the Franchise Agreement for this reason may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

Any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Notwithstanding anything to the contrary in the first paragraph of Section 21(E) of the Franchise Agreement, the Maryland Franchise Registration and Disclosure Law prohibits the Franchisor from precluding the Franchisee from initiating litigation against the Franchisor in Maryland. Accordingly, Section 21(E) of the Franchise Agreement is hereby modified to provide that the Franchisee may initiate litigation or sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MINNESOTA

Sections 3(D) and 13(E)(3) of the Franchise Agreement regarding your obligation to execution of a general release upon assignment or renewal are deleted in their entirety in accordance with Minnesota Rule Part 2860.4400(D).

Section 7 of the Franchise Agreement is hereby modified by adding a new Section 7(O) as follows:

> Franchisor agrees to indemnify Franchisee from and against any losses, liabilities and damages for which Franchisee is held liable by a court of competent jurisdiction in any proceeding arising out of Franchisee's use of the marks "USA Insulation" and all other trademarks, service marks and associated marks and symbols utilized by Franchisee pursuant to this Agreement, provided such use is in accordance with and pursuant to the provisions of this Agreement. The foregoing indemnification is conditioned upon the following: Franchisee must (i) provide written notice to Franchisor of any claims subject to indemnification hereunder within twenty (20) days of Franchisee's receipt of any written information pertaining to such claims, (ii) tender the defense of the claims to Franchisor if Franchisor so desires, and (iii) permit Franchisor to have sole control of the defense and settlement of any such claim.

Section 15 of the Franchise Agreement is hereby modified by adding a new Section 15(F) as follows:

> Minnesota Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Minnesota law which provides Franchisee with certain termination and non-renewal rights. Minnesota Statute Section 80C.14, subdivisions 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Development Agreement.

Section 21 of the Franchise Agreement is hereby modified by adding a new Section 21(N), as follows:

> Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400(J), prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Nothing in the Franchise Agreement is intended to abrogate or reduce any rights of the Franchisee as provided in for Minnesota Statutes, Chapter 80C.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NEW YORK

Notwithstanding any provision of the Franchise Agreement, all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

Section 12(C) of the Franchise Agreement is hereby modified by adding the following sentence after the last sentence thereof: "However, the Franchisee shall not be required to indemnify for any claims arising out of a breach of the Agreement or other civil wrong of the Franchisor."

Notwithstanding any provision of the Franchise Agreement to the contrary, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to Article 33 of the General Business Law of the State of New York.

Notwithstanding Sections 21(A) and 21(E) of the Franchise Agreement the choice of law and venue provisions of the Franchise Agreement should not be construed as a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NORTH DAKOTA

1. The Summary column of Item 17 paragraph (c) of this Disclosure Document is modified to read as follows:

> "Give us at least 90 days' notice of your intention to renew, sign our current form of franchise agreement renewable and ancillary agreements, sign a release (except for matters coming under the North Dakota Franchise Investment Law (the "North Dakota Law")."

2. The Summary column of Item 17 Paragraph (i) of this Disclosure Document is modified by adding the following at the end of the sentence:

> "Consent to termination or liquidated damages are generally unenforceable in the State of North Dakota."

3. The Summary column of Item 17 Paragraph (r) of this Disclosure Document is modified by adding the following at the end of the sentence:

"Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

4. The Summary column of Item 17 paragraph (u) of this Disclosure Document is amended by adding the following at the end of the paragraph:

> "Except that matters coming under the North Dakota Law will be submitted to mediation in a mutually agreeable location."

5. The Summary column of Item 17 paragraph (v) of this Disclosure Document is amended to read as follows:

6. "Except for matters coming under the North Dakota Law, litigation must be in the State in which our principal place of business is located, which is currently Ohio ."

7. The Summary column of Item 17 paragraph (w) of this Disclosure Document is amended to read as follows: The law of North Dakota governs.

8. No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF VIRGINIA

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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WASHINGTON ADDENDUM TO USA INSULATION FRANCHISE, LLC FRANCHISE AGREEMENT, QUESTIONNAIRE, AND RELATED AGREEMENTS

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.

Subsection (C) of Section 24 of the Franchise Agreement is deleted in its entirety and replaced with "[Intentionally Deleted]".

Subsections (A), (D), (E) and (H) of Section 25 of the Franchise Agreement are deleted in their entirety and replaced with "[Intentionally Deleted]".

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any

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applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO USA INSULATION FRANCHISE, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WISCONSIN

Section 15 of the Franchise Agreement is hereby modified by adding a new Section 15(F) as follows:

> Wisconsin Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Wisconsin law, Chapter 135, Wisc. Stats., the Wisconsin Fair Dealership Law.

Section 23 of the Franchise Agreement is hereby modified by adding the following to the first paragraph thereof:

> "The Wisconsin Fair Dealership Law supersedes any provision of this Agreement which is inconsistent with that law."

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FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM

Notwithstanding Section 21 of the Franchise Agreement, to the contrary, as applicable, this Addendum shall not be merged with or into, or superseded by, the Franchise Agreement. In the event of any conflict between the Franchise Agreement and this Addendum, this Addendum shall be controlling. Except as otherwise expressly set forth herein, no other amendments or modifications of the Franchise Agreement are intended or made by the parties.

APPLICABLE STATE: _____

FRANCHISOR:

USA INSULATION FRANCHISE, LLC

_____
By: Suave Brachowski, President

FRANCHISEE: (IF AN INDIVIDUAL)

_____
Signature

_____
Print Name

OR (IF FRANCHISEE IS A BUSINESS ENTITY)

_____
NAME OF FRANCHISEE ENTITY

By: _____
Signature

_____
Print Name

Title: _____

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EX. F.

EXHIBIT G

LIST OF CURRENT FRANCHISEES (AS OF DECEMBER 31, 2022)

LIST OF CURRENT FRANCHISEES

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
CONNECTICUT					
Matt Lambert	Eastern Connecticut	840 Cumberland Hill Road Unit 113, Woonsocket, RI	RI	401-257-7000	1
COLORADO					
Andrea Hovanetz and Spencer C. Hovanetz	Denver	1997 Bellavista St., Castle Rock, CO 80109	CO	713-539-6665	1
FLORIDA					
Leo Fernandez	Jacksonville	151 Levy Road, Atlantic Beach, Florida 32233	FL	904-717-1000	1
Vincent & Andrea Adejumo	Orlando West	974 Explorer Cove Suite 132 Altamonte Springs, FL 32701	FL	407-813-2644	1
Vincent & Andrea Adejumo	Orlando East	974 Explorer Cove Suite 132 Altamonte Springs, FL 32701	FL	407-813-2644	1
GEORGIA					
Ryan Zondervan	Atlanta	639 Cordell Dr. Ste. C College Park, GA 30349	GA	678- 647-1414	3
IDAHO					
Daryl and Kirsten Delaney	Boise	609 S. Riverside Harbor Dr. Post Falls, ID 83854	ID	303- 906-8417	1
ILLINOIS					
Beau Bartlett	Chicago	335 W. Laura Dr., Addison, IL 60101	IL	630- 628-6800	5
Mark Owens	North/South Elgin	725 Schneider Drive Unit 4, South Elgin, IL 60177	IL	574-201-0360	2
INDIANA					
Mark Owens	North Central Indiana	9698 16th Rd., Argos, IN 46501	IN	574-201-0014	1
Beau Bartlett	Dyer	2023 Clark Rd., Unit E Dyer, IN 46311	IN	219- 200-0280	1
Mark & Kristy Owens	Ft. Wayne	4310 Illinois Street, Unit 7104, Fort Wayne, IN 46804	IN	574-201-0014	1
Tim Logue	Indianapolis	2101 West U.S. 40 Greenfield, IN 46250	IN	317- 577-9999	1
Tim Logue	Indianapolis West	2101 West U.S. 40 Greenfield, IN 46250	IN	317-577-9999	1
KENTUCKY					
Chris Hamburger	Louisville East	1846 Cargo Ct, Jeffersontown, KY 40299	KY	502-815-5000	1

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
MARYLAND					
Mehran Moghaddam	Central Maryland	7389 Washington Blvd #106 Elkridge, MD 21075	MD	410-525-5232	1
Mehran Moghaddam	Rockville	7554 Rickenbacker Drive Gaithersburg, MD 20879	MD	301-761-1811	1
MICHIGAN					
Chris Holmes	Flint	1780 Opkyke Ct. Auburn Hills, MI 48326	MI	248- 618-3922	1
Chris Holmes	Oakland Co., Northville North/Detroit West, Detroit East & Mount Clemens	1780 Opkyke Ct. Auburn Hills, MI 48326	MI	248-618-3922	4
Chris Holmes	Mid-Michigan	2285 North Opdyke Road, Auburn Hills, MI 48326	MI	248.618.3922	4
Chris Holmes	Grand Rapids	4515 Patterson Ave., SE, Grand Rapids, MI 49512	MI	616-808-7800	2
Chris Holmes	Lansing	1095 Mak Tech Dr. Lansing, MI 48906	MI	517-969-5220	1
David Potts	Kalamazoo	2306 Winters Drive, Portage, Michigan 49024	MI	269-256-6555	2
David Potts	Dearborn/SE Michigan & Northville South/Monroe	230 Airport Industrial Dr. Ypsilanti, MI 48198	MI	734-366-1366	2
David Potts	Jackson	230 Airport Industrial Dr. Ypsilanti, MI 48198	MI	734-221-3011	1
MINNESOTA					
Matthew J. Miller	Minneapolis	12809 45th Circle, NE, St. Michael, MN 55376	MN	763-458-5710	3
MISSOURI					
Joshua Riebold	St. Louis Downtown / West / South	825 Brownell Avenue, Glendale, MO 63122	MO	314-570-0209	4
NEW HAMPSHIRE					
Matt Lambert	Southern New Hampshire	20 Colby Rd. Litchfield, NH 03052	NH	603-931-1111	1
NEW YORK					
Mark Klinger and Brian Cohen	Buffalo North	3576 S. Benzing Road Orchard Park, NY 14127	NY	716-431-4500	1
Mark Klinger and Brian Cohen	Buffalo South	3576 S. Benzing Road Orchard Park, NY 14127	NY	716-431-4500	1
Andy and Jillian Fiorini	Syracuse	18 Corporate Circle, Ste. 2 E. Syracuse, NY 13057	NY	315-214-4000	1
NORTH CAROLINA					
David McAlister	Greenboro	7111 Laurel Point Dr Gibsonville, NC 27249	NC	336-509-9813	1

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
Ryo Stone and Jackie Banks	Raleigh	3621 Bastion Lane Raleigh, NC 27604	NC	919-899-2887	1
OHIO					
Mike & Matt Carey	Akron/Canton & Youngstown	466 Commerce St Tallmadge, OH 44278	OH	330-922-5588	2
Steve Cikach	Cincinnati	Business Address: 1 Louise Court Ludlow, KY 41016	OH	513-381-3626	1
Steve Cikach	Columbus	5411 Franklin Street Hilliard, OH 43026	OH	614-529-2440	1
Steve Cikach	Dayton	1116 W. Stewart Street Dayton, OH 45408	OH	888-894-1024	1
David Potts	NW OH & Toledo	381 Osage Dr. Maumee, OH 43537	OH	419-299-4799	2
OKLAHOMA					
Zach Neher	Oklahoma City	2364 NW 220th Terrace Edmond, OK 73025	OK	405-623-1202	2
PENNSYLVANIA					
Steve and Suzanne Nerone	Lehigh Valley	115 Oxford Drive, Easton, PA 18045	PA	484-903-6822	1
Steve and Suzanne Nerone	Philadelphia	115 Oxford Drive, Easton, PA 18045	PA	888-872-0630	5
Mike Madden	Pittsburgh	3445 Harts Run Road Glenshaw, PA 15116	PA	412-492-7283	3
Steve and Suzanne Nerone	Scranton	115 Oxford Drive, Easton, PA 18045	PA	484-903-6822	1
RHODE ISLAND					
Matt Lambert	Providence	840 Cumberland Hill Road Unit 113, Woonsocket, RI	RI	401-257-7000	2
SOUTH CAROLINA					
Christine and Michael Catoe	Charlotte	3122 Chapman Circle, Rock Hill, SC 29732	SC	803-417-0572	1
TENNESSEE					
Carrie Griggs	Knoxville	3222 NW Park Drive Knoxville, TN 37921	TN	865-412-4877	1
TEXAS					
CJ Sulik / Jason Ehrenberg	Austin	1501 Panther Loop Building, 5A Pflugerville, TX 78660	TX	512-855-4747	2
Christie Clinger	Carrollton	12909 Valley Branch Lane Farmers Branch, TX 75234	TX	214-556-8828	3
Olunifemi (Nifemi) Idowu	Garland	192 Industrial Blvd., Ste 101, Mckinney, TX 75069	TX	214-974-4695	1

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
Marius Cuzmin	Houston/ Galveston	5420 FM 2004 Hitchcock, TX 77563	TX	409-996-4620	1
Christie Clinger	N. Houston / SW Houston	4750 FM 2920 #403 Spring, TX 77388	TX	346-297-2800	3
VIRGINIA					
Mehran Moghaddam	Tyson's Corner/Fairfax	7554 Rickenbacker Drive Gaithersburg, MD 20879	VA	301-761-1811	1
WASHINGTON					
Ethan and Inna Wickersham	North Puget Sound	20503 63rd Pl. W, Lynnwood, WA 98036	WA	206-369-4146	3
Daryl and Kirsten Delaney	Spokane-CDA	1527 E. Lyons Spokane, WA 99217	WA	509-862-5655	1
WEST VIRGINIA					
Chris Paxson	Tri-State	151 Business Park Drive Unit 5, Inwood, WV 25428	WV	304-901-4134	1
WISCONSIN					
Nick and Tom Bates	Green Bay – Fox Valley	W5145 Kennedy Drive, Fond Du Lac, WI 54935	WI	920-979-7708	1
Jeff Behr	Madison	4709 Triangle Street, McFarland, WI 53558	WI	608-590-2733	3
Alex Wilson	Waukesha	N56W24131 Sussex Preserve BLVD., Sussex, WI 53039	WI	414-640-4566	1

LIST OF FRANCHISEES WITH FRANCHISE AGREEMENT SIGNED BUT OUTLET NOT OPENED AS OF DECEMBER 31, 2022

NAME	TERRITORY CITY	BUSINESS ADDRESS	STATE	PHONE NUMBER	# OF TERRITORIES
COLORADO					
Andrea Hovanetz and Spencer C. Hovanetz	Denver	1997 Bellavista St., Castle Rock, CO 80109	CO	713-539-6665	1
Andrea Hovanetz and Spencer C. Hovanetz	Denver	1997 Bellavista St., Castle Rock, CO 80109	CO	713-539-6665	1
NEW YORK					
Mark Klinger and Brian Cohen	Rochester	170 Bennington Drive, Rochester, NY 14616	NY	716-431-4500	1
PENNSYLVANIA					
Christopher Paxton	Harrisburg	151 Business Park Drive, Unit 5, Inwood, WV 25428	PA	304-901-4134	1
Christopher Paxton	Harrisburg	151 Business Park Drive, Unit 5, Inwood, WV 25428	PA	304-901-4134	1
SOUTH CAROLINA					
Chris Holmes	Charleston	2285 North Opdyke Road, Auburn Hills, MI 48326	MI	248-618-3922	1

EXHIBIT H

LIST OF FORMER FRANCHISEES

The following is a list of former franchisees that have ceased to do business under the franchise agreement or had an outlet terminated, transferred, canceled, not renewed, within the last fiscal year or who has not communicated with the franchisor within 10 weeks of the issuance date.

NAME	CITY	STATE	PHONE NUMBER	REASON
Jeff Stoker	Boise	ID	(208) 900-0109	Transfer
George and Brianna Jorgi	Elgin	IL	(630) 865-3593	Transfer
George and Brianna Jorgi	Elgin	IL	(630) 865-3593	Transfer
James Mintzer	Scranton	PA	(570) 961-7500	Transfer
James Mintzer	Scranton	PA	(570) 961-7500	Transfer
James Mintzer	Scranton	PA	(570) 961-7500	Transfer
James Mintzer	Scranton	PA	(570) 961-7500	Transfer
James Mintzer	Scranton	PA	(570) 961-7500	Transfer
Bill & Kelley Glazier	Houston	TX	(346) 297-2800	Transfer

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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EXHIBIT I

LIST OF FRANCHISEE ORGANIZATIONS CREATED, SPONSORED, OR ENDORSED

None

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EX. I.

EXHIBIT J

CONVERSION FRANCHISE ADDENDUM

This Conversion Franchise Addendum (this "Addendum") is made and entered into this ___ day of _____, 20___, between **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal place of business at 17700 Saint Clair Avenue, Cleveland, OH 44110 (hereinafter, "Franchisor"), and _____, whose principal address is _____, an individual/business entity organized in the State of _____ (hereinafter, "Conversion Franchisee")

RECITALS

WHEREAS, Franchisor and Conversion Franchisee have simultaneously herewith entered into a certain Franchise Agreement whereby Conversion Franchisee is granted a franchise to operate an USA Insulation Franchised Business, to use Franchisor's Marks, and to utilize Franchisor's System in connection therewith;

WHEREAS, Conversion Franchisee has submitted an application to Franchisor seeking permission to become a Conversion Franchisee of Franchisor, and Franchisor has approved such application;

WHEREAS, Conversion Franchisee presently owns and operates a business providing various types of insulation-related products and services and other energy efficient products and the corresponding installation services to existing residential homes similar, if not identical, to those offered by USA Insulation Franchised Businesses from a location approved by Franchisor, and has done so for a period of not less than six (6) continuous months; and further, Conversion Franchisee represents and acknowledges that it has met Franchisor's standards and qualifications to be classified as a "Conversion", and upon reliance on Conversion Franchisee's representation to Franchisor of such, Franchisor approves of such conversion classification;

WHEREAS, Conversion Franchisee represents and acknowledges that during the immediately preceding six (6) months of business operations, its business has generated in excess of FIVE HUNDRED THOUSAND DOLLARS ($500,000) in sales;

WHEREAS, Conversion Franchisee has represented and acknowledged that it does not operate under a franchise agreement, licensing agreement, or a prescribed marketing plan or system of another company, and is not subject to any agreements limiting or restricting Conversion Franchisee's ability to conduct said business;

WHEREAS, Conversion Franchisee acknowledges that by becoming a Franchisee of Franchisor it will be subject to covenants against competition, confidentiality agreements and standards of performance and quality, which otherwise would not attach to its business operations; and

WHEREAS, Franchisor desires to grant to Conversion Franchisee, a franchise upon the terms and subject to the conditions hereof, and subject to the terms and conditions of the Franchise Agreement executed simultaneously herewith.

NOW, THEREFORE, THE PARTIES, IN CONSIDERATION OF THE UNDERTAKINGS AND COMMITMENTS OF EACH PARTY TO THE OTHER SET FORTH IN THIS ADDENDUM, HEREBY AGREE AS FOLLOWS:

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EX. J.

1. RECITALS

The Recitals set forth above are incorporated herein by reference.

2. AMENDMENT OF TERMS OF FRANCHISE AGREEMENT

A. This Addendum shall amend and supplement the Franchise Agreement simultaneously executed by the parties herein. The terms, covenants, and conditions of this Addendum are incorporated into the Franchise Agreement, and with respect to any conflict between the two (2) agreements, the terms of this Addendum shall be controlling with respect to the subject matter thereof.

B. Except as expressly set forth in this Addendum, the rights, duties and obligations of the parties with respect to the USA Insulation Franchised Business shall be the same as the rights, duties, and obligations of the parties with respect to the Franchised Business described in the Franchise Agreement.

3. INITIAL FRANCHISE FEE

In consideration for the franchise granted herein, Franchisor shall waive the Initial Franchise Fee.

4. ROYALTY FEE

For the first 2 years of the Franchise Agreement only, Conversion Franchisee will have a discounted monthly Royalty Fee of two percent (2%) of the prior month's Gross Sales or a minimum royalty of One Thousand Dollars ($1,000) each month, whichever is greater.

5. CONVERSION OF FRANCHISEE'S BUSINESS TO THE USA INSULATION SYSTEM

A. Prior to the execution of the Franchise Agreement and this Addendum, Conversion Franchisee shall have furnished to Franchisor, in conjunction with its application to be accepted as an USA Insulation Conversion Franchisee, information pertaining to the existing site of Conversion Franchisee's business. Such information includes, but is not limited to, a map and written description of the existing site; demographic and population information relating to the local market; photographs and architectural plans of the existing location; the lease for the location; and, such other information as Franchisor in its sole discretion deems appropriate.

B. Prior to the commencement of operation of the Franchised Business, Conversion Franchisee must remove all materials, furniture, fixtures, signs and equipment which do not conform with the USA Insulation System; are not approved by Franchisor; and, which do not meet the standards and specifications prescribed in Franchisor's Manuals (as amended from time to time).

C. Conversion Franchisee understands and hereby acknowledges that every component of the USA Insulation System is vital to Franchisor, to other USA Insulation franchisees and to the operation of the business franchised hereby, and that compliance with the System is of the essence of this Addendum. Conversion Franchisee shall, at all times, conduct the Franchised Business hereunder in compliance with the USA Insulation System and cease rendering services or using equipment, materials, furniture, fixtures or signs which are not designated by Franchisor to be components of the USA Insulation System.

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EX. J.

D. As of the date on which Conversion Franchisee commences operating its business as an USA Insulation Franchised Business, Conversion Franchisee shall identify and represent its business as an USA Insulation business through the use and display of Franchisor's proprietary marks. During a period of one (1) year from the commencement of business as an USA Insulation franchisee, Conversion Franchisee may display, with Franchisor's prior written approval, secondary signage of such size, content and style as is prescribed by Franchisor in its Confidential Manuals, for the purpose of advising the public of the former trade name under which Conversion Franchisee had previously conducted its business. However, on the first anniversary of the commencement of operations as an USA Insulation franchisee, or at such later date as the parties may agree, Conversion Franchisee, at its sole cost and expense, shall cease using all references to its prior trade name and carry out its business activities only as an USA Insulation franchisee and only under the USA Insulation Marks.

E. As of the date on which Conversion Franchisee commences operating its business as an USA Insulation franchisee, Conversion Franchisee shall convert all of its books, accounts, ledgers, customer lists, bookkeeping systems, etc. so as to comply with the standards and specifications of the USA Insulation System, as is more fully set forth in Franchisor's Confidential Manuals, as amended from time to time.

F. Unless otherwise approved in writing by Franchisor, Conversion Franchisee shall successfully complete Franchisor's required training program; complete all necessary construction, renovations, or refurbishing; comply with all of Franchisor's standards and specifications with respect to goods, materials, equipment and services; and commence operation of the Franchised Business within sixty (60) days after the execution of the Franchise Agreement and this Addendum.

6. CONFIDENTIAL INFORMATION AND RESTRICTIVE COVENANTS

A. Conversion Franchisee acknowledges that notwithstanding the fact that it has operated a business or has been employed in a business of providing various types of insulation-related products and services and other energy efficient products and the corresponding installation services to existing residential homes similar to those offered under the USA Insulation System, it covenants and agrees to be bound by the restrictions on the use of confidential information set forth in the Franchise Agreement. Conversion Franchisee further acknowledges that all information pertaining to customers of Conversion Franchisee prior to the execution of the Franchise Agreement shall be deemed to be "confidential information" as that term is used in the Franchise Agreement.

B. Conversion Franchisee expressly acknowledges that despite the fact that it had been in the business or has been employed in the business of providing various types of insulation-related products and services and other energy efficient products and the corresponding installation services to existing residential homes prior to becoming an USA Insulation franchisee, Conversion Franchisee shall be bound by the in-term and post-term covenants not to compete set forth in the Franchise Agreement and all other applicable post-termination obligations of the Franchise Agreement.

7. ACKNOWLEDGMENTS

Conversion Franchisee acknowledges, warrants and represents to Franchisor that:

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EX. J.

A. It has, for at least six (6) continuous months, owned and operated a business of providing various types of insulation-related products and services and other energy efficient products and the corresponding installation services to existing residential homes similar to those offered through the franchised System.

B. During the immediately preceding six (6) months of business operations, Conversion Franchisee's business has generated in excess of FIVE HUNDRED THOUSAND DOLLARS ($500,000) in sales. Conversion Franchisee's business does not operate under either a franchise agreement, licensing agreement, or pursuant to any form of commercial arrangement whereby a third party prescribes a particular marketing plan or system upon its business operations. Furthermore, Conversion Franchisee is not subject to any covenant against competition.

C. No other person, firm, corporation, or other entity has any right, title or interest in or to Conversion Franchisee's business; Conversion Franchisee's business has not been mortgaged, pledged, or assigned; and, there are no judgments, liens, executions or proceedings pending which may alter, decrease or remove Conversion Franchisee's interest in said business.

D. Conversion Franchisee acknowledges that the information submitted and the representations made to Franchisor as an inducement for Franchisor to enter into this Addendum are accurate and truthful.

E. Conversion Franchisee acknowledges that by virtue of the terms and conditions of the Franchise Agreement and this Addendum the manner and operation of its business must be in strict compliance with Franchisor's standards and specifications and furthermore acknowledges that its ability to directly or indirectly engage in any other business which offers or sells services or products which comprise or may in the future comprise a part of the USA Insulation System is expressly limited.

F. Furthermore, Conversion Franchisee expressly acknowledges and understands that this Addendum amends and supplements the Franchise Agreement, and that the terms and conditions of this Addendum, are incorporated into the Franchise Agreement, as though set forth in full therein.

G. Nothing in this Conversion Addendum, or any related agreement, is intended to disclaim the representations made in the Franchise Disclosure Document by the Franchisor.

[SIGNATURES ON FOLLOWING PAGE]

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EX. J.

IN WITNESS WHEREOF, the parties hereunder have duly executed, sealed and delivered this Addendum on the day and year first set forth above.

FRANCHISOR:

USA INSULATION FRANCHISE, LLC

_____

By: Suave Brachowski
Its: President

CONVERSION FRANCHISEE:

_____

Name:
Title:

_____

Name:
Title:

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EX. J.

EXHIBIT K

SPOUSAL NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This Agreement is made and entered into _____, 20__, between **USA INSULATION FRANCHISE, LLC**, an Ohio limited liability company, with its principal place of business at 17700 Saint Clair Avenue, Cleveland, OH ("Franchisor") and _____, a/an _____ with its principal place of business at _____ ("Franchisee") and _____**,** the spouse or domestic partner of an owner of Franchisee ("Signer") with a primary residence at _____.

RECITALS

WHEREAS, Franchisor has developed, is using and is the owner of all rights in a unique system (hereinafter "USA INSULATION SYSTEM") for the development and operation of a business which provides various types of insulation-related products and services including proprietary injection foam, polyurethane spray foam, blown fiberglass insulation, rolled/batten fiberglass insulation and other energy efficient products and the corresponding installation services to existing residential homes under the trade name and mark USA INSULATION (hereinafter "USA");

WHEREAS, USA SYSTEM includes but is not limited to certain trade names, trademarks, trade dress and logos including, but not limited to, the mark USA INSULATION, service marks, trade symbols, trade dress, signs, slogans, associated logos, designs, emblems, URLs, domain names, email addresses, digital cellular addresses, website addresses and the like and copyrights and such other trade names and trademarks as Franchisor may develop in the future for the purposes of identifying USA SYSTEM, and such other distinguishing characteristics of USA SYSTEM including, without limitation, distinctive sales and marketing procedures; knowledge and procedures for providing various types of insulation-related products and services including proprietary injection foam, polyurethane spray foam, blown fiberglass insulation, rolled/batten fiberglass insulation and other energy efficient products and the corresponding installation services to existing residential homes; management and financial control methods; and training and assistance, all of which may be changed, improved and further developed by Franchisor from time to time ("Trade Secrets");

WHEREAS, Franchisor's Trade Secrets provide economic advantages to Franchisor and are not generally known to or readily ascertainable by proper means by Franchisor's competitors who could obtain economic value from knowledge and use of Franchisor's Trade Secrets;

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of Franchisor's Trade Secrets;

WHEREAS, Franchisor and Franchisee desire to enter into a Franchise Agreement which will grant Franchisee a limited right to operate a Franchised Business (as defined in the Franchise Agreement) within a territory using USA SYSTEM and Franchisor's Trade Secrets for a period defined in the Franchise Agreement ("Franchise Agreement");

WHEREAS, Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of USA SYSTEM of restricting use, access and dissemination of Franchisor's Trade Secrets; and

WHEREAS, it is anticipated that Signer may have access to learn Franchisor's Trade Secrets as Franchisee develops and maintains Franchisee's Business using USA SYSTEM.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Franchisee may disclose to Signer some or all of Franchisor's Trade Secrets relating to USA SYSTEM.

2. Signer shall receive Franchisor's Trade Secrets in confidence, maintain them in confidence, and shall use them only in connection with the development and/or maintenance by Franchisee of the Franchised Business using USA SYSTEM for so long as Franchisee is licensed by Franchisor to use USA SYSTEM.

3. Signer shall not at any time make copies of any documents or compilations containing some or all of Franchisor's Trade Secrets without the express written permission of Franchisor.

4. Signer shall not disclose or permit the disclosure of Franchisor's Trade Secrets to anyone.

5. That all information and materials, including without limitation, specifications, techniques and compilations of data which Franchisor shall designate as confidential shall be deemed Franchisor's Trade Secrets for the purposes of this Agreement.

6. Signer shall not, directly or indirectly, do any act or omit to do any act, which would or would likely to be injurious or prejudicial to the goodwill associated with USA SYSTEM.

7. In order to protect the goodwill and unique qualities of USA SYSTEM and the confidentiality and value of Franchisor's Trade Secrets, and in consideration for the disclosure to Signer of Franchisor's Trade Secrets, Signer further undertakes and covenants that, during the time Franchisee is a franchisee of Franchisor and for the two (2) years following the termination or expiration of Franchisee's Franchise Agreement, Signer will not:

(a) Directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any person, partnership or business entity, engage in or acquire any financial or beneficial interest in (including interest in business entities, partnerships, trusts, unincorporated associations or joint ventures), advise, help or make loans to any entity involved in a business which is the same as or similar to that conducted by USA which business is, or is intended to be located, within the United States; or

(b) Divert or attempt to divert, directly or indirectly, any business, business opportunity or client of Franchisee's Franchised Business(s) to any competitor.

8. Franchisee undertakes to use Franchisee's best efforts to ensure that Signer acts as required by this Agreement.

9. Signer agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement against Franchisee and Signer, and may seek, in addition to any other remedies which are made available to it at law or in equity, including the right to terminate the Franchise Agreement, a temporary and /or permanent injunction and a decree for the specific performance of the terms of this Agreement, without being required to furnish a bond or other security.

10. Signer agrees that the period during which the post-termination/expiration restrictions above apply shall be extended uninterrupted by the length of any period of time during which Signer was in violation of such restrictions.

11. This Agreement shall be governed by and construed under the laws of the State of Ohio.

12. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be unenforceable as written, its provisions shall be determined to be withheld, modified or limited to such extent or in such manner as is necessary for it to be valid and enforceable to the greatest extent possible.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISEE:

_____

By:
Its:
Date:_____

FRANCHISOR:

_____

By:
Its:
Date:_____

SIGNER:

_____

By:
Date:_____

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Illinois	March 31, 2023, as amended August _____, 2023
Indiana	March 31, 2023, as amended August _____, 2023
Maryland	May 5, 2023 [Amendment Pending]
Michigan	March 31, 2023, as amended August _____, 2023
Minnesota	April 20, 2023[Amendment Pending]
New York	April 18, 2023 [Amendment Pending]
North Dakota	April 14, 2023 [Amendment Pending]
Rhode Island	April 1, 2023[Amendment Pending]
South Dakota	March 31, 2023, as amended August _____, 2023
Virginia	March 31, 2023, as amended August _____, 2023
Washington	April 21, 2023[Amendment Pending]
Wisconsin	March 31, 2023, as amended August _____, 2023

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT (OUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If USA Insulation Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If USA Insulation Franchise, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit D.

The franchisor is USA Insulation Franchise, LLC, located at 17700 Saint Clair Avenue, Cleveland, OH 44110. Its telephone number is (440) 951-6800.

Issuance date: March 31, 2023, as amended August 2, 2023

The franchise seller for this offering is Ron Bender, USA Insulation Franchise, LLC, 17700 Saint Clair Avenue, Cleveland, OH 44110, (440) 951-6800.

Franchise Seller:_____
Name/Address/Telephone Number

USA Insulation Franchise, LLC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular states.

I received a disclosure document dated March 31, 2023, as amended August 2, 2023, that included the following Exhibits:

A: Franchise Agreement and Exhibits	F: State Specific Addenda
	G: List of Franchises
B: Operations Manual Table of Contents	H: List of Former Franchisees
C: Financial Statements/Parent Guarantee	I: List of Franchise Organizations Created, Sponsored or Endorsed
D: List of State Administrators	J: Conversion Franchise Addendum
E: List of Agents for Service of Process	K: Spousal Non-Disclosure and Non-Competition Agreement

Date: _____
(Do not leave blank)

By:_____ Name of Entity: _____

Print Name:_____ By:_____

Date:_____ Its:_____

Telephone No.:_____ Date: _____

Please sign, date, and return receipt to: USA Insulation Franchise, LLC, 17700 Saint Clair Ave., Cleveland, OH 44110.

©USA Insulation 2023 FDD issued March 31, 2023, as amended August 2, 2023

RECEIPT (YOUR COPY)

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Date: _____
(Do not leave blank)

By:_____ Name of Entity: _____

Print Name:_____ By:_____

Date:_____ Its:_____

Telephone No.:_____ Date: _____

Please sign and date this receipt. You may keep this copy for your records. 4891-4330-6097, v. 5

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