

Provision	Section in Franchise Agreement	Summary
t. Integration / merger clause	§ 21	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	§ 23.2	All disputes will be resolved by arbitration at the American Arbitration Association office located nearest our principal place of business (currently, Richmond, Virginia), subject to applicable state law (except for injunctive relief). (see note below).
v. Choice of forum	§§ 23.2 and 23.3	The parties consent to venue in the federal or state courts in the county in which our corporate headquarters is located (currently Richmond, VA), subject to applicable state law (see note below).
w. Choice of law	§ 23.1	The laws of Virginia shall govern, subject to applicable state law. (see Note below).

Please refer to the disclosure addenda and contractual amendments appended to this Disclosure Document for any additional terms that may be required under applicable state law. These additional disclosures, if any appear in an addendum or rider in Exhibit L.

ITEM 18
PUBLIC FIGURES

We do not currently use any public figures 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 this Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet a franchisee is 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.

TABLE 1
GROSS SALES for KOALA INSULATION BUSINESSES FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2024

The information provided below presents Gross Sales derived by certain Koala Insulation franchisees during the period between October 1, 2023 and September 30, 2024 ("2024 Fiscal Year Reporting Period"). There were 395 total territories as of September 30, 2024. The information provided in the table below was compiled from 87 franchisees that were operational during the entire 2024 Fiscal Year Reporting Period. These franchisees

operated 376 franchise territories during the 2024 Fiscal Year Reporting Period. 79 of these 87 franchisees operated in more than one territory under multiple franchise agreements during the entire 2024 Reporting Period as follows: 7 of the franchisees operated in 2 territories, 15 franchisees operated 3 territories, 30 franchisees operated 4 territories, 7 franchisees operated 5 territories, 7 franchisees operated 6 territories, 4 franchisees operated 7 territories, 5 franchisees operated in 8 territories, 2 franchisees operated 10 territories and 2 franchisees operated 12 territories. Koala Insulation franchisees report Gross Sales to us for all of their territories on the same report. As a result, for the purposes of this Item 19, each of the 87 franchisees were considered to be one franchise even though some operate in more than one territory. There were 58 franchise territories that commenced operations during the 2024 Fiscal Year Reporting Period. The data includes 36 of those 58 territories that commenced operations during the 2024 Fiscal Year Reporting Data. Franchisees that operate multiple territories are required to provide aggregate data for all of their territories, and therefore, any of those existing businesses that acquired additional territories during the 2024 Fiscal Year Reporting Period were included in the data. The data excluded 22 territories that were purchased by a new franchisee during the 2024 Fiscal Year Reporting Period and 48 franchise territories that ceased operations during the 2024 Fiscal Year Reporting Period.

TOTAL GROSS REVENUE							
	# of Franchisees	Min	Max	Median	Average	# above average	% above average
Greater than \$2.0M	10	2,056,356	4,755,177	2,389,839	2,674,510	2	20.0%
\$1.0M to \$2.0M	28	1,016,056	1,963,282	1,265,933	1,313,687	9	32.1%
\$500K to \$1.0M	28	516,022	979,652	788,837	753,313	16	57.1%
Less than \$500K	21	185,207	495,601	380,356	364,169	11	52.4%
Total	87			\$ 848,593	\$ 1,060,559	32	36.8%

The information provided in the table below was compiled from 8 single-territory Koala Insulation franchisees that were operational during the Reporting Period. The data excludes 101 franchisees that were operational during the Reporting period but operated more than one Territory during the entire Reporting Period and report gross sales to us for all territories on the same report, and franchisees that either began operations or ceased active operations during the Reporting Period.

TOTAL GROSS REVENUE - SINGLE TERRITORY							
	# of Franchisees	Min	Max	Median	Average	# above average	% above average
Single Territory Franchisees	8	\$ 295,334	\$ 1,179,453	\$ 428,393	\$ 544,885	3	37.5%

The information provided in the table below was compiled from the 79 multi-territory Koala Insulation franchisees that were operational during the Reporting Period, each of which operate in more than one Territory under different Franchise Agreements. These 79 Koala Insulation franchisees reported Gross Sales to us for all territories on the same report. As a result, for the purposes of the table below, each of these 79 Koala Insulation franchisees was considered to be one franchisee even though they operate in more than one Territory.

TOTAL GROSS REVENUE - MULTI TERRITORY						
	# of Franchisees	Min	Max	Median	Average	# above average % above average
Top Third	26	1,229,407	4,755,177	1,734,459	1,942,489	11 42.3%
Middle Third	27	749,370	1,198,867	924,284	935,891	13 48.1%
Bottom Third	26	185,207	735,074	478,006	466,761	16 61.5%
Total	79			\$ 924,284	\$ 1,112,779	28 35.4%

The Average Gross Sales figures presented above represent the total dollar value of insulation services sold during the Reporting Period by the Koala Insulation franchisees identified above.

TABLE 2 – 2023 Benchmarking Study for Koala Insulation Franchisee Businesses for the 12 months Ending December 31, 2023

In 2024, we conducted a financial Benchmarking Study for Koala Insulation franchisees. The Benchmarking Study was conducted solely on a voluntary basis and was offered only to franchisees who had been operating their Koala Insulation Businesses at least twelve months at the time of the Benchmarking Study. Twenty-five franchisees who joined the system in 2023 or 2024 were ineligible to participate in the Benchmarking Study. Interested franchisees were required to submit their income statements for the year ending December 31, 2023 (“Benchmarking Reporting Period”). We then calculated certain financial metrics to allow participants to compare their financial performance against their peer group of Koala Insulation franchisees. 73 reporting franchisees operating 288 territories (“Reporting Franchisees”), out of 386 territories (75%) Koala Insulation franchised territories that were open as of December 31, 2023, participated in the Benchmarking Study. Each of the 73 Koala Insulation Franchisees were located in the United States. We have reviewed the composition of franchise participants and believe it contains a random, representative sampling of Koala Insulation franchised territories based on level of sales, years in the business and geography.

Part 1: Average Gross Revenue less Average COGS and Average Certain Expense of Reporting Franchisees Operating for at Least Two years as of December 31, 2023

While the information in Part 2 through 10 focus on expenses by the applicable Reporting franchisees that had been open and operating throughout 2023, this Part 1 presents information for those 44 Reporting franchisees operating in 208 territories that had been open and operating on a full-time basis for at least two full years as of December 31, 2023. 40 of the 44 reporting franchisees contained in the chart below operate in multiple territories. The Chart below reflects the average revenues, certain costs and expenses in the 2023 calendar year by these 44 Reporting Franchisees.

REVENUE MINUS COGS AND CERTAIN MARKETING & OPERATING EXPENSES

	Average	% of Revenue
Gross Sales	1,100,064	100.0%
Cost of Goods Sold		
Installer Wages	199,979	18.2%
Job Supplies	329,563	30.0%
Cost of Fuel and Other COGS	54,346	4.9%
Total Cost of Goods	583,888	53.1%
Gross Profit Margin	516,177	46.9%
Certain Marketing & Operating Expenses		
Royalties & National Brand Marketing Fund	81,004	7.4%
Advertising and Marketing	56,870	5.2%
Rent and Utilities Expense	34,432	3.1%
Small Tools, Equipment & Uniform Expense	21,590	2.0%
Vehicle Expense	25,519	2.3%
Bank Service Charges & Merchant Fees	12,701	1.2%
Insurance	31,425	2.9%
Licenses & Permits	2,359	0.2%
IT & Telephone	8,117	0.7%
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	274,016	24.9%
Total Revenue Less Cost of Goods Sold and Certain Required Marketing & Operating Expenses	242,161	22.0%

*NOTE: Royalties & NBMF shown at the actual rates based on 2023 FDD

“Average” means the respective amount is equal to the average amount generated or incurred by the 44 Reporting Franchisees that were open and operating on a full-time basis for at least 12 months ending December 31, 2023. “% of Revenue” is calculated by taking the respective amount and dividing it by the average Gross Sales.

“Gross Sales” for purposes of this Table 2 means the total of all receipts derived from all sales of completed insulation projects. The median Gross Sales was \$952,193, with a high of \$3,141,892 and a low of \$156,729. 18 of the 44 Reporting Franchisees (or 41%) met or exceeded the average.

“Installer Wages” is all gross wages paid to install staff, contractor and subcontractors but do not include processing fees or other costs. The median cost of Installer Wages was \$168,114, and 20 of the 44 Reporting Franchisees (or 45%) met or exceeded the average.

“Job Supplies” includes the insulation products(s) and consumable goods required to provide the services. This does not include any shipping costs or equipment rental costs. The

median cost of Job Supplies was \$277,408, and 21 of the 44 Reporting Franchisees (or 48%) met or exceeded the average.

“Installer Fuel and Other COGS” includes fuel purchased for the truck used to pull the Koala Rig and fuel consumed by equipment on the Koala Rig. Other COGS include equipment rental costs, material dumping fees and the costs of job permits and fees. The median cost of Installer Fuel and Other COGS was \$40,533, and 18 of the 44 Reporting Franchisees (or 41%) met or exceeded the average.

“Royalties & National Brand Marketing Fund” was calculated by first determining the amount of Monthly Branding Royalty and National Brand Marketing Fund that each of the 44 Reporting Franchisees would have paid under this FDD, and then taking the total average of such amount. The median cost of Monthly Branding Royalty and National Brand Marketing Fund was \$71,414, and 18 of the 44 Reporting Franchisees (or 41%) met or exceeded the average.

“Advertising and Marketing” is the amount of advertising and marketing services purchased by the franchisee in their local territories for lead generation. The median cost of Advertising and Marketing was \$47,419, and 21 of the 44 Reporting Franchisees (or 48%) met or exceeded the average.

“Rent and Utilities Expense” is the amount spent on rent for office or warehouse space as well as any utilities costs for occupying those facilities. The median cost of Rent and Utilities was \$28,299, and 21 of the 44 Reporting Franchisees (or 48%) met or exceeded the average.

“Small Tools, Equipment & Uniform Expense” include installation tools such as hammer tackers, screwdrivers, construction supplies, personal protective equipment, removeable vacuum bags and staples, small equipment drills and ladders and uniforms. The median Small Tools, Equipment & Uniform Expense was \$16,620, and 18 of the 44 Reporting Franchisees (or 41%) met or exceeded the average.

“Vehicle Expense” include costs of parking, tolls, maintenance and vehicle leases, but does not include fuel or insurance. The median Vehicle Expense was \$14,736, and 14 of the 44 Reporting Franchisees (or 32%) met or exceeded the average.

“Bank Service Charges & Merchant Fees” means customary fees associated with maintaining a local banking relationship and accepting payment from customers via credit cards. The median Bank Service Charges & Merchant Fees was \$11,724, and 25 of the 44 Reporting Franchisees (or 57%) met or exceeded the average.

“Insurance” includes the amount spent on insurance coverage policies required under this FDD. The median Insurance expense was \$22,671, and 25 of the 44 Reporting Franchisees (or 57%) met or exceeded the average.

“Licenses and Permits” means the amount spent on maintaining required licenses and permits to operate their Koala Insulation business. The median Licenses and Permits

expense were \$951, and 18 of the 44 Reporting Franchisees (or 41%) met or exceeded the average.

“IT & Telephone” means the amount spent on licensing the field services technology platform for office and field devices and maintaining a VOIP phone system. The median IT & Telephone expense was \$5,428, and 20 of the 44 Reporting Franchisees (or 45%) met or exceeded the average.

“Total Revenue Less Cost of Goods Sold and Certain Marketing & Operating Expenses” means the average total Revenue minus Installer Wages, Job Supplies, Cost of Fuel and Other COGS, Royalties & National Brand Marketing Fund, Advertising and Marketing, Rent and Utilities, Small Tools, Equipment and Uniform Expense, Vehicle Expense, Bank Service Charges & Merchant Fees, Insurance, License & Permits, and IT & Telephone. This amount does not equal the average gross profit of the 44 Reporting Franchisees that had been open and operating on a full-time basis for at least two years as of December 31, 2023, as they each incurred additional costs and expenses that are not reflected in this Part1, including any compensation paid to either part-time or full-time office administration staff, sales personnel or operations management staff or compensation paid to the owner. You are solely responsible for determining the levels of compensation and benefits you give your employees.

Part 2: Gross Profit Margin for the 2023 Calendar Year

This section presents Gross Profit Margin information (as defined below) reported by the Reporting Franchisees during 2023.

Gross Profit Margin							# above average	% above average
	#	Min	Max	Median	Average			
Top Third	24	52.5%	66.7%	57.9%	58.5%	10	41.7%	
Middle Third	25	41.9%	52.1%	46.2%	46.8%	12	48.0%	
Bottom Third	24	29.2%	40.9%	36.0%	36.3%	11	45.8%	

The “Gross Profit Margin” is defined as Adjusted Gross Profit divided by the Gross Sales of the operation for the full calendar year of 2023. “Adjusted Gross Profit” is equal to Gross Sales less the Cost of Job Supplies (defined in Part 3 below), Cost of Installer Wages (defined in Part 4 below) less the Cost of Fuel and Other COGS (defined in Part 5 below).

Part 3: Cost of Job Supplies as a Percentage of Gross Sales for the 2023 Calendar Year

This section presents the Cost of Job Supplies as a percent of Gross Sales (as defined below) for the Reporting Franchisees during 2023.

Cost of Job Supplies as a percentage of Gross Sales

	#	Min	Max	Median	Average
Top Third	24	9.8%	26.1%	23.7%	21.8%
Middle Third	25	26.1%	34.9%	30.4%	30.5%
Bottom Third	24	35.0%	52.8%	37.8%	39.7%

The Cost of Job Supplies as a Percentage of Gross Sales is calculated by taking all “Cost of Job Supplies” divided by the total Gross Sales. Cost of Job Supplies includes the insulation product(s) and consumable goods required to provide the services. This line item does not include any shipping costs or equipment rental costs.

Part 4: Cost of Installer Wages as a Percentage of Gross Sales for the 2023 Calendar Year

This section presents the Cost of Installer Wages as a percent of Gross Sales (as defined below) for the Reporting Franchisees during 2023.

Cost of Installer Wages as a percentage of Gross Sales

	#	Min	Max	Median	Average
Top Third	24	7.2%	15.7%	12.4%	12.2%
Middle Third	25	15.8%	21.2%	18.3%	18.6%
Bottom Third	24	21.3%	46.3%	26.2%	27.3%

The Cost of Installer Wages as a Percentage of Gross Sales is calculated by taking all Cost of Installer Wages divided by the total Gross Sales. “Cost of Installer Wages” include the gross wages paid to install staff, contractors, and subcontractors, but do not include payroll taxes, processing fees, or other costs. Cost of Installer Wages does not include wages paid to any other staff or the franchise owner.

Part 5: Cost of Fuel and Other COGS as a Percentage of Gross Sales for the 2023 Calendar Year

This section presents the Cost of Fuel and Other COGS as a percent of Gross Sales (as defined below) for the Reporting Franchisees during 2023.

Cost of Fuel and Other COGS as a percentage of Gross Sales

	#	Min	Max	Median	Average
Top Third	24	-1.7%	2.2%	1.3%	1.0%
Middle Third	25	2.2%	4.7%	3.4%	3.4%
Bottom Third	24	4.9%	23.7%	6.5%	7.8%

The Cost of Fuel and other COGS as a Percentage of Gross Sales is calculated by taking all Cost of Fuel and Other COGS divided by the total Gross Sales. “Cost of Fuel and Other COGS” includes fuel purchased for the truck used to pull the Koala Rig and fuel consumed by equipment on the Koala Rig. Other COGS include equipment rental costs, material dumping fees and the costs of job permits and fees.

Part 6: Insurance Expenses as a Percentage of Gross Sales for the 2023 Calendar Year

This section presents Insurance Expenses as a percent of Gross Sales (as defined below) for the Reporting Franchisees during 2023.

Insurance Expenses as a percentage of Gross Sales

	#	Min	Max	Median	Average
Top Third	24	1.0%	2.1%	1.7%	1.7%
Middle Third	25	2.1%	3.5%	2.7%	2.7%
Bottom Third	24	3.5%	11.8%	5.0%	5.4%

The Insurance Expenses as a Percentage of Gross Sales is calculated by taking all Insurance Expenses divided by the total Gross Sales. “Insurance Expenses” include the amount spent on insurance coverage policies required under this FDD.

Part 7: Rent and Utilities Expenses as a Percentage of Gross Sales for the 2023 Calendar Year

This section presents the Rent and Utilities Expenses as a percent of Gross Sales (as defined below) for the Reporting Franchisees during 2023.

Rent and Utilities as a percentage of Gross Sales

	#	Min	Max	Median	Average
Top Third	24	0.0%	2.1%	1.3%	1.1%
Middle Third	25	2.1%	3.7%	3.0%	2.9%
Bottom Third	24	3.7%	13.4%	5.3%	6.0%

The Rent and Utilities Expenses as a Percentage of Gross Sales is calculated by taking all Rent and Utilities Expenses divided by the total Gross Sales. “Rent and Utilities Expenses” include facilities rental expenses for warehouse, storage or office space and related utilities costs including electricity, water, gas or other utilities.

Part 8: Small Tools, Equipment, Supplies and Uniform Expenses as a Percentage of Gross Sales for the 2023 Calendar Year

This section presents the Small tools, equipment, supplies and uniform Expenses as a percent of Gross Sales (as defined below) for the Reporting Franchisees during 2023.

Small tools, equipment, supplies & uniforms as a percentage of Gross Sale

	#	Min	Max	Median	Average
Top Third	24	0.0%	0.4%	0.0%	0.1%
Middle Third	25	0.6%	2.1%	1.6%	1.4%
Bottom Third	24	2.2%	7.7%	3.1%	3.6%

The Small tools, equipment, supplies and uniform Expenses as a Percentage of Gross Sales is calculated by taking all Small Tools, Equipment, Supplies and Uniform Expenses divided by the total Gross Sales. “Small Tools, Equipment, Supplies and Uniform Expenses” include installation tools such as hammer tackers, screwdrivers, construction supplies personal protective equipment, removeable vacuum bags and staples, small equipment drills and ladders and uniforms.

Part 9: Vehicle Expenses as a Percentage of Gross Sales for the 2023 Calendar Year

This section presents the Vehicle Expenses as a percent of Gross Sales (as defined below) for the Reporting Franchisees during 2023.

<u>Vehicle Expenses as a percentage of Gross Sales</u>					
	#	Min	Max	Median	Average
Top Third	24	0.2%	1.3%	0.9%	0.8%
Middle Third	25	1.3%	2.4%	1.7%	1.8%
Bottom Third	24	2.5%	14.3%	3.6%	4.2%

The Vehicle Expenses as a Percentage of Gross Sales is calculated by taking all Vehicle Expenses divided by the total Gross Sales. “Vehicle Expenses” include costs of parking, tolls, maintenance and vehicle leases, but does not include fuel or insurance.

Part 10: Advertising and Marketing as a Percentage of Gross Sales for the 2023 Calendar Year

This section presents the Advertising and Marketing expenses as a percent of Gross Sales (as defined below) for the Reporting Franchisees during 2023.

<u>Advertising and Marketing as a percentage of Gross Sales</u>					
	#	Min	Max	Median	Average
Top Third	24	0.0%	3.9%	3.0%	2.6%
Middle Third	25	4.2%	7.2%	5.6%	5.7%
Bottom Third	24	7.3%	22.5%	9.9%	10.7%

The Advertising and Marketing as a Percentage of Gross Sales is calculated by taking all Advertising and Marketing expenses divided by the total Gross Sales. “Advertising and Marketing” means the amount spent on advertising and marketing services by the franchisee in their local territories for lead generation.

TABLE 3 AVERAGE REVENUE PER JOB FOR YEAR ENDING SEPTEMBER 30, 2024

The table below presents the median and average “Average Revenue per Job” for Koala Insulation projects as reported by certain Koala Insulation businesses operational during the fiscal year ending September 30, 2024. The information provided in the table below was compiled from reports compiled from the Customer Relationship Management (“CRM”) software utilized by Koala Insulation franchisees. The Average Revenue per Job report was obtained from 95 Reporting franchisees operating in 389 franchise territories during the fiscal year ending September 30, 2024. Excluded from the report are 14 franchisees that did not utilize the CRM for this report. It was determined that the set of