

---

## FRANCHISE DISCLOSURE DOCUMENT

---



CIG Franchise Systems, LLC  
A Wyoming Limited Liability Company  
9220 Bass Lake Rd, Suite 230  
New Hope, MN 55428  
612-598-0780  
mike@commercialinvestorsgroup.com  
<https://commercialinvestorsgroup.com>

As a Commercial Investors Group franchisee, you will operate a commercial property investment firm, specializing in commercial real estate assets acquisition, raising private equity capital, and long-term investment.

The total investment necessary to begin operation of a Commercial Investors Group franchise is \$177,000 to \$297,500. This includes \$125,000 that must be paid to the franchisor or affiliate. This includes the franchise fee and the business launch program.

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, please contact Mike Sowers at 9220 Bass Lake Rd, Suite 230 New Hope, MN 55428 and 612-877-8600.

The terms of your contract 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. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW. Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date: March 14<sup>th</sup>, 2023

## 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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Commercial Investors Group business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Commercial Investors Group franchisee?</b>	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Minnesota. Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate, or litigate with the franchisor in Minnesota than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** Franchisor is undercapitalized (see Item 21) and may not be able to meet preopening obligations to all franchisees.
4. **Minimum Royalty.** You must make minimum royalty payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Primary Trademark is Not Registered.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services that you offer.

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.

---

## TABLE OF CONTENTS

---

<b><u>Item</u></b>	<b><u>Page</u></b>
Item 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES ...	1
Item 2 BUSINESS EXPERIENCE .....	2
Item 3 LITIGATION .....	2
Item 4 BANKRUPTCY .....	4
Item 5 INITIAL FEES .....	4
Item 6 OTHER FEES .....	4
Item 7 ESTIMATED INITIAL INVESTMENT .....	7
Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	9
Item 9 FRANCHISEE'S OBLIGATIONS .....	11
Item 10 FINANCING .....	12
Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING .....	13
Item 12 TERRITORY .....	17
Item 13 TRADEMARKS .....	18
Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	20
Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	21
Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	22
Item 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION .....	22
Item 18 PUBLIC FIGURES .....	25
Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....	25
Item 20 OUTLETS AND FRANCHISEE INFORMATION .....	29
Item 21 FINANCIAL STATEMENTS .....	33
Item 22 CONTRACTS .....	43
Item 23 RECEIPTS .....	43

### **Exhibits**

- A. State Addenda to Disclosure Document
- B. Franchise Agreement (with Ownership Information, Guaranty and Non-Compete Agreement, Form of General Release, State Addenda to Agreements, Exclusions List and Management Operating Agreement)
- C. State Administrators and Agents for Service of Process  
State Effective Dates  
Receipt (2 copies)

## Item 1

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

In this disclosure document, “we”, “us,” or “our” refers to CIG Franchise Systems, LLC. “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

#### Our Business

Our name is CIG Franchise Systems, LLC. Our principal business address is 9220 Bass Lake Rd, Suite 230 New Hope, MN 55428. We have offered franchises since August 2021.

#### Our Affiliates

Our affiliate Commercial Investors Group, LLC, with a principal business address of 9220 Bass Lake Rd, Suite 230 New Hope, MN 55428, owns our trademarks and has operated a Commercial Investors Group business since 2005. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees. None of our affiliates has offered franchises in other lines of business.

#### Our Parents

We do not have any parent entities.

#### Our Predecessors

We do not have any predecessors.

#### Our Business Name

We use the names “CIG”, and “Commercial Investors Group”. We do not intend to use any other names to conduct business.

#### Agent for Service of Process

Our agent for service of process in Wyoming is Registered Agents, Inc., and the agent’s principal business address is 30 N. Gould Street, Ste. R, Sheridan, WY 82801. Our agents for service of process in other states are disclosed in Exhibit A.

#### Business Organization

We are a Wyoming Limited Liability Company. We were formed on July 5, 2021.

#### Information About Our Business and the Franchises Offered

We do not operate businesses of the type being franchised.

We do not have any other business activities. We have not offered franchises in other lines of business.

If you sign a franchise agreement with us, you will develop and operate a commercial property investment firm, specializing in commercial real estate assets acquisitions and long-term investment services, under the trade name Commercial Investors Group. As a franchisee you will be set apart with a more functional, efficient solution to the real estate investment business. Utilizing our proprietary 7-step system to unlock the hidden potential in properties which includes renovation, leasing and property management for increased financial performance.

We operate in the real estate markets that are well developed. Our services are offered year-round. You will compete for tenants, investors, and properties with independent owners, national chains, regional chains, and franchised businesses, who also acquire commercial real estate with the intent to resell it or hold it long-term.

Laws and Regulations

Each state has specific laws regarding leasing, property management, and brokerage. You should consult with a legal advisor about legal requirements that may apply to your business.

**Item 2  
BUSINESS EXPERIENCE**

**Mike Sowers - Managing Member**

<b>Employer</b>	<b>Start Date (month/year)</b>	<b>End Date (month/year)</b>	<b>Title</b>	<b>City, State</b>
Commercial Investors Group LLC	08/2005	Present	Managing Member	New Hope, MN
Commercial Construction Group, Inc.	3/2006	Present	Managing Member	New Hope, MN
201 Opportunity Fund LLC	10/2018	Present	Managing Member	New Hope, MN
Center Drive Holdings LLC	3/2018	Present	Managing Member	New Hope, MN
10800 Lyndale Ave LLC	6/2019	Present	Managing Member	New Hope, MN
201 Opportunity Fund Managing Member	8/2019	Present	Managing Member	New Hope, MN
5624 Lincoln Drive LLC	8/2020	Present	Managing Member	New Hope, MN
9210 Science Center Drive LLC	8/2020	Present	Managing Member	New Hope, MN
8700 Partners LLC	5/2021	Present	Managing Member	New Hope, MN

<b>Employer</b>	<b>Start Date (month/year)</b>	<b>End Date (month/year)</b>	<b>Title</b>	<b>City, State</b>
C&D Partners LLC	8/2021	Present	Managing Member	New Hope, MN
Loretto Partners LLC	8/2021	Present	Managing Member	New Hope, MN
1756 Iowa Ave LLC	8/2021	Present	Managing Member	New Hope, MN
CIG Capital Partners LLC	8/2021	Present	Managing Member	New Hope, MN
CIG Holdings LLC	8/2021	Present	Managing Member	New Hope, MN

**James Smith – Director of Franchising**

<b>Employer</b>	<b>Start Date (month/year)</b>	<b>End Date (month/year)</b>	<b>Title</b>	<b>City, State</b>
Commercial Investors Group LLC	01/2019	Present	Director of Franchising	New Hope, MN
Century Link / Lumen	01/2016	12/2018	Lead Commercial Account Executive	Richfield, MN

**Rick Thram – Director of Acquisitions**

<b>Employer</b>	<b>Start Date (month/year)</b>	<b>End Date (month/year)</b>	<b>Title</b>	<b>City, State</b>
Commercial Investors Group LLC	01/2023	Present	Director of Acquisitions	New Hope, MN
Keller Williams	02/2020	12/2022	Director of Commercial Real Estate	Burnsville, MN
Remax Advantage	02/2007	02/2020	Director of Commercial Real Estate	Savage, MN

**Jason Obarski – Director of Real Estate Operations**

<b>Employer</b>	<b>Start Date (month/year)</b>	<b>End Date (month/year)</b>	<b>Title</b>	<b>City, State</b>
CBRE	08/2021	03/2022	Operations Manager	Minneapolis, MN
Lincoln Property Group (Excelsior Group)	12/2019	08/2021	Business Manager	Excelsior, MN
Dakota County Technical College	7/2016	11/2019	Financial Aid Advisor	Minnesota

**Item 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**Item 4  
BANKRUPTCY**

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

**Item 5  
INITIAL FEES**

Franchise Fee

When you sign your franchise agreement, you must pay us a \$100,000 franchise fee. The franchise fee is not refundable.

Business Launch Program

You will be required to pay us \$25,000 for the Business Launch Program. This Business Launch Program Fee is not refundable.

**Item 6  
OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Profits Interest in the management entity	65% profits interest in the management entity	At signing and formation of the management entity	Franchisor will own part of the management entity as outlined in the management agreement and is entitled to all of the compensation under that agreement. (see attachment 6 to the franchise agreement).

Type of Fee	Amount	Due Date	Remarks
Replacement / Additional Training fee	\$750.	Prior to attending training	If you send a manager or other employee to our training program after you open. But this cost does NOT include an additional visit for us to your market.
Third party vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include market research tools, property management tools, customer feedback systems, and paid ads vendors. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Software & Support	Currently, \$2,500 per month. Additional users for the CRETools platform are \$49 per user per month.	Monthly	We require you to use certain software as described in Item 11. You pay software and support fees directly to us. This also includes our support. This includes the following: 1 CRETools User 1 Google Suite User 1 Costar User 1 Calendly User
Special support fee	Our then-current fee, plus our expenses. Currently, \$100 per hour or \$1,000 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support). We do not charge for virtual coaching or assistance.
Non-compliance fee	\$500	On demand	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.
Third party vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include market research tools, property management tools, customer feedback systems, and paid ads vendors. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Customer complaint resolution	Our expenses	On demand	We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.
Transfer fee	\$10,000	When transfer occurs	Payable if you sell your business.

Type of Fee	Amount	Due Date	Remarks
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence).
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.

All fees are payable only to us. All fees are imposed by us and collected by. All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

**Item 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee	\$100,000 - \$100,000	Check or wire transfer	Upon signing the franchise agreement	Us
Additional Territory	\$0 - \$10,000	Check or ACH	At the time of adding the territory	Us
Business Launch Program (see note 1)	\$25,000 - \$25,000	Check, debit, and/or credit	Upon signing the franchise agreement	Us
Insurance	\$0 - \$2,500	Check	Upon ordering	Insurance company

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Office Expenses	\$0 - \$2,500	Check, debit, and/or credit	As incurred	Office setup costs, if any
Professional Fees (lawyer, accountant, etc.)	\$1,000 - \$5,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	\$1,000 - \$2,500	Cash, debit or credit	As incurred	Airlines, hotels, and restaurants
Working Capital (see note 2)	\$50,000 - \$150,000	Cash	\$50k Due Upon Signing the Franchise Agreement	You are required to place working capital into the operating accounting for the new Partnership Entity.
Total (see Note 3)	\$177,000 - \$297,500			This is the total estimated initial investment to open

### Notes

#### **We do not offer direct or indirect financing of the initial investment.**

None of the other expenditures in this table will be refundable, except for your working capital which will mostly be used for due diligence costs on your deals if you recover those costs in accordance with the underlying purchase agreement the management entity enters into for the purchase of real property. Neither we nor any affiliate finances any part of your initial investment to open your business.

1. The business launch program is intended to help you launch your business. It includes training, data preparation, and some basic marketing provided by us. Currently it includes training from us and a third party, Sandler Sales Training, which includes a foundations course and weekly meetings. It also includes setting up your CRM including importing property data for your area, and your personal contacts. It includes training on our CRM, deal analysis, lead generation, estimating repairs, sales technique, and other areas to help prepare you to launch your business. It may also include some direct marketing that we provide in our sole discretion. We have the right

to change our business launch program at any time, which we may do as we revise our program to better suit your needs for launching your business.

2. You will contribute \$50,000 in working capital to the management entity at opening. The management entity will need working capital to complete due diligence on the properties. The management entity will typically get reimbursed for these costs from the special purpose entity that is formed to purchase the property; however, if your purchase falls through, the management entity will usually absorb those costs. These include things like the inspection of the property, appraisal, environmental review and testing, legal and accounting, and other costs in connection with your investigation of properties you wish to purchase. If the management entity needs more operating capital for due diligence or earnest money, you will provide 35% of the additional capital needs and we will provide 65%.

3. The underlying real estate properties require financing that's separate from your franchise agreement. We will work with you to procure the financing on all of your qualified deals that we approve. That financing is typically debt and equity instruments, but could be other sources such as a 721 exchange, contract for deed, master lease, or seller carryback note amongst others. We will let you know if your deal is not approved, and why it does not meet our investment criteria. You may still be able to proceed with purchasing those properties, but may need to play a larger role in obtaining the financing for the purchase of those properties. The banks may require you and us to personally guarantee some or all of the loans that we secure to obtain financing for the purchase of real estate assets.

## **Item 8**

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

#### Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

#### Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Real Estate. You are not required to have a business location, but if you choose to have one, it must comply with our operating standards.

B. Insurance. Our management entity will obtain insurance as required by our management operating agreement or the franchise Operating Manual as required to protect the partnership entity. You may elect to obtain insurance to protect yourself or your franchise entity, but are not required to do so under this agreement.

C. CRM software and hardware, and related software and hardware. You must purchase (or lease) the CRM software and hardware, and related software and hardware, that we specify from us. We are currently the only supplier of the CRETools software you are required to use.

D. Accounting Services. You must use an approved supplier for your accounting services. We are an approved supplier of accounting services.

E. Advertising Services. You must use an approved supplier for your marketing services. We are an approved supplier of marketing services. You must use us for direct marketing services.

### Ownership of Suppliers

None of our officers owns an interest in any supplier to our franchisees.

### Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

### Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

### Revenue to Us and Our Affiliates

Our total revenue in the prior fiscal year was \$57,475. Our revenue from all required purchases and leases of products and services by franchisees in the prior fiscal year was \$38,465. The percentage of our total revenues that were from required purchases or leases in the prior fiscal year was 67%.

Our affiliates do not derive revenue, rebates or other material consideration based on your required purchases or leases.

### Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 11% to 15% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 30% to 50% of your total purchases and leases of goods and services to operate your business.

### Payments by Designated Suppliers to Us

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so.

### Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

### Negotiated Arrangements

We do negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. Currently we have negotiated bulk pricing with Appfolio Property Manager, Costar, and may negotiate additional bulk contracts in the future including but not limited to Sandler sales training.

### Benefits Provided to You for Purchases

Our negotiated contracts for Costar and Appfolio reduce our costs which in turn reduces your technology package fee to us; however, we include those services in our overall technology package, so there is no direct benefit to you.

## **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 items of this disclosure document.**

<b>Obligation</b>	<b>Section in franchise agreement</b>	<b>Disclosure document item</b>
a. Site selection and acquisition/lease	N/A	Item 11
b. Pre-opening purchase/leases	N/A	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	N/A	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 5.4, 6.4, 7.6	Items 5, 6, 8 and 11

<b>Obligation</b>	<b>Section in franchise agreement</b>	<b>Disclosure document item</b>
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.5, 7.8, 10.5, 11.2, 11.3, 15.2, 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.9 – 7.13, 7.15, 10.1, 10.4, 11.1	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8
k. Territorial development and sales quotas	Not applicable	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	N/A	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§ 2.4	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§ 3.2	Item 17
v. Post-termination obligations	Article 13, § 14.3	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

## **Item 10 FINANCING**

We do not offer direct or indirect financing for your business. We do not guarantee your note, lease or obligations for your business.

We may guarantee debt that is required for the underlying real estate operation, in our sole discretion and in accordance with the operating agreement of the underlying management entity.

**You may need to personally guarantee loans used to obtain financing for the properties we purchase.** (See attachment 6 to the franchise agreement).

**Item 11  
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND  
TRAINING**

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

Our Pre-Opening Obligations

A. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. Our opening support (as described below) includes assisting you in training employees. All hiring decisions and conditions of employment are your sole responsibility.

B. *Brand Standards Manual.* We will give you access to our Brand Standards Manual (Section 5.1).

C. *Initial Training Program.* We will conduct our initial training program. (Section 5.4). The current initial training program is described below.

Length of Time to Open

The typical length of time between signing the franchise agreement and the opening of your business is 30 to 90 days. Factors that may affect the time period include your ability to obtain business permits and licenses, attend the market launch training event, set up your software with the appropriate property and owner data, and hire employees, if you choose to do so.

Our Post-Opening Obligations

After you open your business:

A. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3). All hiring decisions and conditions of employment are your sole responsibility.

B. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$800 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5)

C. *Establishing and using administrative, bookkeeping and accounting, control procedures.* We will provide bookkeeping and accounting services for properties you purchase, but you are responsible for doing your own corporate accounting. We will help secure a construction leasing, and property management vendor to oversee the projects (Section 5.5).

D. *Website.* We will maintain a website for the Commercial Investors Group brand. (Section 5.5)

### Advertising

*Our obligation.* We will maintain the brand website. We will secure property data for your territory and launch direct marketing campaigns using our CRETools software on your behalf that you pay for. We will help advise you on how to spend your advertising dollars based on our experience.

*Your own advertising material.* You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed approved. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

*Advertising fund.* You are not required to contribute to any advertising fund.

*Local Advertising Councils.* We will form an advertising council whenever there are 2 or more Commercial Investors Group businesses, franchisee or corporate, operating in the same designated market area, or any portion or portions of this data in our sole discretion. Each advertising council must be organized and governed in a form and manner, and commence operation as determined by us, in our sole discretion. Each advertising council must be organized for the exclusive purpose of team development and for administering advertising and marketing programs and developing, subject to our approval, promotional materials for use by the members in local and regional advertising or for placing media advertising. You are currently required to commit to purchase advertising for a period of three months, which commitment must be made at least 30 days prior to the following advertising period. Once you commit to spend a certain amount through an Advertising Council for any period (which must be at least equal to your minimum local advertising requirement for such period), you must pay for that advertising regardless of whether your franchise is transferred or terminated during such period. We also have the right, as we determine in our sole discretion, to require the advertising council to be changed, dissolved, or merged. If your designed market area includes an area where an advertising council exists or is created, and you intend to perform advertising or marketing, you must become a member of, and participate in, the advertising council under the terms of the documents governing the advertising council. You may review these documents at any time upon request. All advertising conducted by either the Advertising Council or you must use a phone number we designate that is connected to our call distribution system. We will administer the advertising council with the participation of the council members. The advertising councils are not required to prepare annual or periodic financial statements. Any annual or periodic financial statement prepared by an advertising council will be made available to each of its members. Advertising council rules may be superseded by us upon written notice to you. You may not conduct any advertising that competes with advertising

conducted by your Advertising Council. You may not bid on any of the Licensed Marks as “exact match,” “broad match,” or “phrase match” search terms in any of your advertising that uses keywords. Further, you must list each of our Licensed Marks as negative keywords in all of your advertising that uses keywords.

*Local Advertising Cooperatives.* We do not have any advertising cooperatives nor do we intend to form any, but this agreement does not prohibit us from doing so.

*Business Launch Plan.* You must spend \$25,000 to launch your business, some of which will be dedicated to doing some basic marketing for your business to launch it, in our sole discretion.

*Required spending.* **There is no required advertising spend; however, the franchisee is solely responsible for generating leads whether through advertising, networking, prospecting or other means.** Any marketing or lead generation done by us to help support your business is done at your request and paid for by you.

### CRM System and Computer Systems

We require you to lease our CRM system called CRETools. You are required to have a working computer with a chrome browser to access this software. This system will generate and store data such as properties, owner data, deal analyzers, funding records, contacts, direct marketing campaigns, merged documents, offers, leases, deal pipelines, tasks, and many other pieces of data that are necessary to run a complete business. We will provide you with this software, along with support for the software, at the cost of \$2,500 per month plus \$49 for each additional user, per month. We also include access for 1 seat to Costar and to a property management and investor management software called Appfolio. Our intent is to design our software to replace Appfolio and you will lose access to Appfolio once it does. The software fees will not increase in excess of 15% per year, and we are obligated to pay any underlying licensing fees due under our plug-ins, development, and subscriptions through the kintone platform that our software is built on.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates to your physical computers. We do not require you enter into any such contract with a third party.

You must upgrade or update any software system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the cost of purchasing or leasing the required computer system is between \$500 and \$2,500.

You must give us independent access to the information that will be generated or stored on your computer through the Google Drive. The information that we may access will include sales, customer data, and reports as well as information you enter into our software. There is no contractual limitation on our right to access the information.

## Brand Standards Manual

<b>Manual Section</b>	<b>Number of Pages</b>
Introduction	6
About Us	8
Introduction to the Franchise System	9
Preparing for Launch	17
Managing Business Financials	12
Franchise Marketing	13
Daily Procedures	2
<b>Total Number of Pages</b>	<b>67</b>

## Training Program

Our training program consists of the following:

### **TRAINING PROGRAM**

<b>Training Program</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Onboarding Meeting	1.5	0	Virtual Via Zoom
Franchise Setup	2	0	Via Email
CRETools Virtual Training	12	0	Virtual Via Zoom
Sandler Foundations Course	16	0	Your Option Virtual or Live, by Third Party Vendor
CIG Launch Training	0	24	New Hope, MN
Due Diligence Training	4	0	Virtual Via Zoom
Funding Training	4	0	Virtual Via Zoom
Property Launch	0	4	Your Market
Sandler Weekly Mastery	75	0	Weekly via Sandler Training
CIG Weekly Mastery	75	0	Weekly via Zoom
<b>Total</b>	<b>189.5</b>	<b>28</b>	

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes in advance of the opening of the franchisee's location, doing so remotely, at a corporate location, and at the franchisee's location. This may change as we start to bring on more franchisees.

The instruction materials consist primarily of our Onboarding Checklist which contains links organized by section for all applicable written procedures, training videos, learning checks referred to as Knowledge Reviews (automatically graded with correct answers provided, with a structure in place requiring successful completion via a minimum score threshold), and a shadowing/coaching checklist and approval process all required to successfully and fully complete

the necessary training. Additional instructional material will be provided consisting of additional similar training (additional procedures, additional video training, additional checklists, etc.) for “higher-level” functions required of the franchisee and/or the individual acting as the owner/operator and/or manager of the franchisee.

Training classes will be led by the franchisor(s) and/or its delegate(s), such as a corporate-employed, tenured individual who has been delegated to lead some or all aspects of training (i.e. a manager / assistant manager / senior employee who works at a corporate (franchisor) location). Some aspects of training classes will be self-directed and led by the franchisee themselves as they follow the training structure in place which would include video training and the aforementioned instructional materials created by the franchisor/corporate (so in that sense, it is still being led by the franchisor/corporate/its delegate(s), just done remotely and/or by pre-recorded materials listed in the Onboarding/Training structure).

The instructor, Mike Sowers, has been working in our industry and with our brand since 2005. Franchisor/corporate delegate(s) may have various lengths of experience depending on the individual delegate, but they would typically have minimally one year of experience with our brand and 3 years of experience in our industry, if not more, and have had successfully completed both their own training and facilitation of others’ training in the past; the delegate(s) would typically be in a management role at a corporate location or be a “senior,” tenured employee if not in a formal management position.

**There is no cost for the training, but you must pay the travel and living expenses of your employees or managers that attending training.**

Your designated manager must attend training. You may send any additional persons to training that you want (up to the maximum described above). You must complete training to our satisfaction before opening your business. You will be required to pass a test which evaluates your understanding for the content and franchise operating content as covered in the training program.

If you need to send a new general manager to our training program, we will charge a fee, which is currently \$750 plus expenses. Otherwise, we do not currently require additional training programs or refresher courses, but we have the right to do so.

## **Item 12 TERRITORY**

### No Exclusive Territory

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. You may only purchase properties and spend advertising dollars in your designated market area.

### Designated Market Area

Your franchise agreement will specify a designated market area. Your designated market area will be defined by counties, cities, or zip codes. There is no minimum size of the territory you

will receive. You are only authorized to market to property owners and then to purchase properties within your designated market area. However, you are free to accept investors or tenants from any market area. We cannot eliminate your territory at any time, but we do have the right to modify the geographic area slightly as long as we don't reduce the size of your territory.

### Relocation

You do not have the right to relocate your designated market area, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or your ability to manage your assets remotely or whether you have put appropriate systems in place to do so.

### Options to Acquire Additional Franchises

You do have the right to purchase additional designated market areas for an additional \$10,000 fee per designated market area, pending approval from us that there is enough capacity in that designated market area for you to open an additional location and that you have capacity to manage those locations with local people.

### Restrictions on Us from Soliciting or Accepting Orders in Your Territory

We reserve the right to market to investors within your designated market area using our principal trademarks or using trademarks different from the ones you will use under your franchise agreement. We do not pay any compensation to you for soliciting investors that live within your territory, but investors that you entered into the CRM are your investors and is we solicit them it is only with the intent to secure more business for you. We do not reserve the right to use alternate channels of distribution to make sales within the territory under our principal trademarks or using trademarks different from the ones you will use under your franchise agreement.

### Soliciting by You Outside Your Territory

You are not permitted to solicit outside of your designated market area for property owners. However, you may solicit for investment capital, or for tenants located anywhere in the United States provided that you follow the applicable laws of those areas and do not solicit customers or investors of other franchisees businesses.

### Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

## **Item 13 TRADEMARKS**

## Principal Trademark

The following is the principal trademark that we license to you.

<b>Trademark</b>	<b>Registration Date</b>	<b>Registration Number</b>
	2/21/2023	6983160

This trademark is owned by us. It is registered on the Principal Register of the United States Patent and Trademark Office. Because the federal trademark registration is less than six years old, no affidavits are required at this time. The registration has not yet been renewed.

The following is the principal trademark that we license to you. This trademark is owned by us. We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. An application for registration on the Principal Register of the United States Patent and Trademark Office has been filed.

<b>Trademark</b>	<b>Application Date</b>	<b>Identification Number</b>
Commercial Investors Group	7/26/2021	90847407

## Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

## Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

## Agreements

There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise.

## Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise

agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third-party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense. You do not have any rights stated in the franchise agreement that would apply if we require you to modify or discontinue using a trademark.

#### Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

### **Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

#### Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

#### Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Brand Standards Manual, Commercial Real Estate Investing: A Step-by-Step Guide to Finding an Funding Your First Deal, as well as all other sales, training, management and other materials that we have created or will create. may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may

require you to modify or discontinue using the subject matter covered by any of our copyrights, at your expense.

We do not know of any copyright infringement that could materially affect you.

### Proprietary Information

We have a proprietary, confidential Brand Standards Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Brand Standards Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

## **Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

### Your Participation

You are not required to participate personally in the direct operation of your business. However, we recommend that you participate.

You must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 2 to Exhibit B).

### “On-Premises” Supervision

You are not required to personally conduct “on-premises” supervision (that is, act as general manager) of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity.

Restrictions on Your Manager

If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you to place any other restrictions on your manager.

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

You must offer for sale only the services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

Your advertising for new property acquisitions may only be conducted within your Territory.

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

**THE FRANCHISE RELATIONSHIP**

**This table lists certain 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 or other agreement	Summary
a. Length of the franchise term	Franchise Agreement (FA): § 3.1	7 years from date of franchise agreement.
b. Renewal or extension of the term	FA: § 3.2	For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional term. You may be asked to sign a contract with materially different terms and conditions than your original contract, but those terms shall not be on terms that are more detrimental to your business than the original terms.
c. Requirements for franchisee to renew or extend	FA: § 3.2	To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; update the business model to our then-current standards; sign then-current form of franchise agreement

Provision	Section in franchise or other agreement	Summary
		<p>and related documents (including personal guaranty); sign general release (unless prohibited by applicable law).</p> <p>If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either terminate your operation at any time or deem you to have renewed your agreement for an additional term.</p>
d. Termination by franchisee	FA: § 14.1	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	FA: § 14.2	We may terminate your agreement for cause, subject to any applicable notice and cure opportunity.
g. “Cause” defined—curable defaults	FA: § 14.2	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).
h. “Cause” defined—non-curable defaults	FA: § 14.2	Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of, or plea to a felony, or commission or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.
i. Franchisee’s obligations on termination/non-renewal	FA: §§ 14.3 – 14.6	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
j. Assignment of agreement by franchisor	FA: § 15.1	Unlimited
k. “Transfer” by franchisee – defined	FA: Article 1	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor’s approval of transfer by franchisee	FA: § 15.2	No transfers without our approval.
m. Conditions for franchisor’s approval of transfer	FA: § 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications (including remodel, if applicable).
n. Franchisor’s right of first refusal to acquire franchisee’s business	FA: § 15.5	If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor’s option to purchase franchisee’s business	Not Applicable	
p. Death or disability of franchisee	FA: §§ 2.4, 15.4	If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to an approved new owner within nine months.
q. Non-competition covenants during the term of the franchise	FA: § 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, any competitor, subject to state law.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
r. Non-competition covenants after the franchise is terminated or expires	FA: § 13.2	For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by a competitor located within the United States subject to state law.
s. Modification of the agreement	FA: § 18.4	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	FA: § 18.3	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: § 17.1	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	FA: §§ 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Minneapolis, Minnesota) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	FA: § 18.8	Minnesota (subject to applicable state law).

**Item 18  
PUBLIC FIGURES**

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

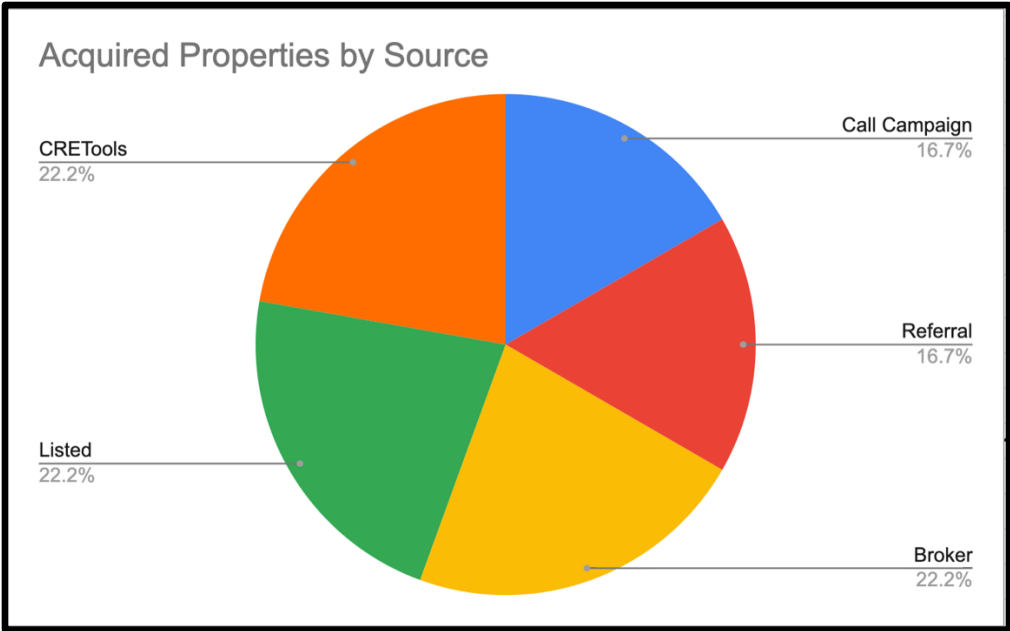
**Item 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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.

**Financial Results**

The following chart contains financial performance information for all locations in operation during the period from 3/15/2018 to 12/31/2022. The majority of the data comes from the corporate office. This business is substantially similar to the business to be operated by franchisees. This data comes from the internal accounting and historical data for this business including our income statement, balance sheet, investor capital reports, deal history reports, and our CRM, CRETools.

The foregoing information shows historical financial performance and is not a projection of future performance. Results will vary by location, and there are no guarantees of any kind.



This diagram shows all acquired properties done across all locations, based on the source of how the lead was generated for that acquisition. It is based on a count of deals and not a weighted average of any other metric such as profit, purchase price, or cost basis.

Financing	Metric	Description
-----------	--------	-------------

Average Debt Ratio	72.12%	This is the total debt divided by the total cost basis of the portfolio in place as of 12.31.22
Median Loan Amortization Period	25	This is the median amortization period for the assets owned as of 12.31.22
Average investor equity contribution to the projects.	\$513,942	This is the total investor capital as of 12.31.22 divided by the number of investors. This is at the project level. This does NOT include the CIG Value-Add Fund Investors' investment into the CIG Value-Add Fund.
Annualized revenue as a % of Capital	15.9%	This is the annualized 2022 revenue divided by the total cost basis of the portfolio as of 12.31.22. This does not include renovation and leasing costs capital has been set aside for that have not been completed. To annualize the revenue, we took assets purchased in 2022, took the actual revenue divided by the number of days operating and then multiplied by 365.
<b>Acquisitions</b>	<b>Metric</b>	<b>Description</b>
Average time to first deal under contract	2.8 Months	This is based only on the outlets that have gotten a property under contract, whether it closed or not and is based on when they launched their business, not when they signed the franchise agreement.
Average time to first closing	10.0 Months	This is based only on the outlets that have closed a deal and is from the time they launched their business to the actual closing on their first deal
Purchase Price as % of Capital	75.2%	This is the total purchase price divided by the cost basis of the portfolio in place as of 12.31.22
Average purchase price of assets acquired in 2022	\$6,810,000	This is the total asset purchase price acquired in 2022 divided by the number of assets acquired.
Average number of assets acquired per year	4	This only takes the corporate location into account for 3.1.2018 to 12.31.2022. This is only for acquisitions, it does not include brokerage deals, refinances, or dispositions.
<b>Assets Sold</b>	<b>Metric</b>	<b>Description</b>
Historical percentage of assets sold	33%	This is the historical percentage of acquired assets that have been sold as of 12.31.22

Average hold period on assets sold	11.5 Months			This is the average hold period for all assets that have been sold including all locations.
Value Growth Multiple	1.40			This is the total sale price divided by the total cost basis on all assets sold.
Waterfall	Metric	% of Cost	% of Revenue	Description
Average cost basis portfolio wide	\$3,843,337			This is the total cost basis of the portfolio divided by the number of assets owned as of 12.31.22
Operating income	\$611,257	15.9%		This is the 2022 annualized revenue on all assets owned as of 12.31.22
Operating expenses	\$335,955	8.7%	55.0%	This is the annualized operating expenses on all assets owned as of 12.31.22
Net Operating Income	\$275,302	7.2%	45.0%	This is the operating income minus the operating expenses
Mortgage Interest	\$99,122	2.6%	16.2%	This is the total mortgage interest paid on debt in 2022 for assets owned as of 12.31.22
Net Income before Depreciation	\$176,180	4.6%	28.8%	This is the net operating income minus the mortgage interest
Principal Paydown	\$40,599	1.1%	6.6%	This is the principal paydown on loans in 2022 for assets owned as of 12.31.22
Cashflow to Property Level Partnership	\$135,581	3.5%	22.2%	This is the net income before Depreciation minus the principal paydown
Distributions to Investor members	\$75,488	2.0%	12.3%	This is the total distributions due to investor members based on their splits through the waterfall, whether that cash was paid or not, divided by the number of assets owned as of 12.31.22
Cashflow to CIG	\$60,094	1.6%	9.8%	This is the cashflow to the Property Level partnership minus the distributions to investor members
Franchise split	35%			This is the franchisee's split with the management entity that will be formed with a new franchise
Franchisee Theoretical Cashflow equivalent on average deal	\$21,033	0.5%	3.4%	This is purely a theoretical number. It takes the average cashflow to CIG on the existing portfolio and multiplies by the split the franchisee would have under this agreement. This is purely a top line revenue item for the franchisee and does not account for any business overhead the franchisee would have to offset this.
Fees	Metric			Notes

Average acquisition fee rate	2%	This takes the acquisition fees paid on all the assets acquired in 2022 and divides by the number of assets acquired
Average asset management fee rate	1.81%	This takes the asset management fees collected in 2022 and divides by the operating income of the portfolio for 2022.
Average return on capital	7.00%	This takes the annualized net operating income of the assets owned as of 12.31.22 and divides it by the total cost basis of that same portfolio as of 12.31.22.

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

Written substantiation of the information contained in this Item 19 will be made available to prospective franchisees upon reasonable request.

Except for what is included here, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 the franchisor's management by contacting, Mike Sowers, 9220 Bass Lake Rd, Suite 230 New Hope, MN 55428, and 612-598-0780, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table 1  
Systemwide Outlet Summary  
For Years 2020 to 2022**

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	0	0	0
	2021	0	2	+2
	2022	2	5	+3
Company-Owned	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
Total Outlets	2020	1	1	0

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
	2021	1	3	+2
	2022	3	6	+3

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
N/A	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

**Table 3**  
**Status of Franchised Outlets**  
**For Years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
Colorado	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Minnesota	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Texas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Wisconsin	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
	2022	0	1	0	0	0	0	1
Totals	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	3	0	0	0	0	5

**Table 4  
Status of Company-Owned Outlets  
For Years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Minnesota	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Totals	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

**Table 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
Colorado	0	0	0
Florida	0	0	0
Georgia	0	1	0
Minnesota	0	2	0
Wisconsin	0	0	0
Texas	0	1	0
Tennessee	0	1	0

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed but Outlet Not Opened</b>	<b>Column 3 Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Column 4 Projected New Company- Owned Outlets in the Next Fiscal Year</b>
Totals	0	5	0

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. During the last three (3) fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

#### List of Current Franchisees

The following is a list of the current franchisees in our system:

Denver, Colorado  
Keystone Holdings  
Angel Gonzalez  
1401 Lawrence St. #1600, Denver, CO 80202  
612-499-0847

Colorado Springs, Colorado  
Caram Commercial Group  
Aram Pajian  
6745 Rangewood Drive, Ste. 240, Colorado Springs, CO 80918  
630-544-0585

Rochester, Minnesota  
MJ&M Investments  
Eric Johnson  
507-358-4214  
888 Rolling View Lane SE Pine Island, MN 55963

Dallas, Texas  
Four S Legacy LLC  
Donald Saynor  
742 Sword Bridge Drive Lewisville, TX 75056  
214-457-6815

Milwaukee, Wisconsin  
CIG MKE, LLC  
Ryan Folger  
312-792-0577

320 E Buffalo Street Suite 808 Milwaukee, WI 53202

List of Terminated Franchisees

The following is a list of the franchisees who have had an unit terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with Franchisor within 10 weeks of the application date:

None.

List of Units for Sale

The following is a list of the franchised units now under Franchisor control that Franchisor is selling:

None.

**Item 21  
FINANCIAL STATEMENTS**

**We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission.** The following are our audited financial statements dated 12/31/2022, and 12/31/2021. Our fiscal year end is December 31.

These financial statements have been prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that no independent Certified Public Accountant has audited these figures or expressed an opinion with regard to their content or form.

CIG FRANCHISE SYSTEMS LLC

Financial Statements For The Years Ended December 31, 2022 & December 31, 2021

TOGETHER WITH INDEPENDENT ACCOUNTANT AUDIT REPORT

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Independent Accountant Audit Report .....	3
Profit & Loss Statement .....	4
Balance Sheet .....	5
Statement of Cashflows .....	6
Statement of Shareholders' Equity .....	7
Notes to Accompanied Financial Statements .....	8-11

---

**INDEPENDENT ACCOUNTANT AUDIT REPORT**

To the Management of CIG FRANCHISE SYSTEMS LLC

We have audited the accompanying financial statements of CIG FRANCHISE SYSTEMS LLC (the “Company”), which comprise the Balance Sheet as of December 31, 2022 & December 31, 2021, the related Profit & Loss Statements, the related Statements of Cashflows, and the related Statements of Shareholders’ Equity for the years then ended.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CIG FRANCHISE SYSTEMS LLC as of December 31, 2022 & December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**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 financial statements that are free from material misstatement, whether due to fraud or error.

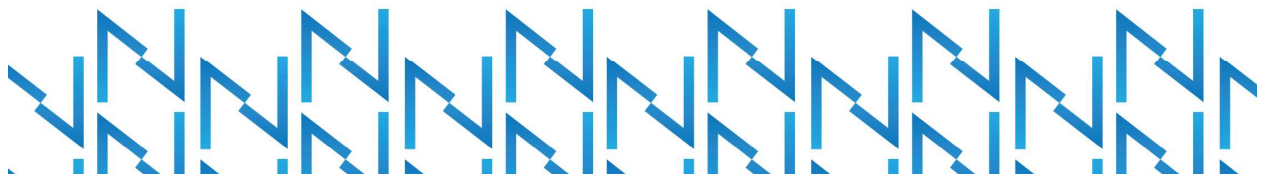
**Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor’s 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.

*Omar Alnuaimi, CPA*

Omar Alnuaimi, CPA

Naperville, IL  
March 13, 2023



**CIG FRANCHISE SYSTEMS LLC**  
**PROFIT & LOSS STATEMENT**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 & DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>Revenue</b>		
Franchise Fees	\$ 129,971	\$ 153,644
Services & Royalties Income	104,788	4,642
Total Revenue	<u>234,759</u>	<u>158,286</u>
<b>Cost of Sales</b>	49,481	25,984
<b>Gross Profit</b>	<u>185,278</u>	<u>132,302</u>
 <b>Operating Expense</b>		
Book Writing & Publishing Expense	-	59,224
Technology Expense	-	58,141
Salaries & Wages Expense	41,605	-
Travel & Event Expense	16,414	-
Advertising & Marketing Expense	72,919	35,293
Mailing Service Expense	26,800	8,535
Office Expense	22,211	5,695
Legal & Professional Services	78,202	3,215
Total Operating Expenses	<u>258,150</u>	<u>170,103</u>
 <b>Net Income From Operations</b>	 (72,872)	 (37,802)
 <b>Other Income (Expense)</b>		
Misc. Income	13,862	9,054
Total Other Income (Expense)	<u>13,862</u>	<u>9,054</u>
 <b>Net Income Before Provision for Income Tax</b>	 (59,010)	 (28,748)
 <b>Provision for Income Taxes</b>	 -	 -
 <b>Net Income (Loss)</b>	 <u>\$ (59,010)</u>	 <u>\$ (28,748)</u>

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

**CIG FRANCHISE SYSTEMS LLC**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2022 & DECEMBER 31, 2021**

	<u>12/31/22</u>	<u>12/31/21</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$68,191	\$150,325
Accounts Receivable	-	17,419
TOTAL CURRENT ASSETS	68,191	167,744
<b>NON-CURRENT ASSETS</b>		
TOTAL NON-CURRENT ASSETS	-	-
TOTAL ASSETS	68,191	167,744
<b><u>LIABILITIES AND OWNER'S EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Company Credit Card	23,715	15,259
TOTAL CURRENT LIABILITIES	23,715	15,259
<b>NON-CURRENT LIABILITIES</b>		
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	23,715	15,259
<b>OWNER'S EQUITY</b>		
Retained Earnings (Deficit)	103,485	181,233
Net Income (Loss)	(59,010)	(28,748)
TOTAL SHAREHOLDERS' EQUITY	44,475	152,485
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$68,191	\$167,744

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

**CIG FRANCHISE SYSTEMS LLC**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 & DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ (59,010)	\$ (28,748)
Non-Cash Adjustments		
Changes in Accounts Receivable	17,419	(17,419)
Changes in Company Credit Card	8,457	15,259
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(33,134)	(30,908)
<b>INVESTING ACTIVITIES</b>		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-
<b>FINANCING ACTIVITIES</b>		
Owner's Contribution (net)	(49,000)	181,233
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(49,000)	181,233
NET INCREASE (DECREASE) IN CASH	(82,134)	150,325
CASH AT BEGINNING OF PERIOD	150,325	-
CASH AT END OF PERIOD	\$ 68,191	\$ 150,325

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

**CIG FRANCHISE SYSTEMS LLC**  
**STATEMENT OF SHAREHOLDERS' EQUITY**  
**AS OF DECEMBER 31, 2022 & DECEMBER 31, 2021**

	<b>Opening Equity Balance</b>	<b>Yearly Changes</b>	<b>Total</b>
<b>Beginning Balance</b>	\$ -	\$ -	\$ -
Net Income for the period ending December 31, 2021	-	(28,748)	(28,748)
Equity Contributions (Distributions)	-	181,233	181,233
<b>Balance, December 31, 2021</b>	<b>\$ -</b>	<b>\$ 152,485</b>	<b>\$ 152,485</b>

	<b>Opening Equity Balance</b>	<b>Yearly Changes</b>	<b>Total</b>
<b>Beginning Balance</b>	\$ 152,485	\$ -	\$ 152,485
Net Income for the period ending December 31, 2022	-	(59,010)	(59,010)
Equity Contributions (Distributions)	-	(49,000)	(49,000)
<b>Balance, December 31, 2022</b>	<b>\$ 152,485</b>	<b>\$ (108,010)</b>	<b>\$ 44,475</b>

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

CIG FRANCHISE SYSTEMS LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 & DECEMBER 31, 2021

---

**NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES**

CIG FRANCHISE SYSTEMS LLC (the “Company”) was incorporated under the laws of the State of Wyoming for the purpose of offering franchise opportunities to entrepreneurs who want to own their own Commercial Investors Group location, as a franchise.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). As a result, the Company records revenue when earned and expenses when incurred. The Company has adopted the calendar year as its basis of reporting.

Use of Estimates

The preparation of financial statements in accordance 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 income and expense during the reporting period. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Accounts Receivable

The Company’s trade receivables are recorded when billed and represent claims against third parties that will be settled in cash. The carrying value of the Company’s receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value.

The Company evaluates the collectability of accounts receivable on a customer-by-customer basis. The Company records a reserve for bad debts against amounts due to reduce the net recognized receivable to an amount the Company believes will be reasonably collected. The reserve is a discretionary amount determined from the analysis of the aging of the accounts receivables, historical experience and knowledge of specific customers. As of December 31, 2022 & December 31, 2021, The Company assessed its customer receivables and determined there is no justification for an allowance for doubtful accounts.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).
- Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

As of December 31, 2022 & December 31, 2021, the carrying amounts of the Company’s financial assets and liabilities reported in the balance sheets approximate their fair value.

Revenue Recognition

Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller’s price to the buyer is fixed or determinable, and collectability is reasonable assured. The determination of whether fees are fixed or determinable and collection is reasonable assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.

Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors—‘Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient’ in 2021 which provides a new practical expedient that permits private company franchisors to account for preopening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. The Company has elected to adopt this new standard.

CIG FRANCHISE SYSTEMS LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 & DECEMBER 31, 2021

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Deferred Revenue

The Company's primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including initial training and other such activities commonly referred to collectively as "pre-opening activities", which are recognized as a single performance obligation. The Company expects that certain pre-opening activities provided to the franchisee will not be brand specific and will provide the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of pre-opening activities that will be provided that is not brand specific is expected to be distinct as it will provide a benefit to the franchisee and is expected not to be highly interrelated or interdependent to the access of the Company's intellectual property, and therefore will be accounted for as a separate distinct performance obligation. All other pre-opening activities are expected to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore will be accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration, under the franchise agreement to the standalone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, which are not brand specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' is recognized when the related services have been rendered. The remaining franchisee fee not allocated to pre-opening activities are recorded as Unearned Revenue and will be recognized over the term of the franchise agreement.

Income Taxes

The Company, with the consent of its shareholders, has elected to be an S-Corporation (for tax purposes). In lieu of corporate income taxes, the shareholder(s) of an S-Corporation is taxed based on its proportionate share of The Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Commitments and Contingencies

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. As of December 31, 2022 & December 31, 2021, the Company has not reported any lawsuit or known plans of litigation by or against the Company.

**NOTE C – CONCENTRATIONS OF RISK**

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and any cash equivalents with a limited number of high-quality financial institutions and do not exceed the amount of insurance provided on such deposits.

**NOTE D – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 13, 2023, the date on which the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of Management's review substantially affect the amounts and disclosure of the accompanying financial statements.

**Item 22  
CONTRACTS**

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

B. Franchise Agreement (with Ownership Information, Guaranty and Non-compete, Form of General Release, State Addenda to Agreement, Exclusions List, and Management Operating Agreement)

**Item 23  
RECEIPTS**

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

---

**EXHIBIT A**

---

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

**CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT**

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT risk IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Minneapolis, Minnesota, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Minnesota. This provision may not be enforceable under California law.

4. The following paragraph is added at the end of Item 19 of the Disclosure Document:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Commercial Investors Group business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

5. The following paragraph is added at the end of Item 5 of the Disclosure Document:

In response to an order issued by the California Department of Financial Protection and Innovation, collection of the initial fees is deferred until the Franchisor has completed its opening obligations to Franchisee, and Franchisee is open for business.

### HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: \_\_\_\_\_
2. A proposed registration or filing is or will be shortly on file in the following states:  
\_\_\_\_\_
3. No states have refused, by order or otherwise to register these franchises.

4. No states have revoked or suspended the right to offer these franchises.

**5. THE PROPOSED REGISTRATION OF THESE FRANCHISES HAS NOT BEEN WITHDRAWN IN ANY STATE.ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction of venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

There is no formal schedule for the training required by the Franchisor. There are no individuals named as Trainers, and no qualifications of any trainer(s) are disclosed

**MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 5:

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

### **MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT**

No statement, questionnaire, or acknowledgement 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 with the franchise.

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor 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 (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the 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.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

#### **NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of New York only, this Disclosure Document is amended as follows:

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 SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY ST. 21ST FLOOR, NEW YORK, NY 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of 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.

4. 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.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

## **NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

11. Franchisor shall defer collection of the initial fees stated in Item 5 until the initial obligations owed to Franchisee have been fulfilled and the franchisee has commenced doing business pursuant to the franchise agreement.

### **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

### **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do 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.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

### **WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall 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 if they reflect 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.

ITEM 5 of the Disclosure Document is amended to add the following:

We will defer collection of the initial franchise fee until we have fulfilled our pre-opening obligations to you and you are open for business.



## FRANCHISE AGREEMENT

SUMMARY PAGE		
1.	<b>Franchisee</b>	*franchisee_name*
2.	<b>Initial Franchise Fee</b>	*initial_franchise_fee*
3.	<b>Designated Market Area</b>	*territory*
4.	<b>Opening Deadline</b>	*opening_deadline*
5.	<b>Principal Executive</b>	*primary_name*
6.	<b>Franchisee's Address</b>	*franchisee_address*

---

## FRANCHISE AGREEMENT

---

This Agreement is made between CIG Franchise Systems, LLC, a Wyoming Limited Liability Company (“CIG Franchise Systems”), and Franchisee effective as of the \*agreement\_date\* once signed by all parties (the “Effective Date”).

### Background Statement:

A. CIG Franchise Systems and its affiliate Commercial Investors Group, LLC, have created and own a system (the “System”) for developing and operating a commercial property investment firm, specializing in acquisition, syndication, raising private equity capital, and asset management, under the trade name “Commercial Investors Group”.

B. The System includes (1) methods, procedures, and standards for developing and operating a Commercial Investors Group business, (2) particular methods and processes, (3) the Marks, (4) training programs, (5) business knowledge, (6) marketing plans and concepts, and (7) other mandatory or optional elements as determined by CIG Franchise Systems from time to time.

C. The parties desire that CIG Franchise Systems license the Marks and the System to Franchisee for Franchisee to develop and operate a Commercial Investors Group business on the terms and conditions of this Agreement.

### ARTICLE 1. DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

“**Acquisition Criteria**” means the criteria the franchisor sets to determine which properties it will agree to attempt to raise the debt and equity capital for, which will be clearly communicated to the franchisee and may change from time to time.

“**Advertising Council**” means a group of franchisees in a specific Designated Market Area that pool their advertising budgets.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by CIG Franchise Systems.

“**Business**” means the Commercial Investors Group business owned by Franchisee and operated under this Agreement.

“**Competitor**” means any business which offers commercial real estate syndication, commercial asset acquisition, leasing, brokerage, property management, or asset management services in commercial real estate, or commercial real estate software

“**Commercial Real Estate**” means any piece of real property that is not exclusively a one-to-four-unit residential property. It includes but is not limited to land and land improvements with zoning or uses of retail, industrial, office, apartments (5 or more units), and mixed-use properties that may include multiple zoning or use classes.

**“Confidential Information”** means all non-public information of or about the System, CIG Franchise Systems, and any Commercial Investors Group business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

**“Customer”** means any tenants occupying Commercial Real Estate that is owned by the Special Purpose Entity or any Managers or Investors who have membership interests or stock in the Special Purpose Entity.

**“Designated Market Area”** means the geographic area defined by a specific set of zip codes, municipalities, counties, or metropolitan statistical areas and is the only area where Franchisee is permitted to spend advertising dollars or purchase properties.

**“Gross Rental Revenue”** means the total revenue from all real estate activities including rent, base rent, expense passthroughs, settlements, prepaid rent, fees, and other activities related to the rental operation. Gross Rental Revenue does not include fees paid from the Special Purpose Entities to the franchisee or franchisor for services provided.

**“Input”** means any goods, services, supplies, fixtures, equipment, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

**“Investors”** means any and all individuals or entities that contribute cash, capital, or sweat equity to the Special Purpose Entities in exchange for ownership in that entity.

**“Losses”** includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of CIG Franchise Systems’ reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

**“Management Entity”** means \*management\_entity\_name\* a Minnesota limited liability company formed to serve as the Manager of the Special Purpose Entities.

**“Management Operating Agreement”** means the operating agreement for the Management Entity as references in attachment 6 to this agreement, which will be signed concurrently with the signing of this franchise agreement to form the Management Entity.

**“Manager”** means the person appointed by a limited liability company to conduct that company’s business.

**“Manual”** means CIG Franchise Systems’ confidential Brand Standards Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

**“Marks”** means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by CIG Franchise Systems from time to time for use in a Commercial Investors Group business.

**“Operating Agreement”** means the operating agreement and/or private placement memorandum for the Special Purpose Entity that governs the relationship between the Management Entity and the Investors in a newly formed Special Purpose Entity that is created for the sole purpose of purchasing Commercial Real Estate as contemplated in the franchise model. The Operating Agreement may change from time to time and from deal to deal.

**“Owner”** means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

**“Required Vendor”** means a supplier, vendor, or distributor of Inputs which CIG Franchise Systems requires franchisees to use.

**“Special Purpose Entity”** or “Special Purpose Entities” means those entities that are formed by the franchisee for the sole purpose of purchasing Commercial Real Estate. Typically, these would be formed as a limited liability company and the Management Entity and Investors would all hold membership interests in that limited liability company as outlined in the Operating Agreement.

**“System Standards”** means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by CIG Franchise Systems, which may include without limitation, any procedures, requirements and/or standards for business metrics, cleanliness, customer service, , equipment, marketing and public relations, presentation of Marks, reporting, technology (such as computers, computer peripheral equipment, smartphones, CRM systems, back-office systems, information management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and procedures related to the management of commercial real estate.

**“Tenants”** means the individuals or entities that lease space or occupy the Commercial Real Estate that is owned by this Business.

**“Transfer”** means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in the Business, or (iv) control of the Business.

## **ARTICLE 2. GRANT OF LICENSE**

**2.1 Grant.** CIG Franchise Systems grants to Franchisee the right to operate a Commercial Investors Group business solely within the Designated Market Area. Franchisee shall develop, open and operate a Commercial Investors Group business within the Designated Market Area for the entire term of this Agreement.

**2.2 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner’s interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify CIG Franchise Systems within 10 days.

**2.3 Principal Executive.** Franchisee agrees that the person designated as the “Principal Executive” on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to CIG Franchise Systems’ reasonable approval.

**2.4 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee’s obligations to CIG Franchise Systems, in the form of Attachment 2.

**2.5 No Conflict.** Franchisee represents to CIG Franchise Systems that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or “blocked” in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

### ARTICLE 3. TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for 7 years.

**3.2 Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement subject to the following conditions prior to each expiration:

- (i) Franchisee notifies CIG Franchise Systems of the election to renew between 180 and 360 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with CIG Franchise Systems (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee and its Owners execute CIG Franchise Systems’ then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form but may not have higher fees or different splits. Franchisee will not be required to pay another initial franchise fee or renewal fee ;
- (iv) Franchisee and each Owner executes a general release (on CIG Franchise Systems’ then-standard form) of any and all claims against CIG Franchise Systems, its affiliates, and their respective owners, officers, directors, agents and employees.

### ARTICLE 4. FEES

**4.1 Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. This initial franchise fee is not refundable.

**4.2 Franchisor Profits Interest.** The Franchisor is a co-member with the Franchisee in the Management Entity, through which both the Franchisee and the Franchisor shall receive fees and profits interests as outlined in the Management Operating Agreement.

**4.3 Business Launch Program.** An one-time fee of \$25,000 is due at the signing of the Franchise Agreement to pay for the business launch program. The program includes enrollment in the Sandler Sales Mastery Foundations Course and one year of Mastery, the launch training with CIG, including training on the software, lead generation, deal analysis and sales technique, and it also includes some lead generation for the franchisee to launch their business. The funds will be used by the franchisor to cover the cost of the Sandler fees, pay staff to complete the franchisees training, and launch some direct marketing campaigns for the franchisee using the CRETools software.

**4.4 Additional Training Fee.** If the Franchisee sends an employee to CIG Franchise Systems' training program after opening, CIG Franchise Systems may charge its then-current training fee. As of the date of this Agreement, the training fee is \$750, subject to change.

**4.5 Non-Compliance Fee.** CIG Franchise Systems may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee's non-payment of a fee owed to CIG Franchise Systems) which Franchisee fails to cure after 30 days' notice. Thereafter, CIG Franchise Systems may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of CIG Franchise Systems' internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee's breach. The non-compliance fee is in addition to all of CIG Franchise Systems' other rights and remedies (including default and termination under Section 14.2).

**4.6 Reimbursement.** CIG Franchise Systems may (but is never obligated to) pay on Franchisee's behalf any amount that Franchisee owes to a supplier or other third party. If CIG Franchise Systems does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to CIG Franchise Systems within 15 days after invoice by CIG Franchise Systems accompanied by reasonable documentation.

#### **4.7 Payment Terms.**

(a) Method of Payment. Franchisee shall pay any amounts owed to CIG Franchise Systems by pre-authorized bank draft or in such other manner as CIG Franchise Systems may require. Franchisee shall comply with CIG Franchise Systems' payment instructions.

(b) Calculation of Fees. Franchisee acknowledges that CIG Franchise Systems has the right to remotely access Franchisee's online server or software files to calculate fees due.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. CIG Franchise Systems may charge \$30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection. Franchisee shall repay any costs incurred by CIG Franchise Systems (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) Application. CIG Franchise Systems may apply any payment received from Franchisee to any obligation and in any order as CIG Franchise Systems may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to CIG Franchise Systems any fees or amounts described in this Agreement are not dependent on CIG Franchise Systems' performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

## ARTICLE 5. ASSISTANCE

**5.1 Manual.** CIG Franchise Systems shall make its Manual available to Franchisee.

**5.2 Assistance in Hiring Employees.** CIG Franchise Systems shall provide its suggested staffing levels to Franchisee. CIG Franchise Systems shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

**5.3 Assistance in Training Employees.** CIG Franchise Systems shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.

**5.4 Pre-Opening Assistance.**

(a) Pre-Opening Training. CIG Franchise Systems shall make available its standard pre-opening training to the Principal Executive and up to two additional team members, at CIG Franchise Systems' headquarters and/or at a Commercial Investors Group business designated by CIG Franchise Systems. The cost of this training is included in the franchise fee due at signing. Franchisee is responsible for its own travel, lodging, meals, and other out-of-pocket expenses. CIG Franchise Systems reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

**5.5 Post-Opening Assistance.**

(a) Advice, Consulting, and Support. If Franchisee requests, CIG Franchise Systems will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent CIG Franchise Systems deems reasonable at no additional cost to franchisee. If CIG Franchise Systems provides in-person support in response to Franchisee's request, CIG Franchise Systems may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) **Pricing.** Franchisee will have the ability to determine their own purchase price, rental rates, fee rates, and disposition rates, but the franchisor may decline to assist with raising debt and equity capital on deals that do not meet the franchisor's Acquisition Criteria. The franchisor agrees to make a best effort to raise the debt and equity for any deals meeting their Acquisition Criteria.

(c) **Procedures.** CIG Franchise Systems will provide the Special Purpose Entities with CIG Franchise Systems' bookkeeping, and accounting services in exchange for the fees as outlined in Section 4.2. CIG Franchise Systems does not provide corporate accounting for the Franchisee's business. Franchisee is responsible for keeping their corporate accounting books and providing copies of reports to franchisor annually or upon request.

(d) **Internet.** CIG Franchise Systems shall maintain a website for Commercial Investors Group, which will include Franchisee's telephone number.

## **ARTICLE 6. TRAINING, AND OPENING**

**6.1 New Franchisee Training.** Franchisee's Principal Executive must complete CIG Franchise Systems' training program for new franchisees to CIG Franchise Systems' satisfaction before opening the Business.

**6.2 Conditions to Opening.** Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) Franchisee's officers and employees have completed all of CIG Franchise Systems' required pre-opening training.

**6.3 Opening Date.** Franchisee shall complete the New Franchisee Training on or before the date stated on the Summary Page.

## **ARTICLE 7. OPERATIONS**

**7.1 Compliance with Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards. This includes the use of the Operating Agreement included as attachment 2 to this Agreement.

**7.2 Compliance with Law.** Franchisee is solely responsible for ensuring they are in compliance with and shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business, including any licensing the states in which franchisee operates may require or as necessary to be in compliance with the securities and exchange commission on transactions where Franchisee raises capital from outside Investors for the purpose of purchasing real estate.

**7.3 Services.** Franchisee may only offer the acquisition, syndication, or asset-management services as prescribed by CIG Franchise Systems in the Manual or otherwise in writing. Franchisee may not engage in any real estate brokerage activity or solicit Customers for third party brokerage services for a different real estate firm except as otherwise stated in this Agreement. Any real estate

commissions payable to a buyer's agent shall be credited to the Management Entity if the Management Entity is a party to the transaction and that agent is a member of or affiliate to the Franchisee.

**7.4 Prices.** Franchisee and Franchisor must agree on the pricing for the acquisition, disposition or rental of their real estate assets, and the Franchisor only agrees to assist with obtaining debt and equity capital to acquire real estate properties that meet the Franchisor's Acquisition Criteria.

**7.5 Personnel.**

(a) Management. The Business must at all times be under the supervision of the Principal Executive or a general manager who has completed CIG Franchise Systems' training program.

(b) Service. Franchisee shall cause its personnel to render competent and courteous service to all Tenants, Investors, real estate brokers, and members of the public.

(c) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(d) Qualifications. CIG Franchise Systems may set minimum qualifications for categories of employees employed by Franchisee.

(e) Sole Responsibility. Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and CIG Franchise Systems are not joint employers, and no employee of Franchisee will be an agent or employee of CIG Franchise Systems. Within seven days of CIG Franchise Systems' request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not CIG Franchise Systems) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

**7.6 Post-Opening Training.** CIG Franchise Systems may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by CIG Franchise Systems. CIG Franchise Systems may charge a reasonable fee for any training programs. CIG Franchise Systems may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses.

**7.7 Software & Support.** Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all software and related systems required by CIG Franchise Systems. Franchisee shall enter into any subscription and support agreements that CIG Franchise Systems may require. Franchisee shall upgrade, update, or replace any software from time to time as CIG Franchise Systems may require. Franchisee shall protect the confidentiality and security of

all software systems, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give CIG Franchise Systems unlimited access to Franchisee's CRM System and other software systems used in the Business, by any means designated by CIG Franchise Systems. Currently the Franchisor requires a technology package that costs \$2,500 a month which includes 1 seat to the CRETools software, 1 G-Suite account, 1 Costar subscription, 1 user to Appfolio Property Manager, 1 calendly user, and 1 user for Appfolio Investment manager. Additional seats are priced separately and may change from time to time, but the overall technology package shall not increase unreasonably from year to year with a maximum annual increase of 15%. Franchisor agrees to provide email support to Franchisee for the use of the software and provide online tutorials for the use of the software.

**7.8 Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any Customer complaints. CIG Franchise Systems may take any action it deems appropriate to resolve a Customer complaint regarding the Business, and CIG Franchise Systems may require Franchisee to reimburse CIG Franchise Systems for any expenses.

**7.9 Evaluation and Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by CIG Franchise Systems for obtaining Customer evaluations, reviewing Franchisee's compliance with the System, and/or managing Customer complaints, which may include (but are not limited to) a Customer feedback system, Customer survey programs. CIG Franchise Systems shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by CIG Franchise Systems for such programs.

**7.10 Payment Systems.** Franchisee shall accept payment from Customers in any form or manner designated by CIG Franchise Systems (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by CIG Franchise Systems. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

**7.11 Meetings.** The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that CIG Franchise Systems or the Advertising Council for the Designated Market Area requires, including any national or regional brand conventions. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings.

**7.12 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies for the Management Entity in the types and amounts as specified by CIG Franchise Systems in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;

- (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000; and
- (iii) Workers Compensation coverage as required by state law.

(b) Franchisee's policies (other than Workers Compensation) must (1) list CIG Franchise Systems and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of CIG Franchise Systems and its affiliates, (3) be primary and non-contributing with any insurance carried by CIG Franchise Systems or its affiliates, and (4) stipulate that CIG Franchise Systems shall receive 30 days' prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to CIG Franchise Systems prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of CIG Franchise Systems.

**7.13 Payments to Third Parties.** Franchisee shall pay all vendors and suppliers in a timely manner. Franchisee shall pay all taxes when due. If Franchisee borrows money, it shall comply with the terms of its loan and make all loan payments when due.

**7.14 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Commercial Investors Group, the Business, or any particular incident or occurrence related to the Business, without CIG Franchise Systems' prior written approval, which will not be unreasonably withheld.

**7.15 Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without CIG Franchise Systems' prior written approval, which will not be unreasonably withheld.

**7.16 Third-Party Management.** Franchisee or Franchisor may engage a third-party property management company to manage or operate the Commercial Real Estate, provided that the Franchisee continues to provide oversight of the Business and ensures compliance with Brand Standards. All third-party property management companies are to be approved by the Franchisor and hired directly by the Special Purpose Entity.

**7.17 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by CIG Franchise Systems.

**7.18 Business Practices.** Franchisee, in all interactions with Customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from CIG Franchise Systems. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

## **ARTICLE 8. SUPPLIERS AND VENDORS**

**8.1 Generally.** Franchisee shall acquire all Inputs required by CIG Franchise Systems from time to time in accordance with System Standards. CIG Franchise Systems may require Franchisee to purchase or lease any Inputs from CIG Franchise Systems, CIG Franchise Systems' designee,

Required Vendors, Approved Vendors, and/or under CIG Franchise Systems' specifications. CIG Franchise Systems may change any such requirement or change the status of any vendor. To make such requirement or change effective, CIG Franchise Systems shall issue the appropriate System Standards.

**8.2 Alternate Vendor Approval.** If CIG Franchise Systems requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by CIG Franchise Systems. CIG Franchise Systems may condition its approval on such criteria as CIG Franchise Systems deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. CIG Franchise Systems will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

**8.3 Alternate Input Approval.** If CIG Franchise Systems requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by CIG Franchise Systems. CIG Franchise Systems will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

**8.4 No Liability of Franchisor.** CIG Franchise Systems shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.

## ARTICLE 9. MARKETING

**9.1 Required Annual Spend.** There is no requirement for advertising or marketing spend; however, Franchisee understands that lead generation is a critical aspect to the success of their business and that they are solely responsible for generating leads whether through marketing, advertising, networking, prospecting, or other activities.

**9.2 Approval and Implementation.** Franchisee shall not conduct any marketing, calling campaigns, advertising, or public relations activities (including websites, online advertising, social media marketing or presence, and sponsorships) outside their Designated Market Area without CIG Franchise Systems approval. CIG Franchise Systems may (but is not obligated to) operate all "social media" accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, include any social media policy that CIG Franchise Systems may prescribe.

**9.3 Use by CIG Franchise Systems.** CIG Franchise Systems may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, perpetual, royalty-free license to CIG Franchise Systems for such purpose.

**9.4 Marketing Services by CIG Franchise Systems.** CIG Franchise Systems is an approved vendor that provides direct marketing services through its CRETools software. Franchisee is required to do all direct marketing through CIG Franchise Systems, but is not required to do any direct marketing if they do not wish to do so.

**9.5 Advertising Council.**

(i) Franchisee must be a member of, and attend any mandatory meetings for any Advertising Council inside their Designated Market Area where Franchisee intends to perform advertising or marketing.

(ii) Franchisee will make an advertising commitment for each calendar year at least 16 days prior to the beginning of the year.

(iii) Franchisee must pay 100% of the advertising dollars committed to the advertiser at least 16 days in advance of the year for which the dollars are committed to be spent.

**ARTICLE 10. RECORDS AND REPORTS**

**10.1 Systems.** Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and control procedures and systems as CIG Franchise Systems may specify in the Manual or otherwise in writing. CIG Franchise Systems shall provide accounting services for the Special Purpose Entities formed for the purpose of acquiring Commercial Real Estate (in exchange for a fee of 2% of Gross Rental Revenue), but will not provide accounting services to the Business.

**10.2 Reports.**

(a) Financial Reports. Franchisee shall provide such periodic corporate financial reports as CIG Franchise Systems may require in the Manual or otherwise in writing, including:

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each calendar month;
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of CIG Franchise Systems' fiscal year; and
- (iii) any information CIG Franchise Systems requests in order to prepare a financial performance representation for CIG Franchise Systems' franchise disclosure document.

(b) Legal Actions and Investigations. Franchisee shall promptly notify CIG Franchise Systems of any Action or threatened Action by any Customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as CIG Franchise Systems may request.

(c) **Government Inspections.** Franchisee shall give CIG Franchise Systems copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) **Other Information.** Franchisee shall submit to CIG Franchise Systems such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that CIG Franchise Systems may reasonably request.

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to CIG Franchise Systems a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of CIG Franchise Systems' Franchise Disclosure Document and with such other information as CIG Franchise Systems may request.

**10.4 Business Records.** Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as CIG Franchise Systems may specify in the Manual or otherwise in writing.

**10.5 Records Audit.** CIG Franchise Systems may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. CIG Franchise Systems may require Franchisee to deliver copies of books, records and supporting documentation to a location designated by CIG Franchise Systems or upload them to a digital file folder.

## ARTICLE 11. FRANCHISOR RIGHTS

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by CIG Franchise Systems. CIG Franchise Systems may supplement, revise, or modify the Manual, and CIG Franchise Systems may change, add or delete System Standards at any time in its discretion. CIG Franchise Systems may inform Franchisee thereof by any method that CIG Franchise Systems deems appropriate (which need not qualify as "notice" under Section 18.9). In the event of any dispute as to the contents of the Manual, CIG Franchise Systems' master copy will control.

**11.2 Inspections.** CIG Franchise Systems may inspect the Business or properties owned from time to time. Franchisee shall cooperate with CIG Franchise Systems' inspectors. The inspection may include speaking with employees and Customers. CIG Franchise Systems may videotape and/or take photographs of the inspection and the Commercial Real Estate owned by the Business. CIG Franchise Systems may set a minimum score requirement for inspections, and Franchisee's failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting CIG Franchise Systems' other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If CIG Franchise Systems conducts an inspection because of a governmental report, Customer complaint or other

Customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then CIG Franchise Systems may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

**11.3 CIG Franchise Systems' Right to Cure.** If Franchisee breaches or defaults under any provision of this Agreement, CIG Franchise Systems may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse CIG Franchise Systems for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

**11.4 Business Data.** All Customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by CIG Franchise Systems. CIG Franchise Systems hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

**11.5 Innovations.** Franchisee shall disclose to CIG Franchise Systems all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors. CIG Franchise Systems will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by CIG Franchise Systems to document CIG Franchise Systems' ownership of Innovations.

**11.6 Communication Systems.** If CIG Franchise Systems provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes CIG Franchise Systems to access such communications.

**11.7 Delegation.** CIG Franchise Systems may delegate any duty or obligation of CIG Franchise Systems under this Agreement to an affiliate or to a third party provided that it still oversee that third party and maintains compliance with this Agreement.

**11.8 System Variations.** CIG Franchise Systems may vary or waive any System Standard for any one or more Commercial Investors Group franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

## ARTICLE 12. MARKS

**12.1 Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by CIG Franchise Systems, and only in the manner as CIG Franchise Systems may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of CIG Franchise Systems.

**12.2 Change of Marks.** CIG Franchise Systems may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after CIG Franchise Systems makes any such change, Franchisee must comply with the change, at Franchisee's expense.

### **12.3 Infringement.**

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) CIG Franchise Systems shall defend Franchisee (at CIG Franchise Systems' expense) against any Action by a third-party alleging infringement by Franchisee's use of a Mark, and (ii) CIG Franchise Systems will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify CIG Franchise Systems if Franchisee becomes aware of any possible infringement of a Mark by a third party. CIG Franchise Systems may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. CIG Franchise Systems shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

**12.4 Name.** If Franchisee is an entity, it shall not use the words "Commercial Investors Group" or any confusingly similar words in its legal name.

## **ARTICLE 13. COVENANTS**

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by CIG Franchise Systems for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by CIG Franchise Systems, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by CIG Franchise Systems (except for Confidential Information which CIG Franchise Systems licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

### **13.2 Covenants Not to Compete.**

(a) Sign Non-Compete. The Franchisee's owners, officers, and spouses shall sign Attachment 2 to this Franchise Agreement: Guaranty and Non-Compete.

(b) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of CIG Franchise Systems. Franchisee agrees that the existence of any claim it may have against CIG Franchise Systems shall not constitute a defense

to the enforcement by CIG Franchise Systems of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**13.3 General Manager and Key Employees.** If requested by CIG Franchise Systems, Franchisee will cause its general manager and other key employees to sign CIG Franchise Systems' then-current form of confidentiality and non-compete agreement (unless prohibited by applicable law).

## **ARTICLE 14. DEFAULT AND TERMINATION**

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if CIG Franchise Systems violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after CIG Franchise Systems receives written notice of termination.

### **14.2 Termination by CIG Franchise Systems.**

(a) Subject to 10-Day Cure Period. CIG Franchise Systems may terminate this Agreement if Franchisee does not make any payment to CIG Franchise Systems when due, or if Franchisee does not have sufficient funds in its account when CIG Franchise Systems attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after CIG Franchise Systems gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to CIG Franchise Systems' satisfaction within 30 days after CIG Franchise Systems gives notice to Franchisee of such breach, then CIG Franchise Systems may terminate this Agreement.

(c) Without Cure Period. CIG Franchise Systems may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to CIG Franchise Systems;
- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors, or Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;

- (iv) Franchisee fails to open for business by the date specified on the Summary Page;(v) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vi) Franchisee or any Owner slanders or libels CIG Franchise Systems or any of its employees, directors, or officers;
- (vii) Franchisee refuses to cooperate with or permit any audit or inspection by CIG Franchise Systems or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;
- (viii) CIG Franchise Systems (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate);
- (ix) Franchisee or any Owner is charged with, pleads guilty or no-contest to, or is convicted of a felony; or
- (x) Franchisee or any Owner is accused by any governmental authority or third party of any act, or if Franchisee or any Owner commits any act or series of acts, that in CIG Franchise Systems' opinion is reasonably likely to materially and unfavorably affect the Commercial Investors Group brand.

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to CIG Franchise Systems based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to CIG Franchise Systems all copies of the Manual, Confidential Information and any and all other materials provided by CIG Franchise Systems to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;
- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to CIG Franchise Systems or any new franchisee as may be directed by CIG Franchise Systems, and Franchisee hereby irrevocably appoints CIG Franchise Systems, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to

execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and

- (iv) cease doing business under any of the Marks.
- (v) Franchisor may permit Franchisee to continue to operate the underlying Special Purpose Entities provided that they are in compliance with the Operating Agreement, at Franchisor's sole discretion.

**14.4 Remove Identification.** Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Commercial Investors Group business, to the reasonable satisfaction of CIG Franchise Systems. Franchisee shall comply with any reasonable instructions and procedures of CIG Franchise Systems for de-identification.

**14.5 Purchase Option at Termination.** When this Agreement expires or is terminated, CIG Franchise Systems will have an option to purchase the Franchisee's ownership interest in the Management Entity as outlined in the Management Operating Agreement. To exercise this option, CIG Franchise Systems must comply with the procedures as outlined in the Management Operating Agreement.

## **ARTICLE 15. TRANSFERS**

**15.1 By CIG Franchise Systems.** CIG Franchise Systems may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and CIG Franchise Systems may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2 By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that CIG Franchise Systems entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing CIG Franchise Systems at least 60 days prior notice of the proposed Transfer, and without obtaining CIG Franchise Systems' consent. In granting any such consent, CIG Franchise Systems may impose conditions, including, without limitation, the following:

- (i) CIG Franchise Systems receives a transfer fee equal to \$10,000;
- (ii) the proposed assignee and its owners have completed CIG Franchise Systems' franchise application processes, meet CIG Franchise Systems' then-applicable standards for new franchisees, and have been approved by CIG Franchise Systems as franchisees;
- (iii) the proposed assignee is not a Competitor;
- (iv) the proposed assignee executes CIG Franchise Systems' then-current form of franchise agreement and any related documents, which form may contain

materially different provisions than this Agreement and will include the payment of a full franchise fee;

- (v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.5;
- (vi) Franchisee has paid all monetary obligations to CIG Franchise Systems and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to CIG Franchise Systems or its affiliates;
- (vii) the proposed assignee and its owners and employees undergo such training as CIG Franchise Systems may require;
- (viii) Franchisee, its Owners, and the transferee and its owners execute a general release of CIG Franchise Systems in a form satisfactory to CIG Franchise Systems; and
- (ix) the Business fully complies with all of CIG Franchise Systems' most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to CIG Franchise Systems, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by CIG Franchise Systems, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by CIG Franchise Systems (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 CIG Franchise Systems' Right of First Refusal.** Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), CIG Franchise Systems will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to CIG Franchise Systems a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of CIG Franchise Systems' receipt of such copy, CIG Franchise Systems will have the right, exercisable by notice to Franchisee, to purchase the assets, excluding real estate assets, subject of the proposed Transfer for the same price and on the same terms and conditions (except that CIG Franchise Systems may substitute cash for any other form of payment). If CIG Franchise Systems does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

**15.6 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.7 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

## ARTICLE 16. INDEMNITY

**16.1 Indemnity.** Franchisee shall indemnify and defend (with counsel reasonably acceptable to CIG Franchise Systems) CIG Franchise Systems, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against CIG Franchise Systems and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from Actions arising as a result of any Indemnitee's intentional misconduct or negligence. Any delay or failure by an Indemnitee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnitee. This indemnity will continue in effect after this Agreement ends.

**16.2 Assumption.** An Indemnitee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

## ARTICLE 17. DISPUTE RESOLUTION

### 17.1 Arbitration.

(a) Disputes Subject to Arbitration. Except as expressly provided in subsection (c) and (d), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation and including any question of arbitrability) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be the city and state where CIG Franchise Systems' headquarters are located.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

(d) Intellectual Property Claims. Either party may bring a claim involving an alleged infringement of any of CIG Franchise Systems' intellectual property rights in a court authorized to hear such claims under Section 17.5 of this Agreement.

(e) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for CIG Franchise Systems to comply with laws and regulations applicable to the sale of franchises.

(f) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, CIG Franchise Systems and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

**17.2 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement.

**17.3 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where CIG Franchise Systems' headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where CIG Franchise Systems' headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

## ARTICLE 18. MISCELLANEOUS

**18.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. CIG Franchise Systems is not a fiduciary of Franchisee. CIG Franchise Systems does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect CIG Franchise Systems' interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take

control, over the Business. CIG Franchise Systems has no liability for Franchisee's obligations to any third party whatsoever.

**18.2 No Third-Party Beneficiaries.** This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, CIG Franchise Systems, and CIG Franchise Systems' affiliates.

**18.3 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by CIG Franchise Systems in its franchise disclosure document.

**18.4 Modification.** No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit CIG Franchise Systems' rights to modify the Manual or System Standards.

**18.5 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

**18.6 Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**18.7 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**18.8 Governing Law.** The laws of the state of Minnesota (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Minnesota law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

**18.9 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to CIG Franchise Systems, addressed to 9220 Bass Lake Rd, Suite 230 New Hope, MN 55428. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notwithstanding the foregoing, CIG Franchise Systems may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.



**Attachment 1 to Franchise Agreement**

**OWNERSHIP INFORMATION**

1. **Form of Ownership.** Franchisee is a \*entity\_type\* formed in \*state\_formed\_in\*

2. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

<b>Name</b>	<b>Shares or Percentage of Ownership</b>
*primary_name*	*primary_ownership*
*secondary_name*	*secondary_ownership*
*tertiary_name*	*tertiary_ownership*

3. **Officers.** If Franchisee is a limited liability company or corporation:

<b>Name</b>	<b>Title</b>
*primary_name*	*primary_title*
*secondary_name*	*secondary_title*
*tertiary_name*	*tertiary_title*

## Attachment 2 to Franchise Agreement

### GUARANTY AND NON-COMPETE AGREEMENT

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of CIG Franchise Systems, LLC, a Minnesota Limited Liability Company (“CIG Franchise Systems”).

**Background Statement:** \*primary\_name\* \*secondary\_name\* \*tertiary\_name\* (“Franchisee”) desires to enter into a Franchise Agreement with CIG Franchise Systems for the franchise of a Commercial Investors Group business (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce CIG Franchise Systems to enter into the Franchise Agreement.

Guarantor agrees as follows:

**1. Guaranty.** Guarantor hereby unconditionally guarantees to CIG Franchise Systems and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to CIG Franchise Systems, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and CIG Franchise Systems upon demand from CIG Franchise Systems. Guarantor waives (a) acceptance and notice of acceptance by CIG Franchise Systems of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that CIG Franchise Systems make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

**2. Confidential Information.** With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by CIG Franchise Systems for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by CIG Franchise Systems, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is

owned by CIG Franchise Systems or its affiliates (except for Confidential Information which CIG Franchise Systems licenses from another person or entity). Guarantor acknowledges that all Customer data generated or obtained by Guarantor is Confidential Information belonging to CIG Franchise Systems. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

**3. Covenants Not to Compete.** Any restrictions referencing CIG Franchise Systems are also referencing its affiliates, owners, or subsidiaries including but not limited to Commercial Investors Group LLC, CIG Holdings LLC, CIG Umbrella Company LLC, CIG Value-Add Fund I LLC, and any other property related entities owned by any of these companies:

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “Restricted Parties”) shall directly or indirectly:

- Solicit investors of CIG Franchise Systems that were not brought to CIG Franchise Systems by the Franchisee;
- Solicit employees of CIG Franchise Systems;
- Solicit tenants of CIG Franchise Systems that are not tenants of assets where the Franchisee is an owner;
- Solicit vendors of CIG Franchise Systems for the intent of causing them to cease doing business with CIG Franchise Systems.
- Represent other clients, if licensed as a real estate, where those client's buying criteria is the same or similar to CIG Franchise Systems. All deals should first be submitted to CIG Franchise Systems before being offered to any parties the Franchisee may be representing as a licensed agent.
- Franchisee may be licensed and represent others for a fee so long as they comply with the other conditions of this non-compete and do not take an equity stake in those projects.
- If Franchisee desires to invest their own money in another commercial real estate project not operated by CIG Franchise Systems LLC, they should submit that request in writing to CIG Franchise Systems LLC who reserves the right to approve or deny that request in their sole discretion.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly:

- Solicit tenants of any property owned by CIG Franchise Systems;
- Solicit property owners or purchase properties in any market CIG Franchise Systems is operating;

- Raise capital from any investors of CIG Franchise Systems for the purpose of investing it in Commercial Real Estate, regardless of where those investors or properties are located, and regardless of whether those investors were brought to CIG Franchise Systems by the Franchisee or not;
- Own or gain equity in a software business that sells software as a service in the real estate industry;
- Own or gain equity in a franchisor entity that provides real estate related services of any kind, including but not limited to acquisitions, funding, and asset management;
- Nothing in this non-compete prevents the Franchisee from working for a Competitor, whether as an employee or independent contractor, so long as that employee does not receive ownership stake or options of any kind.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then the parties intend that the court or arbitrator modify such restriction to the extent reasonably necessary to protect the legitimate business interests of CIG Franchise Systems. Guarantor agrees that the existence of any claim it or Franchisee may have against CIG Franchise Systems shall not constitute a defense to the enforcement by CIG Franchise Systems of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**4. Modification.** Guarantor agrees that Guarantor’s liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which CIG Franchise Systems may from time-to-time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

**5. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of Minnesota (without giving effect to its principles of conflicts of law). The parties agree that any Minnesota law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 6. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to CIG Franchise Systems all costs incurred by CIG Franchise Systems (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

By: \_\_\_\_\_  
Name: \*primary\_name\*  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \*secondary\_name\*  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \*tertiary\_name\*  
Date: \_\_\_\_\_

## Attachment 3 to Franchise Agreement

### FORM OF GENERAL RELEASE

*[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]*

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of CIG Franchise Systems, LLC, a Minnesota Limited Liability Company (“CIG Franchise Systems”).

**Background Statement:** *[describe circumstances of Release]*

Releasor agrees as follows:

- 1. Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases CIG Franchise Systems, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).
- 2. Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.
- 3. Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.
- 4. Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that CIG Franchise Systems reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Agreed to by:

DO NOT SIGN NOW

Name: \*primary\_name\*

Date:







## INDIANA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \*agreement\_date\* (the “Agreement”), between CIG Franchise Systems, LLC, a Minnesota Limited Liability Company (“CIG Franchise Systems”) and \*franchisee\_name\*, a \*state\_formed\_in\* \*entity\_type\* (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

**2. Certain Provisions Modified.** Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new







## MINNESOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \*agreement\_date\* (the “Agreement”), between CIG Franchise Systems, LLC, a Minnesota Limited Liability Company (“CIG Franchise Systems”) and \*franchisee\_name\*, a \*state\_formed\_in\* \*entity\_type\* (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

**2. Amendments.** The Agreement is amended to comply with the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor 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 (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the 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. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

**3. Effective Date.** This Rider is effective as of the Effective Date.





## NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \*agreement\_date\* (the “Agreement”), between CIG Franchise Systems, LLC, a Minnesota Limited Liability Company (“CIG Franchise Systems”) and \*franchisee\_name\*, a \*state\_formed\_in\* \*entity\_type\* (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) **Restrictive Covenants:** Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) **Situs of Arbitration Proceedings:** Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) **Restrictions on Forum:** Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) **Liquidated Damages and Termination Penalties:** Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) **Applicable Laws:** The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) **Waiver of Trial by Jury:** Franchisee and any Guarantor do not waive a trial by jury.
- (7) **Waiver of Exemplary and Punitive Damages:** The parties do not waive exemplary and punitive damages.
- (8) **General Release:** Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) **Limitation of Claims:** Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) **Enforcement of Agreement:** The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

**3. Effective Date.** This Rider is effective as of the Effective Date.









Attachment 6 to the Franchise Agreement

# MANAGEMENT OPERATING AGREEMENT

**\*management\_entity\_name\***

This Operating Agreement (this “**Agreement**”) is dated \*agreement\_date\*, and is between \*management\_entity\_name\*, a Minnesota limited liability company, (“**Company**”), and the individuals or companies listed on the attached ADDENDUM A (collectively the “**Members**”).

**Background:**

- A. The Members constitute the members of the Company.
- B. The Minnesota Act authorizes the adoption of a written agreement among members concerning the business and affairs of a limited liability company.
- C. The Members and the Company desire to enter into such an agreement.

NOW, THEREFORE, the Members and the Company hereby agree as follows:

**ARTICLE 1 DEFINED TERMS**

For purposes of this Agreement and all Exhibits and Schedules attached hereto, the capitalized terms shall have the meanings set forth on ADDENDUM B attached hereto.

**ARTICLE 2 FORMATION AND ORGANIZATION**

- 2.1. **Name.** The Company shall have the name set forth above in the Preamble or such other name or names as the Members may from time to time designate. The Company’s activities shall be conducted under the name of the Company.
- 2.2. **Purpose and Powers.** The purpose of the Company is to purchase, renovate, own, manage and lease Property.
- 2.3. **No State Law Partnership.** No provisions of this Agreement shall be deemed or construed to constitute the Company being a partnership (including, without limitation, a limited partnership or a joint venture) for any purpose other than for federal, state, and local income tax purposes.

**ARTICLE 3 MANAGEMENT**

3.1. **General Management.** Except as otherwise provided in Section 3.2, the business and affairs of the Company shall be managed under the direction of the Members in accordance with the Minnesota Act. The Members, to the extent of their powers set forth in this Agreement and the Act, are agents of the Company for the purpose of the Company’s business, and the actions of the Members taken in accordance with this Agreement shall bind the Company. Except for the obligations contained in this Agreement, as otherwise imposed by law, or as outlined in the separate Franchise Agreement dated \*agreement\_date\* between the Franchisor Member and Franchisee Member (the “**Franchise Agreement**”), the Members shall not owe any fiduciary duties to the Company or the other Members.

### **3.2. Members.**

**3.2.1. Authority of Members.** The Members shall collectively have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental, or convenient, for the furtherance of the purposes of the Company, including, but not limited to, the power and authority to:

(a) perform all actions associated with the day-to-day operations of the Company, including construction, leasing, and property management (as defined herein);

(b) enter into, and perform under contracts, agreements, and other undertakings binding the Company that may be necessary, appropriate, or advisable in furtherance of the purposes of the Company and making all decisions thereunder;

(c) open and maintain bank and interest-bearing accounts and arrangements, drawing checks and other orders for the payment of money, and designating individuals with authority to sign or give instructions with respect to those accounts and arrangements;

(d) to the extent that funds of the Company are available therefor, pay debts and obligations of the Company;

(e) conduct the Company's business in accordance with the terms of this Agreement and (i) all applicable laws, statutes, ordinances, decrees, codes, rules, regulations, resolutions and other act of any governmental authority, including federal and state labor and tax laws, with respect to the Company's business, and (ii) any other agreement relating to the Company's business;

(f) obtain all licenses or permits required by it or the Company in connection with the conduct of the Company's business;

(g) authorized, in its discretion, to cause the Company to acquire policies of liability insurance insuring the Company against liabilities in connection with the business of the Company; and

(h) take such other actions and carry out such other activities as may be necessary, advisable, or incidental to the carrying out the business of the Company.

(i) Acquire, sell, or refinance any of the Company Assets, provided they have unanimous vote of all Members.

**3.2.2. Responsibilities.** The specific responsibilities of each Member are further described on ADDENDUM C, attached hereto and incorporated herein by this reference. Any changes to any responsibilities shall be approved by a unanimous vote of the Members.

## **ARTICLE 4 MEMBERSHIP INTERESTS; UNITS; ADMINISTRATIVE MATTERS**

**4.1. General.** A Member's membership interest ("Membership Interest") in the Company constitutes a Member's financial and governance rights in the Company, as such terms are defined by the Minnesota Act, in each case subject to the provisions of this Agreement and the Minnesota Act. Membership Interests shall be represented by "Units." The Members' Percentage Interests of the Company and the Members' Units are set forth opposite each Member's name on attached ADDENDUM A.

**4.2. Terms of Units.** The Units shall have the rights and preferences set forth below.

**4.2.1. Governance Rights.** The holder of each Unit shall have voting rights.

**4.2.2 Financial Rights.** The holder of each Unit shall be entitled to allocations and distributions as provided in Articles 6, 7 and 10 hereof.

**4.3.3 Issuance of New Units.** The Company shall not have the right to issue new Units.

**4.4. Schedule of Members.** The Members shall maintain a Schedule of Members, which shall include the names of the Members, their mailing addresses and e-mail addresses and the number and series of Units held by each of them, and their respective Percentage Interests. A copy of the Schedule of Members as of the date hereof is attached as ADDENDUM A. Upon any Transfer, issuance, or redemption of any Units made in accordance with this Agreement, the Members shall amend ADDENDUM A to reflect such Transfer, issuance, or redemption of Units and Percentage Interests of the Members.

**4.5. Administrative Matters.**

**4.5.1. Availability of Books and Records.** The Company shall keep or cause to be kept accurate accounts of the transactions of the Company in proper books and records of account which shall set forth all information required by the limited liability company act (the "Act") of the governing jurisdiction. Each Member shall be entitled to inspect or copy the books and records of the Company upon written request received by the Company not less than 72 hour from the time of inspection, which shall be during regular business hours.

**4.5.2. Tax Characterization and Tax Returns.** The Members acknowledge that the Company will be treated as a "partnership" for federal and state income tax purposes. Within ninety (90) days after the end of each Fiscal Year, the Company will deliver to each person who was a Member at any time during such Fiscal Year a Schedule K-1 and such other information, if any, with respect to the Company as may be necessary for the preparation of such Member's federal or state income tax (or information) returns, including a statement showing each Member's share of income, gain or loss and credits for such Fiscal Year for federal or state income tax purposes.

**4.5.3. Tax Representative.** Franchisor Member is hereby designated as the tax representative for the Company (the "**Tax Representative**"). The Tax Representative shall not be liable to the Company or any Member for any act or omission of the Tax Representative that was in good faith and in the belief that such act or omission was in or was not opposed to the best interests of the Company. The Tax Representative shall be indemnified by the Company in respect of any claim based upon such act or omission, provided that such act or omission is not in violation of this Agreement and does not constitute gross negligence, fraud, or a willful violation of law. The Tax Representative shall inform all other Members of all material tax matters that may come to the attention of the Tax Representative by giving the Members notice thereof within thirty (30) days after becoming so informed. All expenses and costs of the Tax Representative shall be borne by the Company.

**4.5.4. Financial Statements.** Within ninety (90) days after the end of each Fiscal Year, or such other times as determined by the Members, the Members shall cause to be delivered to all Members internally prepared financial statements (including a balance sheet and income statement) as of the end of such Fiscal Year or other period.

## **ARTICLE 5 CAPITAL**

**5.1. Capital Accounts.** The Members shall maintain Capital Accounts for each Member showing any Capital Contributions they have made, and the balance of any Unreturned Capital Contributions.

**5.2. Capital Contributions.** The Members shall only be required to make an additional Capital Contribution in the event that the Working Capital is depleted, in the sole discretion of the Members. The Members shall also determine the amount and terms of the additional Capital Contributions. The Percentage Interests of the members shall not change as a result of any Members making additional Capital Contributions.

**5.3. Limited Liability.** No existing Members shall be personally liable for any of the debts of the Company unless unanimously agreed upon by all Members or required by law.

**5.4. Creditors.** A creditor who makes a loan to the Company shall not have or acquire, at any time as a result of making the loan, any direct or indirect interest in the Profits, Losses, or capital, of the Company other than as a creditor.

## ARTICLE 6 ALLOCATIONS

**6.1. Profits and Losses.** Except as otherwise provided in Section 6.2 and 6.3, any Profits or Losses of the Company for each Fiscal Year shall be allocated to the Members in accordance with the following:

**6.1.1. Profits:** To the Members in proportion to their respective Percentage Interests (as provided for on ADDENDUM A attached and incorporated herein).

**6.1.2. Losses:** To the Members in proportion to their respective Percentage Interests (as provided for on ADDENDUM A attached and incorporated herein).

**6.2. Regulatory Allocations.** The Members intend that all allocations shall be governed by Section 704(b) of the Code, to the extent permitted by Section 704(c) of the Code and the regulations thereunder, as set forth herein. Prior to making any allocations of Profits and Losses under Section 6.1 for a Fiscal Year, the Company shall make the regulatory allocations (if any) that are required for the Fiscal Year under either Regulations Section 1.704-1(b) or Regulations Section 1.704-2 (the “**Regulatory Allocations**”), and, by this reference, such Regulations Sections are incorporated fully into this Agreement as if set forth fully in this Agreement, and it shall be understood that this Agreement “provides” or “contains” the provision to which a provision of either such Regulation Section refers. Without limiting the generality of the preceding sentence, “nonrecourse deductions” (as defined in Regulations Section 1.704-2(b)(1)) shall be included in determining Profits or Losses for a Fiscal Year. Notwithstanding any other provisions of this Article 6, the Regulatory Allocations shall be taken into account in allocating Profits, Losses, and the items of Company income, gain, loss, and deduction to the Members so that, to the extent possible, the net amount of such allocations of Profits, Losses, and other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred.

**6.3. Allocations of Individual Items.** All items of Company income, gain, loss, deduction for federal and state income tax purposes, and any other allocations not otherwise provided for, shall be divided among the Members in the same proportions as they share Profits or Losses, as the case may be, for the Fiscal Year on ADDENDUM A.

**6.4 Section 754 Adjustment.** To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to a 754 election and/or Treas. Regs. Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

## ARTICLE 7 DISTRIBUTIONS

**7.1. Net Cash Flow.** Net Cash Flow shall be distributed quarterly (or at such other times as determined by the Members) to the Members in accordance with their Percentage Interests. Unless pursuant to a dissolution event, the Members unanimously agree, there shall be no hold back of any of funds for later distribution, except as necessary to replenish Working Capital.

**7.2. Tax Distributions.** In addition the distributions described under Section 7.1, to the extent that cumulative, allocated Profits exceed cumulative, allocated Losses for the Fiscal Year with respect to which

distributions are being made pursuant to this Section 7.2 and all prior Fiscal Years, the Company shall make distributions out of the Net Cash Flow to the Members on a pro rata basis in accordance with each Member's share of the Company's taxable income, at such times and in such amounts as are reasonably estimated by the Members to be at least sufficient to enable each Member to make timely payments of federal, state, and local income and franchise taxes (including estimated taxes) attributable to such cumulative, allocated net Profits of the Company properly allocated to the Members ("**Tax Distributions**"). Notwithstanding the foregoing, the Company shall not be required to make Tax Distributions to the extent that (a) the Members determines that doing so would not be commercially reasonable or would render the Company insolvent or (b) the Tax Distributions are prohibited by the Company's loan agreements with third party lenders.

**7.3. Distributions Upon Dissolution.** In a Dissolution Event, all Company costs, expenses, fees and other payments, debts, and liabilities shall be paid first, pursuant to Article 9, Section 9.1 below. After all liabilities are satisfied, then each Member shall be returned their Capital Account balance. Then once all Capital Accounts are paid down to zero, any remaining sums shall be distributed to the Members based on their Percentage Interests pursuant to Article 10 below.

**7.4. Limitation on Distributions.** No distribution shall be made to Members if prohibited by law.

## **ARTICLE 8 TRANSFERS OF UNITS**

**8.1. General.** A Member may only Transfer Units in compliance with this Article 8. Any Transfer or attempted Transfer of all or any portion of a Member's Units that is not in compliance with this Article 8 shall be null and void and of no force or effect, and the parties engaging or attempting to engage in such Transfer shall be liable to indemnify and hold harmless the Company and the other Members from all cost, liability, and damage that the Company and any of such indemnified Members may incur (including, without limitation, incremental tax liabilities, attorneys' fees and expenses) as a result of such Transfer or attempted Transfer and efforts to enforce the indemnity granted hereby.

**8.2. No Transfers Without Written Consent.** No Member or Assignee shall Transfer any of its Percentage Interests without the unanimous prior written consent of the other Members.

**8.3. Death of a Member.** Upon the death of a Member, such Member's Legal Successor(s) shall succeed to the financial rights of the Deceased Member.

**8.4 Buyout.** In the event of a breach of this Agreement by the Franchisee Member, a termination of the Franchise Agreement for any reason, or a failure by any Member to renew the Franchise Agreement, Franchisor Member may purchase Franchisee Member's Units and Percentage Interests in this Company. The Purchase Price for such buyout shall be ninety five percent (95%) of the then current Company Net Equity Value multiplied by Franchisee Member's Percentage Interests in the Company. The Company Net Equity Value will be determined by the CPA for the Company using the formula and definition herein.

In the event that the Members do not unanimously agree upon the CPA's determination of the Net Equity Value, each Member will select an appraiser and shall pay for their own appraisals of each Asset owned by the company. Upon completion of each appraiser's Asset Valuation for each Asset owned by the Company, the parties will average the appraisals for each Asset and use that value as the Asset Valuation. If the Members do not unanimously agree upon the average Asset Valuation for any specific Asset as determined by the appraisals, then the two appraisers will select a third appraiser for such Asset to have it reappraised. That third appraiser shall give an Asset Valuation only for those Asset Valuations that are in dispute, which shall be binding upon the Members. The Members shall equally split the cost of the third appraiser if necessary.

The terms of the payment of the Purchase Price shall be ten percent (10%) down within ninety (90) days of the Purchase Price being determined, and 90% of the Purchase Price carried on a three (3) year interest only Note at three (3%) percent annual simple interest, calculated monthly on the principal balance.

The Note will have a 3 year balloon payment. Franchisor Member shall make monthly interest only payments beginning on the 1<sup>st</sup> day of each month following the first full month after the Note is created. The Note shall only be secured by the Franchisee Member's Units. If the Franchisee Member and Franchisor Member elect to sell some Assets, the option shall remain in place for any Assets the Members do not unanimously agree to liquidate.

## **ARTICLE 9 BREACH OR TERMINATION; TRIGGER TO DISSOLUTION AND WIND-DOWN**

**9.1 Breach or Termination.** In the event of a breach of this Agreement by the Franchisee Member, the termination of this Agreement, or a termination of the Franchise Agreement for any reason, then, whether or not the Franchisor Member exercises its right to buyout the Franchisee Member's Percentage Interest pursuant to Article 8 Section 8.4 above, the following shall occur:

9.1.1. Franchisor Member shall either exercise its buyout option as outlined in 8.4 or

9.1.2 The Members shall liquidate the assets of the Company within a reasonable time period ("Wind-Down Period").

**9.2 Action During Wind-Down.** Until the Company is finally dissolved, no distributions shall be made, and all assets, funds, income, and profits shall be retained for the dissolution of the Company pursuant to Article 10 below and the payment of expenses, debts, liabilities and obligations.

## **ARTICLE 10 DISSOLUTION, WIND DOWN, AND LIQUIDATION**

**10.1. Events Triggering Dissolution.** The Company shall commence dissolution proceedings upon the earliest to occur of the following events:

**10.1.1.** The Members unanimously agree that the Company shall be dissolved or votes, at a duly called and held meeting of the Members, in favor of the dissolution of the Company;

**10.1.2.** Any event occurs which, under the laws of the State of Minnesota and in spite of the terms of this Agreement, shall cause the dissolution of the Company;

**10.1.3.** Any event occurs in Article 9 Section 9.1 above.

**10.2. Winding Up Procedures.** Upon any dissolution event, Members of the Company will wind up the Company's affairs in accordance with the Minnesota Act and this Agreement, and will be authorized to take any and all actions contemplated by the Minnesota Act as permissible.

**10.3. Liquidating Distribution.** Following the completion of the dissolution and winding up procedures described in Section 10.2, the Company shall:

**10.3.2.** Pay all Member's an amount equal to their Unreturned Capital Contributions; and

**10.3.3.** Then an amount equal to the members in accordance to their Percentage Interests.

## **ARTICLE 11 MISCELLANEOUS**

**11.1. Equitable Remedies.** Each Member acknowledges that because breach by the Member of any of such Member's obligations under this Agreement could cause irreparable harm for which damages would be an inadequate remedy, if any such breach occurs or is threatened, the Company and/or the other Members will be entitled to an injunction, a restraining order, or any other equitable remedy, in each case without posting a bond or other security and without proof of actual damages.

**11.2. Recovery of Expenses.** In any adversarial proceedings between the Company and a Member arising out of this Agreement where the Company is the prevailing party, the Company will be entitled to recover from the Member, in addition to any other relief awarded, all expenses that the Company incurs in those proceedings, including legal fees and expenses.

**11.3. Entire Agreement.** This Agreement constitutes the entire understanding between the parties with respect to the subject matter of this Agreement and supersedes all other agreements, whether written or oral, between the parties.

**11.4. Severability.** If any provision of this Agreement is held to be unenforceable, then that provision is to be construed by modifying it to the minimum extent necessary to make it enforceable, unless such modification is not permitted by law, in which case that provision is to be disregarded. If an unenforceable provision is modified or disregarded in accordance with this Section, the rest of this Agreement is to remain in effect as written, and the unenforceable provision is to remain as written in any circumstances other than those in which the provision is held to be unenforceable.

**11.5. Amendments.** Except as set forth in Section 2.4, no amendment to or termination of this Agreement will be effective unless it is in writing and signed by all Members.

**11.6. Successors and Assigns.** Except as otherwise specifically provided herein, this Agreement shall be binding upon and inure to the benefit of the Members and their legal representatives, successors, heirs, and assigns.

**11.7. Governing Law.** The laws of the state of Minnesota, without giving effect to its principles of conflicts of law, govern all adversarial proceedings arising out of this Agreement.

**11.8. Venue.** If either party brings against the other party any proceeding arising out of this Agreement or arising out of disclosure or use of Confidential Information, that party may bring that proceeding only in the United States District Court for the District of Minnesota or in any state court of Minnesota, and each party hereby submits to the exclusive jurisdiction of those courts for purposes of any such proceeding. Each party hereby waives any claim that any proceeding brought in accordance with this Section has been brought in an inconvenient forum or that the venue of that proceeding is improper.

**11.9. Waiver of Jury Trial. EACH PARTY HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY PROCEEDINGS ARISING OUT OF THIS AGREEMENT.**

**11.10. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be considered an original and together shall constitute a single agreement. Delivery of an executed counterpart of this Agreement by facsimile or email with scan attachment shall be as effective as delivery of a manually executed counterpart of this Agreement.

**11.11. Notices.** Any notice or other communication required or permitted hereunder shall be in writing and may be delivered by hand, overnight courier service, or United States mail. Notices delivered by hand or overnight courier shall be deemed to have been duly given on the date of delivery. Notices delivered by United States mail shall be deemed to have been duly given four (4) days after the date of mailing, if mailed postage paid by certified first Series mail, return receipt requested. All notices to be given under this Agreement shall be addressed to the parties at the following addresses and/or to such other addresses as any party may specify in a notice given in accordance with this section (in such event, the Company shall amend this Agreement (including attached ADDENDUM A) to reflect the then current addresses of the Members):

**11.11.1.** If to the Company, to the attention of: Mike Sowers, CIG Franchise Systems LLC, 9220 Bass Lake Rd #230 New Hope, MN 55428, or to such address as the Company has if communicated to Members in writing.

**11.11.2.** If to any Member, to the attention of such Member at the address specified on attached ADDENDUM A.

**11.12. Interpretation.** In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

*[Signatures appear on the following page(s)]*

MEMBERS:

**Franchisor Member: CIG Franchise Systems LLC**  
A Wyoming limited liability company

By Mike Sowers  
Its: Managing Member

**Franchisee Member: \*franchisee\_name\***  
A \*state\_formed\_in\* \*entity\_type\*

By \*primary\_name\*  
Its: Authorized Signer

ADDENDUM A TO OPERATING AGREEMENT

**SCHEDULE OF MEMBERS; CAPITAL ACCOUNTS**

as of **\*agreement\_date\***

<b>Member Name</b>	<b>Percentage Interest</b>	<b>Units</b>	<b>Capital Contribution</b>	<b>Address</b>
Franchisor Member: CIG Franchise Systems LLC, a Wyoming limited liability company	65%	1300	\$0	9220 Bass Lake Road #230 New Hope, MN 55428
Franchisee Member: *franchisee_name*, a *state_formed_in* *entity_type*	35%	700	\$50,000	*business_address*

## ADDENDUM B TO MANAGEMENT OPERATING AGREEMENT

### DEFINED TERMS

**“Adjusted Capital Account Deficit”** means, with respect to any Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments: Such Capital Account shall be increased to reflect the amounts, if any, which such Member is obligated to restore to the Company or is treated as or deemed to be obligated to restore pursuant to Regulations Sections 1.704–2(g)(1) and 1.704-2(i)(5); and Such Capital Account shall be reduced to reflect any items described in Regulations Sections 1.704–1(b)(2)(ii)(d)(4), (5), and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to company with the provisions of Regulations Section 1.704–1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

**“Agreement”** means this Operating Agreement, as from time to time amended, supplemented, or restated.

**“Assets”** means any companies, property, cash or other tangible assets the Company owns.

**“Asset Valuation”** means the agreed upon valuation as determined by the appraisers as contemplated in this agreement under Article 8. The valuations should be done by a qualified appraiser and appraised using customary appraisal practices to determine the most probably current market value of the asset if it was marketed properly by a competent real estate brokerage. The Asset Valuation should be a reconciled valuation of the Assets based on a sales comparison approach and income approach, and not a cost reproduction approach.

**“Capital Account”** means with respect to any Member, the capital account maintained for such Member in accordance with following provisions:

(i) A Member’s Capital Account shall be increased by such Member’s Capital Contributions, such Member’s distributive share of Profits, any items in the nature of income or gain that are allocated to such Member pursuant to Article 6 hereof, and the amount of any Company liabilities assumed by such Member that are secured by any Property distributed to such Member.

(ii) A Member’s Capital Account shall be decreased by the amount of cash and the Gross Asset Value of any Property distributed to such Member pursuant to any provision of this Agreement, such Member’s distributive share of Losses any items in the nature of expense or losses that are allocated to the Member pursuant to Article 6 hereof, and the amount of any liabilities of such Member assumed by the Company or that are secured by any property contributed by such Member to the Company.

(iii) In determining the amount of any liability for purposes of clauses (i) and (ii) of this definition, there shall be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and the Regulations.

(iv) Subject to the provisions of this Agreement, if any Units are Transferred in accordance with Article 8 hereof, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Units being Transferred.

**“Capital Contribution”** means, with respect to any Member, the amount of money, the forgiveness of any debt, the fair market value of any services, and/or the Net Asset Value of any property (other than money) contributed to the Company in consideration of the Units held by such Member.

**“Change In Control”** means that the current ownership group of a Member shall cease to Control the Member.

“Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision of any succeeding law.

“Company” has the meaning given in the Preamble to this Agreement.

“Company Net Equity Value” or “Company Net Equity Valuation” means the value the Company would have available to distribute to its Members if it liquidated all of its Assets at the Asset Valuation price. It shall be determined by taking the cumulative Asset Valuation plus any cash balances, and then subtracting the following items:

- Debt payoff amount: the payoff balance on any debt securing any Assets of the Company (including any prepayment penalties)
- Unreturned Capital Balances: any balances due to any members of any subsidiary companies for capital they contributed that hasn’t been returned
- Transaction costs: A 7% theoretical transaction cost to account for brokerage commissions and closing costs that would be incurred in the event of a sale.

An illustration is shown here:

Asset	Asset Valuation	Cash Balance	Debt payoff amount	Unreturned Capital Balances	Transaction Costs	Net Equity Value
123 Main Street LLC	\$10,000,000	\$20,000	-\$6,500,000	-\$2,500,000	-\$70,000	=\$950,000
123 Easy Street LLC	\$5,000,000	\$50,000	--\$3,000,000	-\$2,000,000	-\$350,000	=\$-300,000

The total illustration Company Net Equity Valuation would be \$650,000

“Control” means, with respect to any Person, the power to control, directly or indirectly, the direction of the management and policies of a Person, whether such power is effected through ownership of shares, units or other securities, by contract, by proxy or otherwise; for the avoidance of doubt, the ownership of more than fifty percent (50%) of such Person by another Person, or the ability of another Person to appoint or elect more than fifty percent (50%) of the Board of directors or other equivalent governing body of such Person shall constitute an example of Control of such Person.

“Deceased Member” means a Member who is deceased.

“Depreciation” shall mean, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Fiscal Year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year or other period, then Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other period bears to such beginning adjusted tax basis; provided; however; that if the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Members.

“Disbursements” means, with respect to the Company for any period, all costs and expenses paid or incurred during such period by the Company.

“Fiscal Year” means: (i) the year commencing on the date of this Agreement and ending on December 31, 2022; (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31; or (iii) any portion of the period described in clauses (i) or (ii) for which the Company is required to

allocate Profits, Losses, and other items of Company income, gain, loss, or deduction pursuant to this Agreement.

**“Franchise Agreement”** means the Franchise Agreement dated \*agreement\_date\* by and between CIG Franchise Systems LLC, a Wyoming Limited liability company and \*franchisee\_name\*.

**“Franchisee Member”** means \*franchisee\_name\*, a \*state\_formed\_in\* \*entity\_type\*.

**“Franchisor Member”** means CIG Franchise Systems LLC, a Wyoming limited liability company that has entered into a Franchise Agreement with \*franchisee\_name\*.

**“Gross Asset Value”** means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the fair market value of such asset, as determined by the contributing Member and the Company;

(ii) The Gross Asset Value of each item of Property shall be adjusted to equal its gross fair market value, as determined by the Members, as of the following times: (A) the issuance of additional Units to a new or existing Member, as described in Section 5.3, (B) the distribution by the Company to a Member of more than a de minimis amount of Property, and (C) the liquidation of the Company within the meanings of Regulations Section 1.704–1(b)(ii)(g); provided, however, that if Gross Asset Values are adjusted as provided herein, then the Members' Capital Accounts shall be restated in accordance with Regulations Section 1.704-1(b)(2)(iv)(f) and that adjustments pursuant to clause (B) above shall be made only if the Members reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(iii) The Gross Asset Value of any Property distributed to any Member shall be its fair market value, as determined by the Member and the Company, on the date of distribution; and

(iv) The Gross Asset Value of Property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such Property pursuant to Section 734(b) of the Code or Section 743(b) of the Code, but only to extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704–1(b)(2)(iv)(m); provided, however, that Gross Asset Values shall not be adjusted pursuant to this clause (iv) to the extent the Members determines that an adjustment pursuant to clause (ii) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment to this clause (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to clauses (i), (ii), or (iv) of this definition, then such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

**“Gross Receipts”** means, with respect to the Company, for any period, all revenues, income, earnings, or cash flow of any kind or description received during such period by or on behalf of the Company.

**“Involuntary Transfer”** means any of the following:

(i) the filing by or against a Member (where not dismissed within sixty (60) days of the date of filing), of a petition in bankruptcy, a petition in insolvency, or a creditor's arrangement pursuant to the provisions of any state or federal insolvency or bankruptcy law;

(ii) the appointment of a receiver or trustee of the property of a Member by reason of said Member's insolvency or inability to pay debts as required by law;

- (iii) the assignment for the benefit of creditors of any portion of a Member's Units;
- (iv) the Transfer of all or any portion of a Member's Units pursuant to a divorce decree, divorce settlement agreement, child support decree, child support settlement agreement, or any other marriage dissolution proceeding; or
- (v) any taking of all or any portion of a Member's Units pursuant to any judgment, order, writ, execution, levy, foreclosure, attachment, garnishment, or any other legal process.

**"Involuntary Transferee"** means a Person who acquires or who is poised to acquire Units from a Member as the result of an Involuntary Transfer.

**"Losses"** has the meaning set forth below.

**"Member"** means a Person holding Units as reflected on ADDENDUM A, as the same may be amended and supplemented from time to time, including any Substituted Member.

**"Membership Interest"** means the Percentage Interest owned by a Member.

**"Minnesota Act"** means the Minnesota Limited Liability Company Act and any successor statute, as amended from time to time (or any corresponding provisions of succeeding law).

**"Net Asset Value"** shall mean the Gross Asset Value less actual closing costs and any debt paid off by the Company for the purchase of the asset.

**"Net Cash Flow"** means, for any period, Gross Receipts for such period minus Disbursements for such period, adjusted for additions to or reductions in Reserves.

**"Offered Units"** means (a) in the case of a Voluntary Transfer, the Units which are proposed to be Transferred by the Transferring Member to the purchaser, as set forth in the Third Party Transfer Notice; (b) in the case of a Default Event that is an Involuntary Transfer, the Units of the Defaulting Member which are subject to the Involuntary Transfer; or (c) in the case of a Default Event that is a Change In Control, all of the Units of the Defaulting Member.

**"Percentage Interest"** means, with respect to each Member, such Member's percentage holding of the total outstanding Units as set forth on ADDENDUM A as of the date of determination.

**"Permitted Transfer"** has the meaning set forth in Section 8.2.1.

**"Permitted Transferee"** means, with respect to a Member:

- (i) his or her spouse;
- (ii) his or her parents, children, step children, grandchildren, step grandchildren, or siblings;
- (iii) any entity that is under 100% Control of the Member;
- (iv) if the Member is an entity, the shareholders, members, partners, or other equity owners of the Member;
- (v) if the Member is a joint tenancy with rights of survivorship, the other joint tenant (whether upon the death or prior to the death of the other joint tenant);

(vi) a trust, if the primary beneficiary(ies) of the trust are any one or more of the Member and the Persons described in clauses (ii) and (iii) above and the trustee of such trust is the Member or a successor trustee upon the death of the Member; or

(vii) if the Transferring Member is a trust described in clause (vi) above, any one or more “primary beneficiary(ies)” of such trust (determined as if the Person who transferred the Units to such trust was the Transferring Member). As used herein, the term “primary beneficiary(ies)” means the Person or Persons who are eligible at the time of the Transfer to receive distributions of income or principal from that trust on a current basis.

“**Person**” means any individual or entity, including a limited liability company, partnership, association, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, government or governmental agency or authority.

“**Prime Rate**” means the prime rate of interest as published in the “Money Rates” section of the Wall Street Journal, as such rate of interest may change from time to time.

“**Profits**” or “**Losses**” means, for each Fiscal Year, an amount equal to the Company’s taxable income or loss for such Fiscal Year or period, as applicable, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this paragraph shall be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704–1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits and Losses pursuant to this paragraph shall be subtracted from such taxable income or loss;

(iii) If the Gross Asset Value of any Company asset is adjusted pursuant to clauses (ii) or (iii) of that definition, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits and Losses;

(iv) Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of the Property differs from such value;

(v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year, computed in accordance with the definition of Depreciation herein; and

(vi) Notwithstanding any other provision of this definition, any items that are allocated pursuant to the Regulatory Allocations or any other provision of this Agreement shall not be taken into account in computing Profits and Losses.

“**Property**” means all the assets owned by the Company, including real and personal property.

“**Regulatory Allocations**” has the meaning set forth in Section 6.2.

“**Regulations**” means the income tax regulations (including temporary regulations) promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

**“Remaining Member”** means a Member who is not (i) a Transferring Member (in the case of a voluntary Transfer), or (ii) an Defaulting Member (in the case of a Default Event).

**“Reserves”** means, with respect to any period, the amount deemed necessary or appropriate by the Members for (i) funding reserves for contingent liabilities, working capital, repairs, replacements, and renewals; (ii) paying taxes, insurance, debt service, or other costs or expenses incident to the ownership or operation of the Company; and (iii) any other purposes deemed necessary or appropriate by the Members to meet the current or anticipated future needs of the Company.

**“Substituted Member”** has the meaning set forth in Section 9.1.

**“Successors”** means the successors, heirs, legatees, legal representatives, or assigns, as the case may be, of a Deceased Member.

**“Transfer”** means, as a noun, any voluntary or involuntary transfer, sale, pledge or hypothecation or other disposition, whether directly or indirectly and whether through one or a series of transactions, and, as a verb, voluntarily or involuntarily to transfer, sell, pledge or hypothecation or otherwise dispose of, whether directly or indirectly and whether through one or a series of transactions.

**“Units”** has the meaning set forth in Section 4.1.

**“Unreturned Capital Contribution”** means, with respect to each Member, as of any date, an amount equal to the excess, if any, of (a) such Member’s Capital Contributions, less (b) any distribution specifically identified as a return of capital.

**“Unreturned Capital Balances”** means, with respect to any Members of any subsidiary companies owned by the Company, an amount equal to the excess, if any, of any members capital contributions to that subsidiary company, less any distribution specifically identified as a return of capital.

**“Working Capital”** means \$50,000 or such other amount as the Members agree to maintain as the balance in their operating checking account for the Company.

ADDENDUM C TO MANAGEMENT OPERATING AGREEMENT

**MEMBER SPECIFIC RESPONSIBILITIES**

The following are the primary responsibilities of each Member, but both Members are responsible for the success of the Company, and the X's mark which Member has the primary responsibility. The "Zor" column is the Franchisor Member and the "Zee" column is the Franchisee Member.

## Roles & Responsibilities

<b>Step</b>	<b>Duties</b>	<b>Zor</b>	<b>Zee</b>
All	Software Development, Training, and Support	x	
Find	Direct Marketing - CRETools Software	x	
Find	Broker Relationships and Seller Prospecting		x
Find	Other Marketing and Lead Generation	x	
Find	Tour Property and estimate repairs		x
Figure	Gather data and analyze deal		x
Figure	Structure deal, present offer, and negotiate terms	x	x
Figure	Coordinate legal document creation		x
Fund	Put up due diligence and earnest money	x	x
Fund	Complete due diligence	x	x
Fund	Secure bank financing on qualified deals	x	
Fund	Securing bank financing on non-qualified deals		X
Fund	Clear lender conditions and coordinate closing	x	
Fund	Secure equity funding on qualified deals	x	
Fund	Securing equity funding on non-qualified deals		x
Fund	Secure investors for the Franchisee Fund LLC		x
Fund	Prepare Budgets	x	
Fix	Prepare construction package	x	x
Fix	Find, vet, select, and hold contractor accountable	x	x
Fix	Complete draw requests	x	
Fill	Find, vet, select, and hold leasing broker accountable	x	x
Fill	Review, negotiate, secure and sign leases and renewals	x	x
Financials	Find, vet, select, and hold management vendor accountable	x	x
Financials	Onboard property	x	x
Financials	Accounting and Investor Reporting	x	
All	Visit property regularly and as needed to maintain oversight		x
All	Provide support to Partnership Entity LLC as Needed	x	x

\*This is general breakdown of who is the primary party responsible for certain activities. It is provided only to serve the purpose of guiding the relationship, and is not to be used as a means to hold obligations over another parties head. Ultimately, there is never a guarantee of funding and all parties are responsible for working together to work towards the success of the Company.

**EXHIBIT C**

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
California	Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 (415) 972-8565 (866) 275-2677	Commissioner of Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 (415) 972-8565
Connecticut	Connecticut Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CN 06103	Connecticut Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CN 06103
Florida	Division of Consumer Services Attn: Business Opportunities 2005 Apalachee Parkway Tallahassee, FL 32399-6500	Division of Consumer Services Attn: Business Opportunities 2005 Apalachee Parkway Tallahassee, FL 32399-6500
Hawaii	Department of Commerce and Consumer Affairs 335 Merchant St., Room 203, Honolulu HI 96813 (808) 586-2722	Commissioner of Securities for the State of Hawaii 335 Merchant St., Room 203, Honolulu HI 96813 (808) 586-2722
Illinois	Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Indiana Secretary of State Securities Division Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State Securities Division Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681
Kentucky	Office of the Attorney General Consumer Protection Division Attn: Business Opportunity 1024 Capital Center Drive Frankfort, KY 40601-8204	Office of the Attorney General Consumer Protection Division Attn: Business Opportunity 1024 Capital Center Drive Frankfort, KY 40601-8204

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
Maine	Department of Professional and Financial Regulations Bureau of Banking Securities Division 121 Statehouse Station Augusta, Maine 04333	Department of Professional and Financial Regulations Bureau of Banking Securities Division 121 Statehouse Station Augusta, Maine 04333
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities Office of Attorney General 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 296-6328	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 296-6328
Nebraska	Nebraska Department of Banking and Finance Commerce Court 1230 O Street, Suite 400 Lincoln, NE 68509	Nebraska Department of Banking and Finance Commerce Court 1230 O Street, Suite 400 Lincoln, NE 68509
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21st Fl New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231
North Carolina	Secretary of State Securities Division 300 North Salisbury Street, Suite 100 Raleigh, NC 27603-5909	Secretary of State Securities Division 300 North Salisbury Street, Suite 100 Raleigh, NC 27603-5909

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 <sup>th</sup> Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 <sup>th</sup> Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527
South Carolina	Office of the Secretary of State 1205 Pendleton Street Edgar Brown Building, Suite 525 Columbia, South Carolina 29201	Office of the Secretary of State 1205 Pendleton Street Edgar Brown Building, Suite 525 Columbia, South Carolina 29201
South Dakota	Department of Revenue and Regulation Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823	Department of Revenue and Regulation Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823
Texas	Office of the Secretary of State Statutory Document Section 1019 Brazos Street Austin, Texas 78701	Office of the Secretary of State Statutory Document Section 1019 Brazos Street Austin, Texas 78701
Utah	Utah Department of Commerce Division of Consumer Protection 160 East Three Hundred South P.O. Box 146704 Salt Lake City, Utah 84114-6704	Utah Department of Commerce Division of Consumer Protection 160 East Three Hundred South P.O. Box 146704 Salt Lake City, Utah 84114-6704
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219

State	State Administrator	Agent for Service of Process
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, Wisconsin 53701 (608) 266-2801	Commissioner of Securities 345 West Washington Street, 4 <sup>th</sup> Floor Madison, Wisconsin 53703

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	08/24/2022
Hawaii	10/21/2022
Illinois	11/03/2022
Indiana	05/05/2022
Maryland	12/27/2022
Minnesota	08/22/2022
North Dakota	08/19/2022
New York	12/30/2022
South Dakota	05/05/2022
Rhode Island	10/17/2022
Virginia	1/11/2023
Washington	Pending
Wisconsin	04/12/2022

## RECEIPT

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 CIG Franchise Systems, 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 you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If CIG Franchise Systems, 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, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

CIG Franchise Systems, LLC authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Mike Sowers	9220 Bass Lake Rd, Suite 230 New Hope, MN 55428	612-598-0780

Issuance Date: 3/14/2023

I received a disclosure document that included the following Exhibits:

- A. State Addenda to Disclosure Document
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement, Form of General Release, State Addenda to Agreements, Exclusions List, and Management Operating Agreement)
- C. State Administrators and Agents for Service of Process

Signature: \_\_\_\_\_

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

Date Received: \_\_\_\_\_

**Keep This Copy For Your Records**

## RECEIPT

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 CIG Franchise Systems, 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 you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If CIG Franchise Systems, 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, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

<b>Name</b>	<b>Principal Business Address</b>	<b>Telephone Number</b>
Mike Sowers	9220 Bass Lake Rd, Suite 230 New Hope, MN 55428	612-598-0780

Issuance Date: 3/14/2023

I received a disclosure document that included the following Exhibits:

- A. State Addenda to Disclosure Document
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement, Form of General Release, State Addenda to Agreements, Exclusions List, and Management Operating Agreement)
- C. State Administrators and Agents for Service of Process

Signature: \_\_\_\_\_

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

Date Received: \_\_\_\_\_

**Return This Copy To Us**  
**CIG Franchise Systems, LLC**