



FRANCHISE DISCLOSURE DOCUMENT

COUNSELOR REALTY FRANCHISING, INC.
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The franchisee will operate a full service residential and commercial real estate brokerage service business at a location the franchisee chooses (and to which Counselor Realty Franchising, Inc. consents) within a designated territory, which provides residential and commercial real estate brokerage services to customers at any location.

The total investment necessary to begin operation of a Counselor franchise is \$22,850 to \$105,700. This includes an Initial Fee which ranges from \$7,500 to \$15,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our corporate office at (612) 520-7039.

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," is available from the FTC. You can contact the FTC at 1-877-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

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.

THE FRANCHISE AGREEMENT STATES THAT MINNESOTA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE SETTLED BY ARBITRATION IN MINNESOTA OR ANOTHER PLACE AGREED TO BY COUNSELOR REALTY FRANCHISING, INC. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO

COST YOU MORE TO ARBITRATE WITH US IN MINNESOTA THAN IN YOUR HOME STATE.

FAILURE TO MEET REAL ESTATE SALES AGENT QUOTA REQUIREMENTS COULD RESULT IN TERMINATION OF THE FRANCHISE AGREEMENT. See Item 12.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Issuance Date: April 24, 2024

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

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

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 D.

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

Special Risks to Consider About *This* Franchise

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

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

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

	Page
1. THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES	1
2. BUSINESS EXPERIENCE	2
3. LITIGATION	3
4. BANKRUPTCY	3
5. INITIAL FEES	3
6. OTHER FEES	4
7. INITIAL INVESTMENT	8
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	10
9. FRANCHISEE'S OBLIGATIONS	10
10. FINANCING	12
11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	12
12. TERRITORY	16
13. TRADEMARKS	18
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	19
15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	19
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	19
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	19
18. PUBLIC FIGURES	23
19. FINANCIAL PERFORMANCE REPRESENTATIONS	23
20. OUTLETS AND FRANCHISEE INFORMATION	24
21. FINANCIAL STATEMENTS	26
22. CONTRACTS	26
23. RECEIPTS	26

EXHIBITS

- A. Counselor Realty Franchising, Inc. Financial Statements
- B. Franchise Agreement
- C. List of Franchisees
- D. List of State Franchise Administrators
- E. State Addendum

1. THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

The franchisor is COUNSELOR REALTY FRANCHISING, INC. ("Counselor"), a Minnesota corporation located at 1201 W County Rd E, Suite 103, Arden Hills, Minnesota 55112; 612-520-7039; www.counselorrealty.com. Counselor Realty, Inc. ("Counselor Realty"), a Minnesota corporation incorporated on December 18, 1964, and located at the same address as Counselor, conducts a residential and commercial real estate brokerage business. Counselor's and Counselor Realty's parent, Counselor Holding, Inc. ("Counselor Holding") owns and provides administrative support to Counselor and Counselor Realty. Counselor was incorporated in May, 2001 to conduct franchising operations. Counselor actually commenced business operations and first offered franchises in 2002. Counselor has no predecessors. Counselor has no affiliates which offer franchises in any line of business, and, except for Counselor Holding, Counselor has no affiliates which offer products or services to Counselor franchisees. No officer or director of Counselor owns an interest in any entity that competes with Counselor. Counselor conducts business under its corporate name. Counselor's agent for service of process in Minnesota is the Minnesota Department of Commerce, 85 7th Place East, Suite 280, St. Paul, Minnesota 55101-2198.

For ease of reference, we refer to the franchisee as "you." If the franchisee is a corporation, partnership or other organization, the references to "you" may include the organization's owners.

Counselor offers franchises for a full service residential and commercial real estate brokerage business located within a designated geographic area (the "Territory"). See Item 12. Counselor has offered franchises for real estate brokerage businesses since 2002.

Counselor Realty has provided residential and commercial real estate brokerage services since 1964. Counselor Realty, and other "Counselor" franchisees, may conduct their real estate brokerage businesses, and compete with you, within your Territory. See Item 12. Counselor Realty and Counselor Holding have not offered, and do not offer, franchises in any other line of business.

Counselor owns a proprietary and distinctive system for a network of full service residential and commercial real estate brokerage service businesses (the "System"). The System is described in the Franchise Agreement and in Counselor's Franchise Policy Guidelines. A current Franchise Agreement is included in this Franchise Disclosure Document at Exhibit B. Counselor and its affiliates own various names, trademarks, stylized logos, slogans, and symbols (the "Marks") used in the System. See Item 13.

The franchise described in this Franchise Disclosure Document is a license to operate one "Counselor" business ("Business") at a single location you choose (and to which we consent) (the "Office") within the Territory, which provides residential and commercial real estate brokerage services to customers at any location. See Item 12. The Franchise Agreement authorizes you to use certain Marks in the operation of a Business.

Counselor may make changes in the System, Marks, authorized products and services. You may have to change the manner in which you operate the Business, and make additional investments in the franchised Business, periodically during the term of the franchise if Counselor makes changes, or if the Business's equipment or facilities wear out or become obsolete, or for other reasons.

The market in which you will operate is highly competitive. You will compete with many other national, regional, and local businesses which offer competitive goods and services, some of which are larger, older and better financed than Counselor. Your Business will be affected by the general state of the national, regional and local economy, regulatory changes, changes in customer demographics, and your financial and managerial capabilities. These factors can change without warning.

You must at all times possess a bona fide real estate broker's license in good standing under the laws of the state where the Business is located. If you are a partnership, corporation or other entity, you must be legally authorized to do business in the state where your Business is located. At all times during the term of the franchise you must keep in force all necessary licenses and permits required by public authorities. The Wisconsin Department of Regulation and Licensing, the Wisconsin Realtors Association, the National Association of Realtors, local Boards of Realtors, and the Federal Trade Commission have adopted various regulations which govern the activities and business practices of real estate agents. You must comply with all of these regulations and should investigate them before deciding whether to purchase a Counselor franchise.

2. BUSINESS EXPERIENCE

Chief Executive Officer/Chief Financial Officer/Treasurer/Director: Gayle Miller

Mrs. Miller has served as the CEO of Counselor, Counselor Holdings, and Counselor Realty since April 2023 and as Chief Financial Officer since March 2023. Mrs. Miller has served as the Treasurer and as a Director since April 2022. She also served as Treasurer from April 2015 to April 2017, and as Vice President from April 2013 to April 2015. She has served as co-manager of the Coon Rapids office location since 2004. She has also served on various committees over the years. She has been a licensed agent with Counselor Realty in Coon Rapids since 2002.

Director/Franchise Board Chairperson: Dawn Jarl

Ms. Jarl has served as Chairperson on the Board of Directors of Counselor since April 2018, and an alternate for the Board of Directors for Counselor Holding and Counselor Realty since April 2015. She served on the Franchise Committee of Counselor Holding from April 2010 through January 2022, serving as Franchise Committee Chairperson from October 2010 through January 2022. She has been a licensed real estate agent with Counselor Realty since July 1999.

Director: Caroline Dixon

Ms. Dixon has been on the Board of Directors since April 2017. She has been a licensed agent with Counselor Realty since January 2004. She has served on the Relocation Committee of Counselor Realty and presently serves as chair. She served as an alternate for the Board of Directors from December 2015 to April 2017.

Director: Rick Theisen

Mr. Theisen has served as a member of the Board of Directors of Counselor since April 2018, and as a member of the Board of Directors for Counselor Holding and Counselor Realty since April 2005. He has been a licensed real estate agent with Counselor Realty in Maple Grove, Minnesota since January 1999.

Director: Thomas Engel

Mr. Engel has served as a member of the Board of Directors since January 2023. He has served as the current Broker of Record for Counselor Realty, Inc. since 2019. He also has served as Vice President from 2019 to 2021. Tom has been the current manager of the Maple Grove office since 1997. He has served on various committees and the Board of Directors. He has held his brokers license since 1977, and has been licensed with Counselor Realty, Inc. since 1985.

3. LITIGATION

No litigation is required to be disclosed in this Franchise Disclosure Document.

4. BANKRUPTCY

Neither Counselor, nor any person previously identified in Item 1 or 2 of this Franchise Disclosure Document, has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

5. INITIAL FEES

Before you pay anything to Counselor, you must submit a confidential franchise application, containing all information required by Counselor. If Counselor approves your application, you must open the Office for business within 12 months after the date of the Franchise Agreement (subject to extension at Counselor's sole discretion).

When you sign the Franchise Agreement, you must pay Counselor an Initial Fee in an amount of: \$7,500 if the population in your Territory is less than 10,000, or \$15,000 if the population in your Territory is 10,000 or more. See Item 12.

You are responsible to select a site for your Office. After you notify Counselor of a proposed site, Counselor has 30 days to review the site and to notify you whether or not it consents to your operation of the Business at that site. If Counselor rejects the site you propose, you will have an additional 60 days to locate a site that is acceptable to Counselor. If you fail to do so, the Franchise Agreement will terminate and Counselor will refund your Initial Fee, less Counselor's expenses associated with reviewing the proposed site(s). See Item 12. Except as described in this paragraph, Initial Fees are nonrefundable.

At your request, Counselor will provide you and up to two of your key personnel initial training (the amount of such initial training shall be as determined by Counselor). See Item 11. You must pay Counselor a fee for training in the amount of \$175 per trainer per hour. In addition, you must pay all travel, living and incidental expenses you and your employees, and our trainers, incur in connection with training, which Counselor estimates could range from \$0 (if you and our trainers do not have to travel to attend training) to \$750 per person per day. Training fees are not refundable.

See Item 7 for more detailed information regarding your initial investment.

6. OTHER FEES

OTHER FEES

(1) <u>Name of Fee</u>	(2) <u>Amount</u>	(3) <u>Due Date</u>	(4) <u>Remarks</u>
Base Monthly Fee	\$371 per month	Payable monthly by the 20 th day of the month	See Note A
Continuing Agent Fee	\$32 to \$53 per licensed agent operating from or through your Office (including any Additional Offices or Extension Offices) per month	Payable monthly by the 20th day of the month	See Note B
Advertising Fee	\$25 to \$60 per agent per month, or such additional amount as determined by Counselor or the Regional Advertising Committee, as applicable, from time to time	Payable monthly by the 20th day of the month	See Note C
Website Fees	\$75 per Office (including any Additional Office or Extension Office) plus \$25 per licensed agent choosing to have an optional agent site provided by Counselor per month, or such additional amount as determined by Counselor from time to time	Payable monthly by the 20th day of the month	See Note D
Website Set Up Fees	Actual costs for website setup fees	Payable when billed	See Note E
Mobile App Fees	Actual costs for setup fees, signs, data/phone expenses as incurred, or such additional amount as determined by Counselor from time to time	Payable when billed	See Note F

(1) Name of Fee	(2) Amount	(3) Due Date	(4) Remarks
Technology Tools and Additional Tools Fees	Then-current amounts as determined by Counselor from time to time	Then-current due dates as determined by Counselor from time to time	See Note G
One-Time Fee	\$750 per application for each Additional Office and each Extension Office	Payable upon application to open Additional Office or Extension Office, as applicable.	
Transfer Fee	\$2,000	Payable upon application to transfer	
Late Charges	Lesser of 8% per year or maximum contract rate of interest allowed by law	Payable when billed	See Note H
Insufficient Funds/ Return Fees	Amount of the insufficient funds or return fee charged by Counselor's bank	Payable when billed	See Note I
Training Fees	\$175 per hour, plus all travel, living and incidental expenses	Payable when billed	See Note J
Legal Fees	As incurred	Payable when billed	See Note K

Notes to Item 6, above:

- A. You must pay us a Base Monthly Fee of \$371. This fee includes the first 5 licensed agents operating through your Office.
- B. You must pay a monthly Continuing Agent Fee to Counselor based upon the number of licensed agents operating through your Office (including any Additional Offices and Extension Offices) at any time during the month as follows: \$53 per licensed agent for the sixth through 15th licensed agent operating through your Office(s); \$37 per licensed agent for the 16th through 35th licensed agent operating through your Office(s); and \$32 per licensed agent for the 36th and each additional licensed agent operating through your Office(s). For purposes of clarity, if you have 50 licensed agents operating through your Office(s) for a certain month, your Continuing Agent Fee for that month would be \$1,750 (\$53 multiplied by 10, plus \$37 multiplied by 20, plus \$32 multiplied by 15). For purposes of calculating the Continuing Agent Fee, the number of agents operating through your Office(s) for any given month shall be the number of licensed agents listed as operating through your Office(s) with the Minnesota Department of Commerce on the first day of the applicable month. If Counselor has consented to any Additional Office locations or Extension Office locations, any licensed agents operating from any such Additional Office locations or Extension Office locations will be counted in the number of agents operating through your Office for purposes of the Continuing Agent Fee. You

must notify Counselor immediately in writing each time a licensed agent begins operating through your Office(s) (including any Additional Offices or Extension Offices).

- C. If your Office (or any Additional Office or Extension Office) is located within the 11-county metropolitan area of the Twin Cities of Minneapolis and St. Paul, Minnesota, you must pay Counselor an Advertising Fee equal to \$60 per agent per month for each agent operating out of the Office, Additional Office or Extension Office located in such metropolitan area. The amount of this Advertising Fee may be increased during the term of the franchise by Counselor from time to time in its sole discretion. We reserve the right to establish and organize a "Regional Advertising Group" if your Office (or any Additional Office or Extension Office) is located outside the Twin Cities. If your Office (or any Additional Office or Extension Office) is located outside the Twin Cities, you must be a member of the "Regional Advertising Group" (once established) and pay to the "Regional Advertising Fund" an Advertising Fee equal to \$25 per agent per month for each agent operating out of the Office, Additional Office or Extension Office located in such geographical area. The amount of Advertising Fees for the Regional Advertising Group may be increased during the term of the franchise by a majority vote of the "Regional Advertising Committee" that manages your Regional Advertising Group. See Item 11 for additional information regarding Advertising Fees and Regional Advertising Groups. Advertising Fees are nonrefundable and are uniformly imposed among franchisee-owned "Counselor" offices. "Counselor" offices owned and operated by Counselor contribute toward the general costs of marketing activities conducted by Counselor under a different formula, and are not required to pay the specific Advertising Fees described above.
- D. You must pay us a monthly Website Fee in an amount equal to \$75 for each Office location (including each Additional Office and Extension Office), plus \$25 for each licensed agent choosing to have an optional agent website provided by Counselor. For purposes of clarity, if you have 10 agents who choose to have the optional agent website, your Website Fee would be \$325 (\$75 plus \$25 multiplied by 10). The amount of the Website Fee may be increased during the term of this Agreement by Counselor from time to time in its sole discretion. At the beginning of each month, we will send you an invoice for the amount of the Website Fee you owe us for the current month, and you must pay us the amount of such Continuing Agent Fee on or before the 20th day of such month. The monthly Website Fee will apply to any agents operating out of any Additional Office locations or Extension Office locations that have elected to have an optional agent website.
- E. You must pay us an initial Website Set Up Fee, in an amount equal to the costs incurred by us in setting up a webpage for your Office on Counselor Realty, Inc.'s website. If we have consented to any Additional Office locations, you may request to have us set up a separate webpage or subdomain for any such Additional Office on Counselor Realty, Inc.'s website and, if elected, you must pay us a Website Set Up Fee for such webpage, in an amount equal to the costs incurred by us in setting up any such webpage. If we have consented to any Extension Office locations, you must pay us a Website Set Up Fee, in an amount equal to the costs incurred by us in setting up a webpage for each such Extension Office on Counselor Realty, Inc.'s website. Any agents operating out of an Additional Office location may be listed on the webpage for such Additional Office location and your other Office locations for no additional charge.
- F. Mobile App setup is optional, except for franchisees with Office locations in the 11-county metropolitan area of the Twin Cities of Minneapolis and St. Paul, Minnesota

(including the Counties of Scott, Wright, Isanti, Dakota, Anoka, Hennepin, Washington, Carver, Ramsey, Sherburne and Chisago). If your Office (or any Additional Office or Extension Office) is located in one of the aforementioned counties, or if you elect to utilize the Mobile App, you must pay us a Mobile App Fee equal to the costs incurred by Counselor to initiate and continue your Mobile App service, including one-time setup fees and monthly data/phone fees. The amount of the Mobile App Fee may be increased during the term of the franchise by Counselor from time to time in its sole discretion. At the beginning of each month, we will send you an invoice for the amount of the Mobile App Fee you owe us for the prior month, and you must pay us the amount of such Mobile App Fee on or before the 20th day of such month.

- G. Counselor may provide you with or require you to utilize such technology related tools (including, but not limited to, mobile applications and other internet or software-based applications) and services relating to the Business as its determines from time to time in its sole discretion. See Item 11. You will be obligated to pay Counselor fees associated with such technology related tools and services that Counselor may decide to provide in such amounts, and at such times, as Counselor shall determine from time to time in its sole discretion. Counselor may provide you with or require you to utilize such non-technology related tools and services relating to the Business as it determines from time to time in its sole discretion. See Item 11. You will be obligated to pay Counselor fees associated with such non-technology related tools and services that Counselor may decide to provide in such amounts, and at such times, as Counselor shall determine from time to time in its sole discretion.
- H. Counselor will charge you interest on any amount due to Counselor not paid when due, from the date due until paid, at a rate of the lower of eight percent (8%) per year or the maximum contract rate of interest allowed by law in the state where your Business is operated. If Counselor commences suit to collect amounts due, it is entitled to recover its costs, including reasonable attorneys' fees, in addition to its other recoveries. Interest and late payments are not refundable. Your failure to pay amounts owing constitutes good cause for Counselor to terminate the Franchise Agreement. See Item 17.
- I. If any of your payments to Counselor are returned for any reason, you will pay us an additional fee for the amount charged by Counselor's bank.
- J. At your request, Counselor will provide you and up to two of your key personnel initial training (the amount of such initial training shall be as determined by Counselor) at a "Counselor" office or other location designated by Counselor, at any mutually convenient time. At your request, Counselor will provide supplemental initial and/or ongoing training for you and/or your key personnel at a "Counselor" office or other location designated by Counselor, at any mutually convenient time. You must pay Counselor a fee for training (including initial training) in the amount of \$175 per trainer per hour. In addition, you must pay all travel, living and incidental expenses you and your employees, and our trainers, incur in connection with training, which Counselor estimates could range from \$0 (if you and our trainers do not have to travel to attend training) to \$750 per person per day. The exact amount of the fees and costs are unknown and may vary depending upon factors, such as third-party vendors selected. You and your employees will not be paid by Counselor during training.
- K. The prevailing party in any arbitration regarding the Franchise Agreement is entitled to recover its costs including its reasonable attorneys' fees.

7. INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(1) Type of <u>Expenditure</u>	(2) <u>Amount</u>	(3) Method of <u>Payment</u>	(4) <u>When Due</u>	(5) To Whom Payment is to be Made
Initial Fee (see Item 5)	\$7,500 to \$15,000	Lump sum	When you sign Franchise Agreement	Counselor
Real Estate Lease and Improvements ^A	\$600 to \$12,500	(See Note A)	(See Note A)	(See Note A)
Fixtures and Furnishings ^B	\$1,000 to \$15,000	As incurred	Before opening	Vendors
Opening Inventory of Supplies ^C	\$500 to \$1,000	Lump sum	Before opening	Vendors
Insurance ^D	\$1,500 to \$6,000	Lump sum	Before opening	Insurance Carriers
Training Costs (see Item 6)	\$0 to \$6,200	As incurred	As billed (for those paid to Counselor); otherwise, as incurred	Counselor, Vendors
Internet Development ^E	\$750 to \$4,000	As incurred	As billed	Vendors
Signage ^F	\$1,000 to \$10,000	As incurred	Before opening	Approved Vendors
Professional Fees ^G	\$0 to \$6,000	As incurred	Before opening	Attorneys, Accountants
Additional Funds (for three months' operations) ^H	\$10,000 to \$30,000	As incurred	As incurred	Counselor, Vendor, Employees, Suppliers, Utilities
Total	\$22,850 to \$105,700 ^I			

Notes to Item 7, above:

- A. Counselor estimates that you will need at least 800, but not more than 6,000, square feet of commercial space to operate your Business, depending on the number of agents you wish to employ. If you do not already own or lease the required space, you are responsible for locating and acquiring the space for your Office (subject to Counselor's

consent to the site). The cost to purchase or lease real estate varies widely between locations. If you purchase your Office space, your cost will depend on the size and location of the space and the type of improvements you choose to make. If you lease Office space, we estimate that your cost (including improvements) could range from \$10 per square foot per year to \$35 per square foot per year or more. You are responsible at your cost for all zoning and land use permitting requirements.

- B. Your Office will need desks, chairs, scanners, copy machine(s), computers, etc. If you already operate a real estate office, you should not need to purchase new furniture and equipment. If you do not already operate a real estate office, we estimate that your cost for these items will range from \$1,000 to \$15,000, depending on the amount and type of furniture and equipment you select and the size of your operation.
- C. Your required expenditure for an initial inventory of supplies necessary to begin operating your Business will depend on the size of your Office and Business operation.
- D. You must provide types and levels of insurance coverage required by the state in which you operate your Business. You also must maintain other insurance required by law, and by your Office lease or mortgage, and errors and omissions insurance coverage. You must maintain general liability insurance on an occurrence basis with a minimum limit of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate, and errors and omissions insurance with a minimum limit of at least \$1,000,000. If you do not already carry acceptable coverage, initial premiums for required insurance are estimated to be approximately \$1,500 to \$6,000 per year. The cost of other coverages, including your discretionary purchases, varies widely.
- E. The costs that are incurred to develop a franchisee's website vary based upon the following: size of office (number of agents, size of territory, content required by franchisee) and cost to purchase IDX or similar shared listing content.
- F. Costs for signage vary significantly, depending on the type and size of signage you select. Variations in local signage ordinances make it impossible to predict your exact cost, but we estimate your signage costs will be between \$1,000 and \$10,000.
- G. If you hire an attorney to review documents or assist you in forming your business organization, or an accountant to assist you with tax and other matters, we estimate that you could incur professional fees of up to \$6,000 or more.
- H. This estimates your expenses, including payroll and other operating expenses over an arbitrary initial start-up period of three months. These figures are estimates only and Counselor does not guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as the degree to which you follow Counselor's methods and procedures for operating your Business, your management skill, experience and business acumen, general economic conditions, prevailing wage rates and competition. Other costs and fees are described in Item 6. This estimate does not imply that the Business will be successful or profitable, or operate at breakeven, within this period or at any time. See Item 19.
- I. Except as described above, all fees paid to Counselor are non-refundable. Fees paid to third parties may be refundable at the discretion of the third party.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Franchise Agreement requires you to purchase or lease signage and other supplies, fixtures, equipment and certain inventory used in the Business that meet standards and specifications established by Counselor. You may obtain authorized goods and services from any available source of supply. Your Business may be identified only by Marks Counselor authorizes.

Standards and specifications for establishing and operating the Business also are described in the Franchise Policy Guidelines issued by Counselor, and you are bound by the terms of the Franchise Agreement to operate the Business in accordance with the requirements of the Franchise Policy Guidelines as revised periodically by Counselor.

Although Counselor establishes various standards and specifications for the goods and services that go into the establishment and operation of your Business, Counselor currently does not approve or disapprove suppliers as such (as distinguished from the goods or services they supply) and therefore currently maintains no criteria for approving suppliers or communicating approval or revocation of approval of suppliers to franchisees. Counselor may establish such criteria in the future. You may be directed to vendors able to supply portions of your requirements for certain items used in the ongoing operation of the Business. Counselor does not derive income solely from purchases made by franchisees from third party suppliers. Third party suppliers may make contributions from time to time to System sales promotion, advertising or other programs. Counselor also reserves the right to receive fees or other consideration in exchange for rights licensed or services rendered to third parties, including vendors. Counselor does not guarantee the availability of independent sources of supply for any particular product or service required to establish or operate a Business.

9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THE FRANCHISE AGREEMENT AND IN OTHER ITEMS OF THIS FRANCHISE DISCLOSURE DOCUMENT.

	<u>Obligation</u>	<u>Section in Franchise Agreement</u>	<u>Disclosure Document Item</u>
a.	Site selection and acquisition/lease	Section 1.2	Items 1, 7, 11, 12
b.	Pre-opening purchases/leases	Sections 1.2 and 7.1	Items 1, 7, 8
c.	Site development and other pre-opening requirements	Sections 1.2 and 7.1	Items 1, 5, 7, 11
d.	Initial and Ongoing Training	Section 6.1	Item 11

	<u>Obligation</u>	<u>Section in Franchise Agreement</u>	<u>Disclosure Document Item</u>
e.	Opening	Sections 1.2 and 2.1	Item 11
f.	Fees	Sections 3.2, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 6.1, 6.3, 6.4, 6.5, 7.1 and 9.2	Items 5, 6
g.	Compliance with Standards and Policies/ Franchise Policy Guidelines	Sections 2.2, 7.1, 7.2	Item 11
h.	Trademarks and proprietary information	Sections 1.1, 2.2, 4.1, 4.2, 4.3, and 7.2	Items 13, 14
i.	Restrictions on products/services offered	Sections 1.1, 1.3, 2.2, and 7.1	Items 8, 16
j.	Warranty and customer services requirements	Section 7.1	Item 11
k.	Territorial development and sales quotas	Sections 1.1 and 1.3	Item 12
l.	Ongoing product/service purchases	Sections 6.3, 6.4, 6.5 and 7.1	Item 8
m.	Maintenance, appearance and remodeling requirements	Sections 3.2, 7.1, 9.2	Items 11, 17
n.	Insurance	Section 8.2	Item 7
o.	Advertising	Sections 5.4 and 7.1	Item 11
p.	Indemnification	Section 8.3	Item 16
q.	Owner's participation/ management/staffing	Section 7.2	Item 15
r.	Records and reports	Section 8.1	None
s.	Inspections and audits	Sections 7.3, 8.1	Item 11
t.	Transfer	Article 9	Item 17
u.	Renewal	Section 3.2	Item 17
v.	Post-termination obligations	Section 7.2 and Article 12	Item 17
w.	Non-competition and non-solicitation covenants	Section 7.2	Item 17
x.	Dispute resolution	Article 10	Item 17

<u>Obligation</u>	<u>Section in Franchise Agreement</u>	<u>Disclosure Document Item</u>
y. Other	None	

10. FINANCING

Counselor does not offer direct or indirect financing to franchisees. Counselor does not guarantee any franchisee note, lease or other obligation.

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

Except as listed below, Counselor is not obligated to provide any assistance to you.

Before you open your Business, Counselor will provide you the services described below.

- a. At your request, Counselor will provide you and up to two of your key personnel initial training. The amount of such initial training, if requested, will be as determined by Counselor, but will typically consist of the following:

<u>SUBJECT</u>	<u>HOURS OF CLASSROOM TRAINING</u>	<u>HOURS OF ON THE JOB TRAINING</u>	<u>LOCATION</u>
Establishing and Operating Counselor Office	4 to 8 (as determined by Counselor)	0	A "Counselor" office or other location designated by Counselor

At your request, Counselor will provide you and/or your key personnel supplemental initial and/or ongoing training in various aspects of establishing and operating your Business. Franchise Agreement, Section 6.1. Counselor's Franchise Committee Chairperson will coordinate training at a "Counselor" office designated by Counselor, at any mutually convenient time. See Item 2 for information on the business experience of the Franchise Committee Chairperson. Training may be conducted or assisted by other members of Counselor's staff. The length of supplemental training varies, depending on the subject matter and your training needs. Counselor will schedule training at any mutually convenient time, subject to the availability of trainers. You must pay Counselor a fee of \$175 per trainer per hour for providing training (including initial training). See Item 6. You must pay all travel, living and incidental expenses you and your employees, and Counselor's trainers, incur in connection with training. Counselor will not pay you during training.

- b. Counselor will advise you about proper display and maintenance of the Marks, procuring fixtures and initial inventories, and Counselor's business procedures. Franchise Agreement, Section 6.2.
- c. A copy of Counselor's Franchise Policy Guidelines will be available at Counselor's corporate office in Arden Hills, Minnesota. Counselor may change the Franchise Policy Guidelines from time to time. Franchise Agreement, Section 6.1. The table of contents of the current Counselor Franchise Policy Guidelines is set forth below.

<u>Subject Matter</u>	Number of Pages Devoted to Subject Matter
Affiliation: Broker and Associate	6
Office Policies	17
Advertising	3
Compensation	2
RESPA Policy	2
Listing Policy	6
Buyer Brokerage	2
Selling Policies and Procedures	3
Closing Procedures	1
Antitrust	6
Termination of Affiliation	1

During the operation of your Business, Counselor will provide periodic advice on principal aspects of the Business, through various means. Franchise Agreement, Section 6.2.

You must participate in Counselor System advertising programs.

If your Office (including any Additional Officer or Extension Office) is located within the 11-county metropolitan area of the Twin Cities of Minneapolis and St. Paul, Minnesota (including the Counties of Scott, Wright, Isanti, Dakota, Anoka, Hennepin, Washington, Carver, Ramsey, Sherburne and Chisago, the "Twin Cities"), you must pay to Counselor an Advertising Fee equal to \$60 per agent per month for each agent operating out of the Office, Additional Office or Extension Office located in such metropolitan area, as a contribution towards the general costs of marketing activities conducted by Counselor. "Counselor" offices owned and operated by Counselor contribute toward the general costs of marketing activities conducted by Counselor under a different formula, and are not required to pay the specific Advertising Fee described above. The amount of the monthly Advertising Fee may be increased during the term of the franchise by Counselor from time to time in its sole discretion.

We reserve the right to establish and organize a "Regional Advertising Group" if your Office (including any Additional Officer or Extension Office) is located outside the Twin Cities. If your Office (including any Additional Officer or Extension Office) is located outside the Twin

Cities, you must be a member of the "Regional Advertising Group" (once established) and pay to the "Regional Advertising Fund" an Advertising Fee equal to \$25 per agent per month for each agent operating out of the Office, Additional Office or Extension Office located in such geographical area. "Counselor" offices owned and operated by Counselor contribute toward the general costs of marketing activities conducted by Counselor under a different formula, and will not be required to pay the specific Advertising Fee described above to the Regional Advertising Fund. Activities of the Regional Advertising Group will be coordinated, and the Regional Advertising Fund will be administered by the Regional Advertising Committee, which will consist of one representative from each franchisee-owned "Counselor" office outside the Twin Cities, and three representatives of Counselor. The amount of monthly Advertising Fees for the Regional Advertising Group may be increased during the term of the franchise by a majority vote of that Regional Advertising Committee.

The Regional Advertising Group, administered by its Advertising Committee, will conduct its own marketing activities in the manner it deems most appropriate, and make its own decisions regarding creative work, media purchases, scope of advertising, and other matters. Upon your request, your Regional Advertising Committee will provide you annually a summary of receipts and expenditures of your Regional Advertising Group, including the Regional Advertising Committee's administrative expenses (if any).

Counselor conducts various marketing activities periodically, including research, creative work, media purchasing, tracking, public relations, promotions, and advertising. You may (but are not required to) purchase promotional materials prepared by or for Counselor, at prices periodically established by Counselor, for use in your Business. Counselor may use in-house, affiliated, or outside advertising agencies. Advertising may be in print, on radio and/or television and/or Internet or other computer related media, and generally is local or regional in scope.

You may develop advertising materials for your own use, at your own expense. Advertising materials and media (including print, audio, video, website and computer-transmitted media) must conform at all times to Counselor's brand standard and image. If Counselor determines, in its sole discretion, that any advertising materials or media do not conform to Counselor's brand standard or image, you will alter or remove any such advertising materials or media, as directed in writing by Counselor. You have the option to develop your own website as part of your overall promotion strategy. Your use of Counselor's trademarks in any advertising materials and media must conform at all times to the requirements set forth in the Franchise Agreement. Counselor does not currently require any advertising materials or media to be approved by Counselor prior to you using them, but reserves the right to review and approve any advertising materials or media (and to require you to alter or cease using all or any portion of such advertising materials or media it does not approve).

We will create a separate webpage or subdomain for your Office and any Extension Office on Counselor Realty, Inc.'s website. If we have consented to any Additional Office locations, you may request to have us set up a separate webpage or subdomain for any such Additional Office on Counselor Realty, Inc.'s website. We will create a separate webpage or subdomain on Counselor Realty's website for those licensed agents you request in writing. All webpages and subdomains we create for the licensed agents operating through your Office (including any Additional Officer or Extension Office) will include an IDX home search option for each market that the agent directly serves with listing reciprocity among Counselor Realty and our franchisees (local MLS fees are the agent's responsibility). You will be required to pay us a Website Set Up Fee for any such webpages or subdomains, as more particularly described in Item 6. You will also be required to pay us a Website Fee associated with the webpages and subdomains we create for your Office, any Additional Offices or Extension Offices, and for the

licensed agents operating through your offices, in such amounts, and at such times, as more particularly described in Item 6.

Leads created off Counselor Realty's website for listings in the region where your franchised office is located will be provided and directed to your Office; provided, however, that if the lead is for a listing that is listed by one of our franchisee's agents or one of Counselor Realty's agents, such lead will be directed to such agent if that agent has elected to create a Counselor Realty web page/subdomain. If there is more than one franchisee in the region (distinct areas served by the same MLS system, or its equivalent), those leads will be shared and/or split between the affected franchisees, as determined by Counselor in its sole discretion. We may take into account office locations, number of agents, types of leads or any other rational means to distribute leads.

You have the option to develop your own website as part of your overall promotion strategy. Your website must conform at all times to Counselor's brand standard and image. If Counselor determines, in its sole discretion, that your website does not conform to Counselor's brand standard or image, you will alter or remove such website, as directed in writing by Counselor. Your use of the our trademarks on your website must conform at all times to the requirements set forth in the Franchise Agreement. Counselor does not currently require your website to be approved by Counselor prior to you using it, but reserves the right to review and approve your website (and to require you to alter or cease using all or any portion of such website it does not approve).

You are not required to buy or use any particular electronic computer system. Counselor is not obligated to assist you in obtaining your personal computer, related hardware or telephone service. You may be required to modify your hardware periodically if Counselor makes changes to the System.

Counselor may provide you with or require you to utilize such technology related tools (including, but not limited to, mobile applications and other internet or software-based applications) and services relating to the franchised business as Counselor determines from time to time in its sole discretion. Counselor will not be obligated to provide you with any such technology related tools or services, and reserves the right to discontinue providing any such technology related tools and services that Counselor may decide to provide at any time. Counselor also reserves the right to modify the terms and conditions regarding any such technology related tools and services that Counselor may decide to provide at any time. You will be obligated to pay Counselor fees (including the Mobile App Fee described in Item 6) associated with any such technology related tools and services that Counselor may decide to provide in such amounts, and at such times, as Counselor shall determine from time to time in its sole discretion.

Counselor may also provide you with or require you to utilize such non-technology related tools and services relating to the franchised business as Counselor determines from time to time in its sole discretion. Counselor will not be obligated to provide you with any such non-technology related tools or services, and reserves the right to discontinue providing any such non-technology related tools and services that Counselor may decide to provide at any time. Counselor also reserves the right to modify the terms and conditions regarding any such non-technology related tools and services that Counselor may decide to provide at any time. You will be obligated to pay Counselor fees associated with such non-technology related tools and services that Counselor decides to provide in such amounts, and at such times, as Counselor shall determine from time to time in its sole discretion.

The typical length of time between the signing of the Franchise Agreement and the opening of a franchisee's Business is approximately three to six months.

12. TERRITORY

The Franchise Agreement authorizes you to establish and operate one Counselor Business at a single Office location within a designated geographic area (the "Territory"). You must obtain our written consent prior to opening or operating any additional Office locations. If the population in your Territory at the time you sign the Franchise Agreement is less than 10,000, your Initial Fee will be \$7,500; if the population is 10,000 or more, your Initial Fee will be \$15,000. Population figures are determined using then-current census data. You must select a site for your Office within 180 days after you sign the Franchise Agreement. After you notify Counselor of a proposed site for your Office, Counselor has 30 days to review the site and to notify you whether or not it consents to your operation of the Business at that site. If Counselor rejects the site you propose, you will have an additional 60 days to locate a site that is acceptable to Counselor. If you fail to do so, the Franchise Agreement will automatically terminate and Counselor will refund your Initial Fee, less Counselor's expenses associated with reviewing the proposed site(s). After Counselor consents to an Office site you propose, you must open your Business at that site within six months. If you fail to do so, the Franchise Agreement will automatically terminate and your Initial Fee will not be refunded. Counselor may, in its sole discretion, grant extensions of the deadlines described above.

You may apply to open one or more additional offices within your designated Territory (an "Additional Office") by submitting a request to Counselor describing the location of such proposed Additional Office as well as any additional information Counselor may require or request, along with a one-time fee of \$750 for each Additional Office location (the "Additional Office Application Materials"). After Counselor's receipt of such Additional Office Application Materials (including the one-time fee), Counselor will have 30 days to review the Additional Office Application Materials and proposed Additional Office location and notify you whether or not Counselor consents to your opening of such Additional Office location. Any Additional Office we consent to must comply with all requirements of the Franchise Agreement and then-current System standards.

You may apply to open one or more additional offices outside of your designated Territory (an "Extension Office") by submitting a request to Counselor describing the location of such proposed Extension Office as well as any additional information Counselor may require or request, along with a one-time fee of \$750 for each Extension Office location (the "Extension Office Application Materials"). After Counselor's receipt of such Extension Office Application Materials (including the one-time fee), Counselor will have 30 days to review the Extension Office Application Materials and proposed Extension Office location and notify you whether or not Counselor consents to your opening of such Extension Office location. Counselor's consent to any Extension Office location will be contingent on you and Counselor reaching a mutual agreement as to the minimum number of sales agents that will operate from the Extension Office. Any Extension Office we consent to must comply with all requirements of the Franchise Agreement and then-current System standards.

Before you sign the Franchise Agreement, you and Counselor will negotiate a schedule for the minimum number of real estate sales agents who must operate from your Office. If you fail to satisfy the agreed-upon schedule, or to maintain the minimum required number of agents in the Office on an ongoing basis, you may lose the exclusive right to operate a "Counselor" office in the Territory, your Territory may be altered (as determined by Counselor in its sole discretion), or Counselor may terminate the Franchise Agreement. See below and Item 17.

You will not receive an exclusive territory. You may face competition from other franchisees or Franchisor-owned outlets, or from other channels of distribution. During the term of the Franchise Agreement, Counselor will not itself establish or operate a "Counselor" office, or license another to establish or operate a "Counselor" office within the Territory. However, both Counselor and other "Counselor" franchisees are free to enter into, and to provide residential and commercial real estate brokerage services within, your Territory, and you are free to provide real estate brokerage services in territories in which other franchisees' "Counselor" offices are located. Continuation of your rights in the Territory is contingent on your achieving and maintaining the minimum sales agent schedule agreed upon by you and Counselor, and on your payment of continuing agent fees based on that schedule. See Item 6. Counselor is engaged in the real estate brokerage business and reserves the right to establish and conduct this business at any location except as described above.

If Counselor has consented to any Additional Office locations, any sales agents operating out of any such Additional Office locations will be counted as part of the number of sales agents operating from your Office for purposes of Section 1.3(a). If Counselor has consented to any Extension Office locations, you must maintain the mutually agreed-upon minimum number of sales agents operating from such Extension Office (which must be agreed to before Counselor consents to any Extension Office location). One of these sales agents must be a supervising broker. The minimum number of sales agents required to be operating in any such Extension Office is separate from and in addition to the minimum number of sales agents that are required to operate from any of your other Office locations (including any Additional Offices). If you fail to satisfy and maintain the minimum required number of sales agents in the Extension Office on an ongoing basis, Counselor may (in its sole discretion) elect to have you close the Extension Office or terminate the Franchise Agreement. If Counselor has consented to any Extension Office, you will not receive any territorial protections with respect to such Extension Office. Both Counselor and other "Counselor" licensees may provide residential and commercial real estate brokerage services anywhere near such Extension Office. In addition, Counselor may itself establish or operate a "Counselor" office, or license another to establish or operate a "Counselor" office, anywhere near such Extension Office; provided, however, that if Counselor proposes to license another to establish or operate a "Counselor Office" with a territory that would include the location where such Extension Office is located (a "Territory Opportunity"), we will provide you with a right of first refusal for such Territory Opportunity on the following terms: (i) we will provide you with written notice of a Territory Opportunity, and you will have 30 days to advise us in writing that you wish to participate in the Territory Opportunity; (ii) if you do not notify us within such period, then we may pursue such Territory Opportunity and/or grant any other person or entity the right to participate in such Territory Opportunity without any liability to you; and (iii) if you timely notify us in writing that you wish to participate in the Territory Opportunity, then we may condition your participation on compliance with such terms and conditions as we consider appropriate to the particular Territory Opportunity, including: (a) execution of such franchise agreement and related agreements as are then generally used by us in connection with the award of the applicable Territory Opportunity; (b) timely payment of all initial fees and any other fees charged by us or our affiliate in connection with the award or grant of the applicable Territory Opportunity; and (c) meeting our then-current eligibility requirements applied by us to candidates for such Territory Opportunity.

Upon renewal of your franchise and during the successor term, if any, Counselor may alter your Territory if the population in your Territory has increased to exceed the maximum population then allowed by Counselor for a single franchise territory, or if you failed to maintain the minimum required number of agents during the prior term.

You may relocate, with the prior written consent of Counselor, to a suitable site within the Territory. The replacement Office must open within 120 days after the prior facility closes. The replacement Office must comply with all requirements of the Franchise Agreement and then-current System standards.

13. TRADEMARKS

Counselor grants you the right to operate the Business under the Marks. Counselor reserves the right to change or discontinue any program or promotion relating to any of its trademarks, and periodically to add, alter or delete trademarks from the list of Marks licensed to you.

Counselor Holding holds or has applied for registration of the following Marks on the principal register in the United States Patent and Trademark Office:

<u>MARK</u>	<u>REGISTRATION OR SERIAL NUMBER</u>	<u>REGISTRATION DATE</u>
COUNSELOR	2,382,935	September 5, 2000
PROFIT FROM OUR EXPERIENCE	2,500,275	October 23, 2001
COUNSELOR REALTY	7,034,376	April 25, 2023

Counselor Holding licenses Counselor indefinitely to operate, and to offer third parties franchises to operate, real estate brokerage service businesses under the "Counselor" name and Marks. Either party may terminate the license on 60 days' notice; if the license is terminated, all franchise agreements will remain in effect and will be assigned to Counselor Holding.

There is no currently effective material determination of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, no pending infringement, opposition or cancellation proceedings, and no pending material litigation involving Counselor's principal trademarks. No agreements limit Counselor's right to use or license others to use Counselor's Marks in any manner relevant to this offering. Counselor knows of no superior prior rights or infringing uses that could materially affect your use of the Marks.

You must use Counselor's Marks only in the manner set forth in the Franchise Agreement and Franchise Policy Guidelines, and as specified periodically by Counselor. You may not use any of the Marks as part of a corporate, partnership or trade name without our consent.

Counselor reserves sole discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks and has complete control of any litigation or settlement in connection with any claim of an infringement, unfair competition or unauthorized use with respect to the Marks. Counselor is not obligated to protect your use of the licensed Marks or to protect you against claims of infringement or unfair competition.

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Counselor does not grant you the right to use any item covered by a patent or copyright, but does permit you to use proprietary information in applicable components of the Franchise Policy Guidelines. Although Counselor has not applied for federal copyright registration of the Franchise Policy Guidelines or its individual components, the information in the entire Franchise Policy Guidelines is proprietary and Counselor owns the copyright in the entire Franchise Policy Guidelines, and in various advertising and sales promotion materials, and customer convenience and other materials, used in connection with your Office.

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

You or a Business manager you hire is required to participate personally in the day-to-day operations of the Business. Your hired manager (if any) is not required to hold an equity interest in the franchise. At your request, we may provide you and up to two of your key personnel initial training (the amount of such initial training shall be as determined by Counselor), and, upon your request, supplemental initial or ongoing training. See Items 6 and 11. You may not change ownership or control of the Franchise Agreement, the Office, any Additional Office, any Extension Office or Business, or a majority of the assets of the Office, any Additional Office, any Extension Office or Business, or, if you are an entity, ownership of a majority ownership interest of, or control of, you or any of your owners, in each case without our consent. See Item 17. If you are a partnership, corporation or other entity, all of your partners, shareholders or owners from time to time shall execute the guaranty attached to the Franchise Agreement.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Counselor requires you to confine your Business to the operation of a full service residential and/or commercial real estate brokerage business. You may not conduct any other business or activity at the Office (or any Additional Office or Extension Office), and you may not offer or sell any product or service from the Business except those authorized by Counselor. Your Business may be identified only by the Marks designated by Counselor. Your Business must operate in full compliance with all applicable local, state and federal laws and regulations. The Franchise Agreement also contains certain covenants restricting your freedom to engage in certain competitive activities, and requires you to indemnify Counselor and its affiliates for all claims and losses related to the operation of your Business. See Items 9(p) and 17, and Exhibit B.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following tables list certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Franchise Disclosure Document. This table is qualified in its entirety by reference to the full text of the Franchise Agreement.

FRANCHISE AGREEMENT

<u>Provision</u>	<u>Section(s) in Franchise or Other Agreement</u>	<u>Summary</u>
a. Length of the franchise term	Section 3.1	5 years from the effective date of your Franchise Agreement
b. Renewal or extension of the term	Section 3.2	Your renewal right permits you to remain as a franchise after the initial term of your Franchise Agreement expires. If you wish to do so, and if you are in good standing, you may obtain a successor franchise for one 5-year term upon satisfaction of the conditions below and upon signing our then current form of franchise agreement. This agreement may have different terms and conditions (including higher fees and advertising contributions) from the agreement that covered your original term
c. Requirements for franchisee to renew or extend	Section 3.2	Remain in good standing; apply in writing 60 to 180 days before expiration of initial term; sign then-current Franchise Agreement with new minimum Office sales agent requirements and then-current fees (but without further renewal); reasonably upgrade and refurbish to then-current System standards; execute guarantee; Counselor may alter Territory for renewal term if population has increased to exceed maximum population then allowed by Counselor for single franchise territory or if franchisee failed to maintain minimum number of agents during prior term
d. Termination by franchisee	Not applicable	Not applicable

<u>Provision</u>	<u>Section(s) in Franchise or Other Agreement</u>	<u>Summary</u>
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Article 11	Counselor may terminate by notice to you if you fail to cure a default; or in some cases (noted at line "h" below) without opportunity to cure
g. "Cause" defined — curable defaults	Article 11	You have 7 days to cure if the breach is non-payment of sums due and owing, and 30 days in all other cases
h. "Cause" defined — non-curable defaults	Article 11	Misrepresentation or omission of material information on your application; failure to locate suitable site or open Business within time required under Franchise Agreement; repeated or continuous breach; insolvency; abandonment; conviction of certain offenses; transfer or attempted transfer without consent; impairment or threatened impairment of the goodwill associated with the licensed Marks. The provision of the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.)
i. Franchisee's obligations on termination/non-renewal	Article 12	Obligations include cessation of use of Marks and System, payment of all amounts owing, return of Franchise Policy Guidelines and confidential and trade secret information, removal of distinctive inventory, trade dress, and leasehold improvements

<u>Provision</u>	<u>Section(s) in Franchise or Other Agreement</u>	<u>Summary</u>
j. Assignment of contract by franchisor	Section 9.4	Counselor may transfer its interest in Franchise Agreement by notice to you
k. "Transfer" by franchisee -- definition	Section 9.1	Includes transfer of your interest in Franchise Agreement, the Office, Business or Business assets, or an interest in your business entity or your owners
l. Franchisor approval of transfer by franchisee	Section 9.1	Counselor has the right to consent to all transfers (other than a transfer of less than a majority interest in your business entity or your owners) and will consent if Counselor deems transferee qualified and conditions specified in Franchise Agreement are satisfied
m. Conditions for franchisor approval of transfer	Sections 9.1, 9.2	Transferee qualifies; payment of transfer fee; payment of all amounts owing; renovation to then-current System standards; execution of guaranty by buyer's shareholders or owners
n. Franchisor's right of first refusal to acquire franchisee's business	Section 9.6	Counselor has the right of first refusal to match any offer for your Business
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p. Death or disability of franchisee	Section 9.3	Decedent's (or disabled person's) executor, heir, successor or legal representative must apply for Counselor's consent to transfer within 60 days after death or incapacity, and comply with transfer provisions of Franchise Agreement
q. Non-competition covenants during the term of the franchise	Section 7.2	No direct or indirect involvement in any different or competing real estate brokerage service business within 50 miles of Office; no solicitation of agents, employees or independent contractors of Counselor or any

<u>Provision</u>	<u>Section(s) in Franchise or Other Agreement</u>	<u>Summary</u>
		of Counselor's franchisees
r. Non-competition covenants after the franchise is terminated or expires	7.2	No solicitation of agents, employees or independent contractors of Counselor or any of Counselor's franchisees for 24-months post-termination
s. Modification of the agreement	Section 13.2	No modifications generally but Franchise Policy Guidelines and licensed Marks subject to change by Counselor
t. Integration/merger clause	Section 13.1	Only the terms of the Franchise Agreement are binding on Counselor
u. Dispute resolution by arbitration or mediation	Section 10.1	Most disputes are resolved by individual binding arbitration conducted in Minneapolis, Minnesota
v. Choice of forum	Not applicable	Not applicable
w. Choice of law	Section 13.2	Minnesota law applies (except Minnesota Franchises Law applies only to franchisees whose principal place of business is located in Minnesota and to whom Minnesota Franchise Act applies by its own terms)

18. PUBLIC FIGURES

Counselor does not use any public figure to promote its franchises.

19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose 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 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 performance at a particular location or under particular circumstances.

This Franchisor does 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 Dawn Jarl, 1201 W County Rd E, Suite 103, Arden Hills, Minnesota 55112; (612) 520-7039, the Federal Trade Commission, and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION

PROJECTED OPENINGS AS OF THE LAST DAY OF THE LAST FISCAL YEAR

<u>State</u>	<u>Franchise Agreements Signed but Outlet Not Opened</u>	<u>Projected New Franchised Outlet in the Next Fiscal Year</u>	<u>Projected New Company-Owned Outlet in the Next Fiscal Year</u>
Minnesota	0	1	0
Totals	0	1	0

STATUS OF COMPANY-OWNED OUTLETS FOR PAST THREE YEARS

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlet Opened</u>	<u>Outlets Reacquired from Franchisee</u>	<u>Outlets Closed</u>	<u>Outlets Sold to Franchisee</u>	<u>Outlets at End of the Year</u>
Minnesota	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6
	2023	6	0	0	0	0	6
Totals	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6
	2023	6	0	0	0	0	0

STATUS OF FRANCHISED OUTLETS FOR LAST THREE YEARS

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlet Opened</u>	<u>Terminations</u>	<u>Non-renewals</u>	<u>Reacquired by Franchisor</u>	<u>Ceased Operations Other Reasons</u>	<u>Outlets at End of Year</u>
Minnesota	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	2	0	0	5
Totals	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	2	0	0	5

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR THE PAST THREE YEARS

<u>State</u>	<u>Year</u>	<u>Number of Transfers</u>
All States	2021	0
	2022	0
	2023	0
Totals	2021	0
	2022	0
	2023	0

SYSTEM-WIDE OUTLET SUMMARY FOR PAST THREE YEARS

<u>Outlet Type</u>	<u>Year</u>	<u>Outlets at the Start of the Year</u>	<u>Outlets at the End of the Year</u>	<u>Net Change</u>
Franchised	2021	7	7	0
	2022	7	7	0
	2023	7	5	-2
Company-Owned	2021	6	6	0
	2022	6	6	0
	2023	6	6	0
Total Outlets	2021	13	13	0
	2022	13	13	0
	2023	13	11	-2

The name, business address, and business telephone number of each current franchisee on January 1, 2024, and the name, last known home address and telephone number of every franchisee who has had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or has not communicated with us within 10 weeks of the issuance date of this disclosure document, is attached as Exhibit C. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of January 1, 2024, we are not offering any existing franchised outlets to prospective franchisees, including those that either have been reacquired by us or are still being operated by current franchisees pending a transfer. In the event that we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate addendum to this Disclosure Document.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Counselor franchise system. While we

encourage you to speak with current and former franchisees, be aware that not all such franchisees will be able to communicate with you.

21. FINANCIAL STATEMENTS

Counselor's balance sheets as of December 31, 2023 and December 31, 2022, and the related statements of operations, stockholder's equity and cash flows for the periods ended December 31, 2023, December 31, 2022 and December 31, 2021, are included in this Franchise Disclosure Document at Exhibit A.

22. CONTRACTS

A sample of Counselor's Franchise Agreement is included in this Franchise Disclosure Document at Exhibit B. You are encouraged to obtain such independent legal and financial advice as you deem appropriate to obtain a full understanding of the franchise (and related documents) offered by this Franchise Disclosure Document. You should consult your own business or legal advisor for an explanation of your legal rights under applicable laws and regulations. You may not make any payment to Counselor or sign any contract(s) relating to this franchise until fourteen (14) calendar days after you sign the Acknowledgements of Receipt at the back of this Franchise Disclosure Document. You should also refrain from taking any other action or making any commitments in regard to a Counselor franchise until and unless you are notified in writing by Counselor that your application for a franchise has been approved and that an Counselor franchise has been issued in your name.

CAUTION

ANY FACT, INFORMATION, PROMISE, ASSURANCE, REPRESENTATION OR CIRCUMSTANCE COMMUNICATED TO YOU THAT IS NOT CONTAINED IN THE ATTACHED AGREEMENT OR THIS FRANCHISE DISCLOSURE DOCUMENT IS UNAUTHORIZED BY COUNSELOR AND SHOULD NOT BE RELIED UPON BY YOU IN DECIDING WHETHER TO PURCHASE A COUNSELOR FRANCHISE.

23. RECEIPTS

The last two pages of this Disclosure Document (following the exhibits and attachments) are documents acknowledging receipt of this Disclosure Document by you (one copy for you and one copy for us). The Receipt must be signed and dated and delivered to us at least 14 calendar days before the signing of the Franchise Agreement or payment of any fee by you.

EXHIBIT A
FINANCIAL STATEMENTS

Counselor Realty Franchising, Inc.

Financial Statements

December 31, 2023 and 2022 and for the Years Ended
December 31, 2023, 2022 and 2021

Counselor Realty Franchising, Inc.

Table of Contents

December 31, 2023, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Balance Sheets	3
Statements of Operations	4
Statements of Stockholder's Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditors' Report

To Counselor Realty Franchising, Inc.

Opinion

We have audited the financial statements of Counselor Realty Franchising, Inc. (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, stockholder's equity and cash flows for the years ended December 31, 2023, 2022 and 2021 and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Minneapolis, Minnesota
April 24, 2024

Counselor Realty Franchising, Inc.

Balance Sheets

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 80,311	\$ 217,960
Certificate of deposit	130,280	-
Accounts receivable, net	<u>1,574</u>	<u>3,078</u>
Total assets	<u>\$ 212,165</u>	<u>\$ 221,038</u>
Liabilities and Stockholder's Equity		
Liabilities		
Due to parent company	<u>\$ 5,100</u>	<u>\$ 5,100</u>
Total liabilities	<u>5,100</u>	<u>5,100</u>
Stockholder's Equity		
Common stock, \$.01 par value per share 100,000 shares authorized 10,000 shares issued and outstanding	100	100
Additional paid-in capital	47,209	47,209
Retained earnings	<u>159,756</u>	<u>168,629</u>
Total stockholder's equity	<u>207,065</u>	<u>215,938</u>
Total liabilities and stockholder's equity	<u>\$ 212,165</u>	<u>\$ 221,038</u>

See notes to financial statements

Counselor Realty Franchising, Inc.

Statements of Operations

December 31, 2023 and 2022 and for the Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Monthly franchise fees	\$ 63,751	\$ 73,235	\$ 70,975
Monthly metro advertising fees	2,880	3,600	3,480
Other income	<u>2,748</u>	<u>1,447</u>	<u>817</u>
Total revenues	69,379	78,282	75,272
Expenses	<u>78,252</u>	<u>61,402</u>	<u>56,590</u>
Income (loss) before income taxes	(8,873)	16,880	18,682
Provision for Income Taxes	<u>-</u>	<u>5,100</u>	<u>5,600</u>
Net income (loss)	<u>\$ (8,873)</u>	<u>\$ 11,780</u>	<u>\$ 13,082</u>

See notes to financial statements

Counselor Realty Franchising, Inc.

Statements of Stockholder's Equity

December 31, 2023 and 2022 and for the Years Ended December 31, 2023, 2022 and 2021

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
	Shares	Amount			
Balances, December 31, 2020	10,000	\$ 100	\$ 47,209	\$ 151,867	\$ 199,176
2021 net income	-	-	-	13,082	13,082
Dividend paid to parent company	-	-	-	(8,100)	(8,100)
Balances, December 31, 2021	10,000	100	47,209	156,849	204,158
2022 net income	-	-	-	11,780	11,780
Balances, December 31, 2022	10,000	100	47,209	168,629	215,938
2023 net loss	-	-	-	(8,873)	(8,873)
Balances, December 31, 2023	<u>10,000</u>	<u>\$ 100</u>	<u>\$ 47,209</u>	<u>\$ 159,756</u>	<u>\$ 207,065</u>

See notes to financial statements

Counselor Realty Franchising, Inc.

Statements of Cash Flows

December 31, 2023 and 2022 and for the Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities			
Net income (loss)	\$ (8,873)	\$ 11,780	\$ 13,082
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Interest income earned on certificate of deposit	(280)	-	(278)
Changes in operating assets and liabilities:			
Accounts receivable	1,504	(662)	(195)
Due to parent company	-	(500)	2,000
	<u>(7,649)</u>	<u>10,618</u>	<u>14,609</u>
Net cash flows from operating activities			
Cash Flows From Investing Activities			
Purchase of certificate of deposit	(130,000)	-	-
Redemption of certificate of deposit	-	-	111,767
	<u>(130,000)</u>	<u>-</u>	<u>111,767</u>
Net cash flows from investing activities			
Cash Flows From Financing Activities			
Dividend paid to parent company	-	-	(8,100)
	<u>-</u>	<u>-</u>	<u>(8,100)</u>
Net cash flows from financing activities			
Increase in cash	(137,649)	10,618	118,276
Cash, Beginning	<u>217,960</u>	<u>207,342</u>	<u>89,066</u>
Cash, Ending	<u>\$ 80,311</u>	<u>\$ 217,960</u>	<u>\$ 207,342</u>

See notes to financial statements

Counselor Realty Franchising, Inc.

Notes to Financial Statements
December 31, 2023, 2022 and 2021

1. Summary of Significant Accounting Policies

Nature of Operations

Counselor Realty Franchising, Inc. (the Company) was incorporated in Minnesota on May 8, 2001. The Company was formed to offer franchises for a full service residential and/or commercial real estate brokerage service business. The Company commenced the offering and sale of franchises in 2002. The Company is a wholly-owned subsidiary of Counselor Holding, Inc.

The franchise agreement includes the following:

- The Company agrees to grant franchisees the use of its Systems and Marks to operate a real estate brokerage business.
- The franchisee agrees to pay an initial fee, monthly franchise fees and metro advertising fees when applicable.
- The Company agrees to provide an initial training program and may offer additional training programs from time to time.

There were no new franchises sold in 2023, 2022, or 2021. There were no franchise renewals in 2023, 2022 or 2021. No franchise renewal fees are required. There were five franchised outlets as of December 31, 2023. There were seven franchise outlets as of December 31, 2022 and 2021. One franchise agreement expired in December 2022 and was not renewed. One franchise agreement expired in March 2023 and was not renewed. Initial franchise fees are typically \$7,500 to \$15,000 per franchise, as determined by the population of the franchise territory. The franchisee agrees to pay a base monthly fee covering up to five licensed agents and additional monthly fees per licensed agent above five operating from or through their office. The monthly franchise fee revenue was \$63,751, \$73,235 and \$70,975 for the years ended December 31, 2023, 2022 and 2021, respectively. If the franchisee is located within the 11-county metropolitan area of the Twin Cities, there is a monthly metro advertising fee per licensed agent. The agreement term is five years beginning on the date the office opens.

Cash

The Company maintains its cash in financial institutions. The balance, at times, may exceed federally insured limits.

Certificate of Deposit

The Company has two certificates of deposit with an original maturity date of greater than three months from the date they were acquired, hence they are not considered cash equivalents.

Counselor Realty Franchising, Inc.

Notes to Financial Statements
December 31, 2023, 2022 and 2021

Accounts Receivable

The Company recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the balance sheet date. Receivables are written off when the Company determines that such receivables are deemed uncollectible. The Company pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Company measures those receivables individually. The Company also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Company utilizes the aging method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Company's historical loss experience. In determining its loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, the Company considers current and forecasted direction of the economic and business environment. Such forecasted information includes: GDP growth, unemployment rates and interest rates, amongst others.

Accounts receivable consists of franchise related fees. Accounts receivable are unsecured and the Company charges 8% interest on past due accounts. Accounts receivable are considered past due if not paid within the terms established. Accounts receivable are written off when they are determined to be uncollectible. The allowance for credit losses was \$3,724 and \$0 as of December 31, 2023 and 2022, respectively.

Revenue From Contracts

The Company's revenues are comprised of initial franchise fees and monthly franchise and metro advertising fees. Initial franchise fees are a onetime fee paid by new franchisees and are recognized over the term of the contract, in the period earned. Monthly franchise and metro advertising fees are billed monthly and recognized over time, in the period earned.

Income Taxes

The Company files consolidated tax returns with its parent, Counselor Holding, Inc. and subsidiaries. A provision for income taxes of \$0, \$5,100 and \$5,600 was recorded for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income taxes and any related interest and penalties as income tax expense on the Company's statements of operations.

Counselor Realty Franchising, Inc.

Notes to Financial Statements
December 31, 2023, 2022 and 2021

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$5,146, \$4,565 and \$3,988 for the years ended December 31, 2023, 2022 and 2021, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Company adopted the ASU prospectively. There was no adjustment to retained earnings upon adoption.

2. Related-Party Transactions

Counselor Holding, Inc. (the parent company), allocates expenses to the Company based on the usage of certain system tools and employees. The total expenses allocated to the Company were \$34,342, \$41,038 and \$46,675 for the years ended December 31, 2023, 2022 and 2021, respectively.

3. Subsequent Events

The Company has evaluated subsequent events through April 24, 2024, the date the financial statements were available to be issued, for events requiring recording or disclosure in the Company's financial statements.

EXHIBIT B
FRANCHISE AGREEMENT

**COUNSELOR
FRANCHISE AGREEMENT**

FRANCHISEE BUSINESS NAME: _____

OFFICE ADDRESS: _____

OFFICE OPENING DATE: _____

TABLE OF CONTENTS

	Page
1. FRANCHISE.....	1
1.1 Grant.....	1
1.2 Site Selection.....	2
1.3 Territory	2
2. ACCEPTANCE OF FRANCHISE.....	3
2.1 Acceptance.....	3
2.2 Acknowledgments.....	3
3. TERM.....	4
3.1 Term	4
3.2 Successor Franchise	4
4. TRADEMARK STANDARDS	4
4.1 Name.....	4
4.2 Usage	4
4.3 Franchisor Profits.....	4
5. FEES.....	5
5.1 Initial Franchise Fee.....	5
5.2 Base Monthly Fee.....	5
5.3 Continuing Agent Fees	5
5.4 Advertising Fees	5
5.5 Website Fees.....	5
5.6 Mobile App Fees.....	6
5.7 Interest and Insufficient Funds	6
6. COUNSELOR SERVICES.....	6
6.1 Training.....	6
6.2 Advisory Services	7
6.3 Website.....	7
6.4 Technology Tools and Services	7
6.5 Additional Tools and Services	7
7. FRANCHISEE OBLIGATIONS	8
7.1 Standards	8
7.2 Best Efforts, Confidentiality and No Conflicts of Interest.....	9
7.3 Inspection	9
7.4 Agents	9

TABLE OF CONTENTS
(continued)

	Page
8. FINANCIAL STANDARDS.....	9
8.1 Records and Reports	9
8.2 Insurance.....	10
8.3 Indemnification.....	10
9. TRANSFER OF FRANCHISE.....	10
9.1 Transfer Standards	10
9.2 Other Conditions to Transfer	10
9.3 Franchisee Death or Disability	11
9.4 Transfer by Franchisor.....	11
9.5 Relocation.....	11
9.6 Right of First Refusal	11
10. RESOLUTION OF DISPUTES.....	11
10.1 Arbitration	11
10.2 Injunctive Relief	11
11. TERMINATION.....	12
12. TERMINATION CONSEQUENCES.....	12
13. MISCELLANEOUS PROVISIONS	13
13.1 Interpretation.....	13
13.2 Governing Law.....	13
13.3 Severability	13
13.4 Notice	13
13.5 Relationships	13
13.6 FDD Disclosure.....	13
13.7 Review.....	13
13.8 Responsibility.....	14

COUNSELOR FRANCHISE AGREEMENT

FRANCHISE AGREEMENT dated _____, _____ (the "Effective Date"), between COUNSELOR REALTY FRANCHISING, INC. (together with its affiliates, "COUNSELOR" or "we"), and _____ of _____, _____ ("Franchisee" or "you").

COUNSELOR offers franchises for a full service residential and/or commercial real estate brokerage service business, operating in accordance with a distinctive and proprietary system established by COUNSELOR (the "System") and identified by various COUNSELOR trademarks (the "Marks"). Franchisee wishes to establish and operate a business using the System.

In consideration of the foregoing and the undertakings herein, the parties agree:

1. FRANCHISE.

1.1 Grant.

(a) We grant you a non-exclusive license to use the System and the Marks to operate one real estate brokerage business (the "Business") at a single site you select, and to which we consent (the "Office"), within the geographic territory designated in Exhibit A to this Franchise Agreement (the "Territory"). You must obtain Counselor's written consent prior to opening or operating any additional Office locations.

(b) You may apply to open one or more additional offices within your designated Territory (an "Additional Office") by submitting a request to Counselor describing the location of such proposed Additional Office as well as any additional information Counselor may require or request, along with one-time fee of \$750 for each Additional Office location (the "Additional Office Application Materials"). After Counselor's receipt of such Additional Office Application Materials (including the one-time fee), Counselor will have 30 days to review the Additional Office Application Materials and proposed Additional Office location and notify you whether or not Counselor consents to your opening of such Additional Office location. Any Additional Office we consent to must comply with all requirements of the Franchise Agreement and then-current System standards.

(c) You may apply to open one or more additional offices outside of your designated Territory (an "Extension Office") by submitting a request to Counselor describing the location of such proposed Extension Office as well as any additional information Counselor may require or request, along with a one-time fee of \$750 for each Extension Office location (the "Extension Office Application Materials"). After Counselor's receipt of such Extension Office Application Materials (including the one-time fee), Counselor will have 30 days to review the Extension Office Application Materials and proposed Extension Office location and notify you whether or not Counselor consents to your opening of such Extension Office location. Counselor's consent to any Extension Office location will be contingent on you and Counselor reaching a mutual agreement as to the minimum number of sales agents that will operate from the Extension Office. Any Extension Office we consent to must comply with all requirements of the Franchise Agreement and then-current System standards.

1.2 Site Selection. You must select a site for your Office within 180 days after you sign this Agreement. After you notify us of a proposed site for your Office, we will have 30 days to review the site and to notify you whether or not we consent to your operation of the Business at that site. If we reject the site you propose, you will have an additional 60 days to locate a site that is acceptable to us. If you fail to do so, this Agreement will automatically terminate and we will refund your Initial Franchise Fee, less our expenses associated with reviewing the proposed site(s). After we consent to an Office site you propose (if at all), you must open your Business at that site within six months. If you fail to do so, this Agreement will automatically terminate and your Initial Franchise Fee will not be refunded. We may, in our sole discretion, grant extensions of the deadlines described above. Our consent to a site is not a guarantee or assurance as to the availability, suitability or prospects of an Office or Business.

1.3 Territory.

(a) While this Agreement is in effect, as long as you satisfy and maintain the minimum Office sales agent requirements set forth in Exhibit A to this Franchise Agreement, we will not ourselves establish or operate a "Counselor" office, or license another to establish or operate a "Counselor" office within the Territory. However, both we and other "Counselor" licensees may enter into, and provide residential and commercial real estate brokerage services within, the Territory; we do not grant you any exclusive right to operate a "Counselor" business in the Territory. If you fail to satisfy and maintain the minimum required number of agents in the Office on an ongoing basis, you may lose the exclusive right to operate a "Counselor" office in the Territory, your territory may be altered (as determined by Counselor in its sole discretion), or Counselor may terminate the Franchise Agreement.

(b) If Counselor has consented to any Additional Office locations, any sales agents operating out of any such Additional Office locations will be counted as part of the number of sales agents operating from your Office for purposes of Section 1.3(a).

(c) If Counselor has consented to any Extension Office locations, you must maintain the mutually agreed-upon minimum number of sales agents operating from such Extension Office. One of these sales agents must be a supervising broker. The minimum number of sales agents required to be operating in any such Extension Office is separate from and in addition to the minimum number of sales agents that are required to operate from any of your other Office locations (including any Additional Offices). If you fail to satisfy and maintain the minimum required number of sales agents in the Extension Office on an ongoing basis, Counselor may (in its sole discretion) elect to have you close the Extension Office or terminate the Franchise Agreement. If Counselor elects to have you close the Extension Office, (i) you must (A) stop using the Marks and System, any materials containing or depicting the Marks or System, and any other name or mark confusingly similar to the Marks, including domain names, in connection with such Extension Office, (B) pay all sums due to Counselor or its affiliates with respect to such Extension Office, and (C) remove all distinctive inventory, trade dress, and leasehold improvements at such Extension Office to eliminate any similarity in design, structure, signage, trade dress, decor, color or layout to the distinctive appearance of other Counselor businesses, (ii) Counselor or its affiliate may access and remove any confidential or proprietary information and materials, either at the Extension Office or remotely by electronic means, and (iii) Counselor will no longer list such Extension Office (or any sales agents operating from such Extension Office) on its website. If Counselor has consented to any Extension Office, you will not receive any territorial protections with respect to such Extension Office. Both Counselor and other "Counselor" licensees may provide residential and commercial real estate brokerage services anywhere near such

Extension Office. In addition, Counselor may itself establish or operate a "Counselor" office, or license another to establish or operate a "Counselor" office, anywhere near such Extension Office; provided, however, that if Counselor proposes to license another to establish or operate a "Counselor Office" with a territory that would include the location where such Extension Office is located (a "Territory Opportunity"), we will provide you with a right of first refusal for such Territory Opportunity on the following terms:

(i) we will provide you with written notice of a Territory Opportunity, and you will have 30 days to advise us in writing that you wish to participate in the Territory Opportunity;

(ii) if you do not notify us within such period, then we may pursue such Territory Opportunity and/or grant any other person or entity the right to participate in such Territory Opportunity without any liability to you; and

(iii) if you timely notify us in writing that you wish to participate in the Territory Opportunity, then we may condition your participation on compliance with such terms and conditions as we consider appropriate to the particular Territory Opportunity, including: (i) execution of such franchise agreement and related agreements as are then generally used by us in connection with the award of the applicable Territory Opportunity; (ii) timely payment of all initial fees and any other fees charged by us or our affiliate in connection with the award or grant of the applicable Territory Opportunity; and (iii) meeting our then-current eligibility requirements applied by us to candidates for such Territory Opportunity.

2. ACCEPTANCE OF FRANCHISE.

2.1 Acceptance.

(a) You represent that you fully and truthfully completed our franchise application to the best of your knowledge, and that your execution of this Agreement and any related or supporting documents will not violate the terms or conditions of any other agreement to which Franchisee or Franchisee's owner(s) is a party, or any provision of Franchisee's articles of incorporation or bylaws, operating agreement or partnership agreement (where applicable).

(b) You agree to open the Office within the time required under Section 1.2 of this Agreement (subject to extension in Counselor's sole discretion) and to operate it in accordance with the System and this Agreement. You agree to cooperate with us and our affiliates on all transactions in which you are involved and to pay commissions in accordance with contractual splits and rates and in accordance with industry norms.

2.2 Acknowledgments. This Agreement is subject to the following conditions:

(a) The Business shall offer and provide only the services, and be identified only by Marks, we authorize;

(b) The Marks are our exclusive and valuable property. You have no right, ownership or other interest in or to any of the Marks except the qualified license to use them in strict conformity with this Agreement;

(c) We may change the System and the Marks periodically, and when we do, you must promptly conform the Business to the revised requirements, at your cost;

(d) You shall not directly or indirectly sublicense, delegate or transfer any of the rights licensed by this Agreement except in accordance with Article 9;

(e) We and our affiliates may conduct various business activities, including residential and commercial real estate brokerage businesses; and

(f) You acknowledge that the System was developed by us at considerable expense and investment and that your operation of a "Counselor" franchise is possible only with our assistance and ongoing advisory services. You agree that the disclosure or unauthorized or improper use of the System may cause Counselor or other franchisees irreparable harm, and you agree not to engage in such practices.

3. TERM.

3.1 Term. The initial term of this Agreement begins on the Effective Date of this Agreement and ends five years from the Effective Date.

3.2 Successor Franchise. If you apply in writing between 60 and 180 days before expiration of the initial term and are not in breach of this Agreement (or any related agreement) at the expiration of the initial term, you may acquire a single successor franchise for five years, using the form of Counselor Franchise Agreement we are then using (which may differ from this Agreement), but without further renewal. Your Franchise Agreement for the successor term, if any, will include a new minimum Office sales agent requirement schedule negotiated by you and Counselor. Upon renewal of your franchise and during the successor term, if any, (i) your Territory may be altered if the population in your Territory has increased to exceed the maximum population then allowed by Counselor for a single franchise territory or if you failed to maintain the minimum number of agents during the prior term, and (ii) you must pay all fees in the amount then being charged by Counselor for new franchises. You also must first complete reasonable upgrading and refurbishment of your Office (including any Additional Offices and Extension Offices, if applicable) to then-current System standards.

4. TRADEMARK STANDARDS.

4.1 Name. You may not use the Marks as part of your corporate or business name without our consent. Your use of the Marks inures to our benefit. We own all goodwill now or hereafter associated with each of the Marks. You will not contest our ownership or registration of the Marks.

4.2 Usage. You must reproduce and use the Marks only in the precise manner, colors and form we prescribe, and only in association with products and services we authorize.

4.3 Franchisor Profits. Counselor also reserves the right to receive fees periodically for rights licensed or services provided to others.

5. FEES.

5.1 Initial Franchise Fee. We acknowledge receipt from you of an Initial Franchise Fee in the amount of \$_____. Except as provided in Section 1.2, the Initial Franchise Fee is nonrefundable.

5.2 Base Monthly Fee. You must pay us a Base Monthly Fee of \$371. At the beginning of each month, we will send you an invoice for the Base Monthly Fee, and you must pay us that fee on or before the 20th day of such month.

5.3 Continuing Agent Fees. The Base Monthly Fee above includes the first 5 agents operating through your Office. You must pay us a monthly Continuing Agent Fee in an amount equal to \$53 per licensed agent for the sixth through 15th licensed agent operating through your Office; \$37 per licensed agent for the 16th through 35th licensed agent operating through your Office; and \$32 per licensed agent for the 36th and each additional licensed agent operating through your Office. For purposes of clarity, if you have 50 licensed agents operating through your Office for a certain month, your Continuing Agent Fee for that month would be \$1,750 (\$53 multiplied by 10, plus \$37 multiplied by 20, plus \$32 multiplied by 15). For purposes of calculating the Continuing Agent Fee pursuant to this Section 5.3, the number of agents operating through your Office for any given month shall be the number of licensed agents listed as operating through your Office with the Minnesota Department of Commerce on the first day of the applicable month. At the beginning of each month, we will send you an invoice for the amount of the Continuing Agent Fee you owe us for the current month, and you must pay us the amount of such Continuing Agent Fee on or before the 20th day of such month. If Counselor has consented to any Additional Office locations or Extension Office locations, any licensed agents operating from any such Additional Office locations or Extension Office locations will be counted in the number of agents operating through your Office for purposes of this Section 5.3.

5.4 Advertising Fees. If your Office (or any Additional Office or Extension Office) is located within the 11-county metropolitan area of the Twin Cities of Minneapolis and St. Paul, Minnesota (including the Counties of Scott, Wright, Isanti, Dakota, Anoka, Hennepin, Washington, Carver, Ramsey, Sherburne and Chisago), you must pay to Counselor an Advertising Fee equal to \$60 per agent per month for each agent operating out of the Office, Additional Office or Extension Office located in such metropolitan area, as a contribution towards the general costs of marketing activities conducted by Counselor. The amount of this Advertising Fee may be increased during the term of this Agreement by Counselor from time to time in its sole discretion. We reserve the right to establish and organize a "Regional Advertising Group" if your Office (or any Additional Office or Extension Office) is located outside the Twin Cities. If your Office (or any Additional Office or Extension Office) is located outside the Twin Cities, you must be a member of the "Regional Advertising Group" (once established) and pay to the "Regional Advertising Fund" an Advertising Fee equal to \$25 per agent per month for each agent operating out of the Office, Additional Office or Extension Office located in such geographical area. The amount of your Advertising Fees for the Regional Advertising Group may be increased during the term of this Agreement by a majority vote of the "Regional Advertising Committee" that manages your Regional Advertising Group. Advertising Fees will be due and payable by the 20th day of each month.

5.5 Website Fees.

(a) You must pay us an initial Website Set Up Fee, in an amount equal to the costs incurred by us in setting up a webpage for your Office on Counselor Realty, Inc.'s website. If we have consented to any Additional Office locations, you may request to have us set up a separate webpage or subdomain for any such Additional Office on Counselor Realty, Inc.'s website and, if elected, you must pay us a Website Set Up Fee for such webpage, in an amount equal to the costs incurred by us in setting up any such webpage. If we have consented to any Extension Office locations, you must pay us a Website Set Up Fee, in an amount equal to the costs incurred by us in setting up a webpage for each such Extension Office on Counselor Realty, Inc.'s website. Any agents operating out of an Additional Office location may be listed on the webpage for such Additional Office location and your other Office locations for no additional charge.

(b) You must pay us a monthly Website Fee in an amount equal to \$75 for each Office location (including each Additional Office and Extension Office), plus \$25 for

each licensed agent choosing to have an optional agent website provided by Counselor. For purposes of clarity, if you have 10 agents who choose to have the optional agent website, your Website Fee would be \$325 (\$75 plus \$25 multiplied by 10). The amount of the Website Fee may be increased during the term of this Agreement by Counselor from time to time in its sole discretion. At the beginning of each month, we will send you an invoice for the amount of the Website Fee you owe us for the current month, and you must pay us the amount of such Continuing Agent Fee on or before the 20th day of such month. The monthly Website Fee will apply to any agents operating out of any Additional Office locations or Extension Office locations that have elected to have an optional agent website.

5.6 Mobile App Fees. Mobile app setup is optional except for the 11 county metropolitan area of the Twin Cities of Minneapolis and St. Paul, Minnesota (including the Counties of Scott, Wright, Isanti, Dakota, Anoka, Hennepin, Washington, Carver, Ramsey, Sherburne and Chisago). If your Office (or any Additional Office or Extension Office) is located in one of the aforementioned counties, or if you elect to utilize the Mobile App, you must pay us a Mobile App Fee equal to the costs incurred by Counselor to initiate and continue your Mobile App service, including one-time setup fees and monthly data/phone fees. The amount of the Mobile App Fee may be increased during the term of this Agreement by Counselor from time to time in its sole discretion. At the beginning of each month, we will send you an invoice for the amount of the Mobile App Fee you owe us for the prior month, and you must pay us the amount of such Mobile App Fee on or before the 20th day of such month.

5.7 Interest and Insufficient Funds. Interest shall accrue on any unpaid past due amounts you owe us from the date due until paid, at a rate of the lower of (i) 8% per year; or (ii) the maximum contract rate of interest allowed by law. If any payments are returned for any reason, you will pay us for the amount of the fee charged by Counselor's bank. You also will pay costs, including reasonable attorneys' and litigation expense fees, we incur collecting these past due amounts from you or enforcing this agreement.

6. COUNSELOR SERVICES.

6.1 Training. At your request, Counselor will provide you and up to two of your key personnel initial training at a "Counselor" office or other location designated by Counselor, at any mutually convenient time. At your request, Counselor will provide supplemental initial and/or ongoing training for you and/or your key personnel at a "Counselor" office or other location designated by Counselor, at any mutually convenient time. You must pay Counselor a fee for training (including initial training) in the amount of \$175 per trainer per hour. In addition, you must pay all travel, living and incidental expenses you and your employees, and our trainers, incur in connection with training. A copy of our Franchise Policy Guidelines will be available at our corporate office in Arden Hills, Minnesota. We may change the Franchise Policy Guidelines periodically.

6.2 Advisory Services. We will advise you about proper display of the Marks, procuring fixtures and initial inventories, Counselor's business procedures, and other general guidance and advice regarding the franchised business. We may request that you attend certain meetings.

6.3 Website. We will create a separate webpage or subdomain for your Office and any Extension Office on Counselor Realty, Inc.'s website. If we have consented to any Additional Office locations, you may request to have us set up a separate webpage or subdomain for any such Additional Office on Counselor Realty, Inc.'s website. We will create a separate webpage or subdomain on Counselor Realty, Inc.'s website for those licensed agents you request in writing. All webpages and subdomains we create for the licensed agents operating through your Office

(including any Additional Office or Extension Office) will include an IDX home search option for each market that the agent directly serves with listing reciprocity among Counselor Realty, Inc. and our franchisees (local MLS fees are the agent's responsibility). You will be required to pay us a Website Set Up Fee for any such webpages or subdomains, as more particularly described in Section 5.5. You will also be required to pay us a Website Fee associated with the webpages and subdomains we create for your Office, any Additional Offices or Extension Offices, and for the licensed agents operating through such offices, in such amounts, and at such times, as we shall determine from time to time in our sole discretion and as more particularly described in Section 5.5. Leads created off Counselor Realty, Inc.'s website for listings in the region where your franchised office is located will be provided and directed to your Office; provided, however, that if the lead is for a listing that is listed by one of our franchisee's agents or one of Counselor Realty, Inc.'s agents, such lead will be directed to such agent, if that agent has elected to create a Counselor Realty web page/subdomain. If there is more than one franchisee in the region (distinct areas served by the same MLS system, or its equivalent), those leads will be shared and/or split between the affected franchisees, as determined by Counselor in its sole discretion. We may take into account office locations, number of agents, types of leads or any other rational means to distribute leads.

6.4 Technology Tools and Services. We may provide you with or require you to utilize such technology related tools (including, but not limited to, mobile applications and other internet or software-based applications) and services relating to the franchised business as we determine from time to time in our sole discretion. We will not be obligated to provide you with any such technology related tools or services, and reserve the right to discontinue providing any such technology related tools and services that we may decide to provide at any time. We also reserve the right to modify the terms and conditions regarding any such technology related tools and services that we may decide to provide at any time. You will be obligated to pay us fees (including the Mobile App Fee described in Section 5.6) associated with any such technology related tools and services that we may decide to provide in such amounts, and at such times, as we shall determine from time to time in our sole discretion .

6.5 Additional Tools and Services. We may provide you with or require you to utilize such non-technology related tools and services relating to the franchised business as we determine from time to time in our sole discretion. We will not be obligated to provide you with any such non-technology related tools or services, and reserve the right to discontinue providing any such non-technology related tools and services that we may decide to provide at any time. We also reserve the right to modify the terms and conditions regarding any such non-technology related tools and services that we may decide to provide at any time. You will be obligated to pay us fees associated with such non-technology related tools and services that we decide to provide in such amounts, and at such times, as we shall determine from time to time in our sole discretion.

7. FRANCHISEE OBLIGATIONS.

7.1 Standards. Your Business and Office (including any Additional Office and Extension Office) must:

(a) be and remain equipped and furnished by competent contractors in accordance with System standards. You are responsible for obtaining necessary utilities, permits, licenses and other legal or architectural requirements;

(b) be maintained in a clean, orderly and safe manner, in accordance with all applicable laws, regulations, codes and the Franchise Policy Guidelines, including any standards we set that may exceed those established by law. You must repair or replace defective or obsolete equipment, signage or fixtures. You must at all times possess a

bona fide real estate broker's license in good standing under the laws of the state where the Business is located. If Franchisee is a partnership, corporation or other entity, Franchisee must be legally authorized to do business in the state where your Business is located;

(c) offer and provide all products and services, and continuously operate the Business, in accordance with the Franchise Policy Guidelines and all applicable laws and regulations;

(d) be managed by you or a designated manager involved in the day-to-day operation of the Business; be staffed with qualified and trained employees and licensed real estate agents, in conformity with local, state and federal laws and regulations, who are employed or contracted solely by you, not by us. You are solely responsible for hiring and discharging employees, and setting their wages and terms of employment. You are solely responsible for entering into and terminating contracts with agents;

(e) use only advertising programs, materials and media (including print, audio, video, website, and computer-transmitted media) that conform at all times to Counselor's brand standard and image. If Counselor determines, in its sole discretion, that any advertising materials or media do not conform to Counselor's brand standard or image, you will alter or remove such advertising materials or media, as directed in writing by Counselor. You have the option to develop your own website as part of your overall promotion strategy. Your use of our trademarks in any advertising materials, advertising media or on your website must conform at all times to the requirements set forth in the Article 4 of this Agreement. Counselor does not currently require any advertising materials, advertising media or your website to be approved by Counselor prior to you using them, but reserves the right to review and approve such advertising materials, advertising media and your website (and to require you to alter or cease using all or any portion of such advertising materials, advertising media or website it does not approve); and

(f) comply with changes we may make to the Franchise Policy Guidelines, System and standards even if additional investment or expenditures are required.

7.2 Best Efforts, Confidentiality and No Conflicts of Interest.

(a) You or your Business manager must furnish your personal full time and attention and best efforts to the management and operation of your Business.

(b) During and after the term of this Agreement, you shall not disclose to a third party or use, except to operate the Business during the term of this Agreement, any confidential or proprietary information, or trade secret, that we own or disclose to you. You must require your Business manager (if any) and agents to sign a corresponding confidentiality agreement. You must return the entire Franchise Policy Guidelines to us promptly upon termination or expiration of this Agreement or any transfer.

(c) During the term of this Agreement, you will not own any interest in, or work for, engage in or assist, directly or indirectly, any real estate brokerage service business other than Counselor, or that competes with Counselor, at or within 50 miles of the Office (or any Additional Office or Extension Office) without Counselor's prior written approval.

(d) During the term of this Agreement and for a period of twenty-four (24) months after it expires, is terminated or is transferred, you will not alone, or in any capacity

with another person or entity, within the United States and any other geographical area in which Counselor operates, solicit or cause to be solicited any person or entity that is (or was within the previous six (6) months) an agent, employee or independent contractor of Counselor or another Counselor franchisee, for the purpose of hiring or contracting such person or entity to work for you or any other party, or for the purpose of inducing them to leave such party's employment or contract with Counselor or another Counselor franchisee.

(e) You agree that the covenants contained in this Section 7.2 are reasonable and understand that your willingness to agree to such covenants is an important inducement and consideration for our entering into this Agreement. You must demonstrate compliance with this Section 7.2. Sections 7.2 (b), (c) and (d) also apply to guarantors of this Agreement, your spouse and children if Franchisee is a sole proprietorship, and your officers, directors, employees, partners, and each principal shareholder or owner if Franchisee is a corporation or other entity.

7.3 Inspection. Your Business and Office (including any Additional Office and Extension Office) shall be open to us for inspection without notice during the business day.

7.4 Agents. You must notify Counselor immediately in writing each time a licensed agent begins operating through your Office (including any Additional Office or Extension Office).

8. FINANCIAL STANDARDS.

8.1 Records and Reports. You must keep and give us the information, reports, books and records concerning the Office (including any Additional Office and Extension Office) and Business we specify, on forms or in media we specify periodically. You will allow us to inspect, copy and audit such records, both at the Office (including any Additional Office and Extension Office) and remotely by electronic means. If Franchisee is a partnership, corporation or other entity, you must provide us with copies of Franchisee's organizational documents (including, without limitation, as applicable, its articles of incorporation, bylaws, operating agreement or partnership agreement) and breakdown of ownership. You must report promptly to us any claim involving the Business and any change in the Franchisee's organizational documents.

8.2 Insurance. You must maintain types and levels of insurance coverage required by the state in which you operate your Business. You also must maintain other insurance required by law, and by your Office (including any Additional Office and Extension Office) lease or mortgage, and errors and omissions insurance coverage. You must maintain general liability insurance on an occurrence basis with a minimum limit of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate, and errors and omission insurance with a minimum limit of at least \$1,000,000. Insurance shall be with insurers and on forms acceptable to us, shall name Counselor as an additional insured, and waive subrogation. If we buy such insurance because you fail to do so (which we may, but are not required to, do) you will reimburse us immediately upon request.

8.3 Indemnification. You will defend, indemnify and hold harmless Counselor, its affiliates and their respective officers, agents, and employees from all suits, claims, demands, liabilities and costs, including attorneys' fees, in tort, contract, or otherwise, arising out of or in connection with your operation of the Business except to the extent caused by direct and proximate consequences of our negligence. You waive and release all claims against Counselor, its affiliates, and their respective officers, agents, and employees for damages to property or injuries to persons arising out of or in connection with operation of the Business except to the extent caused by direct and proximate consequences of our negligence.

9. TRANSFER OF FRANCHISE.

9.1 Transfer Standards. You agree not to change or allow a change, directly or indirectly, in the ownership or Control of (i) your interest in this Agreement, (ii) the Office, any Additional Office, any Extension Office or Business, (iii) a majority of the assets of the Office, any Additional Office, any Extension Office or Business, or (iv) if Franchisee is an entity, any ownership interest in, or Control of, Franchisee or any direct or indirect owner of Franchisee (each, a "transfer"), without having first tendered to us the right of first refusal to acquire this Agreement, such assets or such interests in accordance with Section 9.6 and, if we do not exercise such right, without our consent and without satisfaction of the conditions stated below. You and your transferee must follow the procedures set forth in Section 9.2, below, and the transferee must sign the then-current form of Counselor Franchise Agreement for the unexpired term, unless the Franchisee is an entity and the transfer is a transfer of an ownership interest in Franchisee or any owner of Franchisee. We will consent to a transfer if the conditions specified in this Agreement in our opinion are satisfied and the transferee in our opinion is qualified to operate the Business in compliance with that Agreement. Notwithstanding anything contained herein to the contrary, Counselor's consent will not be required for, and the right of first refusal set forth in Section 9.6 will not apply to, a transfer described in clause (iv) of the first sentence of this Section 9.1 if (x) such transfer (in a single transaction or series of related transactions) will not result in a change in Control of Franchisee or such direct or indirect owner of Franchisee, (y) you provide Counselor with written notice of such transfer, together with such other information concerning such transfer and transferee as we may require, at least thirty (30) days prior to the consummation of such transfer, and (z) if such transfer is a transfer of an ownership interest in Franchisee, such transferee executes the guaranty attached to this Agreement and delivers such guaranty to Counselor within ten (10) days of such transfer. For purposes of this Article 9, "Control" means, with respect to the applicable person or entity, ownership or control, directly or indirectly, of a majority of the voting ownership of such person or entity or the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person or entity, by contract or otherwise.

9.2 Other Conditions to Transfer. You must apply for our consent by submitting written notice of the pending transfer, with a complete application, signed by you and by the proposed transferee, and payment of the transfer fee, at least 60 days before the proposed transfer date. The transfer fee is \$2,000 and applies to all transfers (excluding transfers described in, and in accordance with, the second to last sentence of Section 9.1). We may specifically withhold consent if: (i) you do not pay all amounts you owe to Counselor or its affiliates or to your suppliers; (ii) you (or the transferee) do not complete the repair, maintenance or upgrade of the Business' facility, fixtures, equipment, and signage to then-current System standards; or (iii) all shareholders or owners of the transferee do not execute the guaranty of the new Agreement.

9.3 Franchisee Death or Disability. Your death, disability or incapacity (or of a principal officer, director or partner of Franchisee) is also a "transfer." Your executor, heir or legal representative (or the corporation or partnership, if an entity) must apply within 60 days of the death or incapacity for our consent to transfer this Agreement and satisfy the other conditions above.

9.4 Transfer by Franchisor. We may transfer our interest in this Agreement at our discretion.

9.5 Relocation. You may relocate with the prior written consent of Counselor, to a suitable site within the Territory. The replacement Office must open within 120 days after the prior facility closes. The replacement Office must comply with the requirements of this Agreement and then-current System standards.

9.6 Right of First Refusal. If you (or any subsequent Franchisee) propose a transfer governed by this Article 9, in whole or in part, to any third party in response to a bona fide offer from such third party, you shall first offer to sell to Counselor your said interest as provided herein. You shall obtain from the third party offeror and deliver to us a statement in writing, signed by the offeror and by you of all of the terms of the offer. Counselor has 30 days from its receipt of the statement to accept the offer by delivering written notice of acceptance to you. The acceptance shall be on the same price and terms stated in the third party offer except that Counselor may confer with you and the proposed transferee and negotiate the terms of the proposed transfer without thereby impairing the right of first refusal, and Counselor may substitute cash in the fair market value of any non-cash consideration offered by the third party. If Counselor fails to accept the offer within the 30-day period, you shall be free for 60 days after such period to effect the disposition described in the statement delivered to Counselor provided that such transfer is in accordance with Article 9 of this Agreement; but you shall effect no other or subsequent sale or assignment of this Agreement or the business conducted hereunder without first offering the same to Counselor in accordance with this paragraph.

10. RESOLUTION OF DISPUTES.

10.1 Arbitration. Except as provided below, any dispute arising under or in relation to this Agreement shall be resolved by binding arbitration by the National Center for Dispute Settlement, under its rules for expedited commercial arbitration, in Minneapolis, Minnesota. Each claim or controversy will be arbitrated by Franchisee on an individual basis, and will not be consolidated in any arbitration action with the claim of any other franchisee. The award of the arbitrators is final and binding on all parties. The arbitrators may issue appropriate orders as well as award monetary (but not exemplary or punitive) damages. The prevailing party will be entitled to recover its costs including its reasonable attorneys' fees. We may sue to collect money owed to us, to protect or enforce our rights in the Marks, or to compel inspections or audits.

10.2 Injunctive Relief. Your breach of this Agreement could cause irreparable damage to Counselor or to other franchisees. Therefore, upon a breach or threatened breach of any of the terms of this Agreement, we are entitled to an immediate injunction restraining such breach and/or a decree of specific performance, pending arbitration or adjudication, without bond, or having to show or prove any actual damage, and without regard to the availability of an adequate remedy at law.

11. TERMINATION.

(a) We may terminate for good cause if you perform any intentional, material, repeated or continuous breach of this Agreement. We must provide you with 60 days' written notice of termination, specifying the cause for termination. Except as provided below, you shall have 30 days from delivery of notice to cure the breach (except in the case of non-payment of sums due, in which case you shall have seven days to cure the breach). If you fail to do so this Agreement shall terminate on expiration of the 60-day notice period.

(b) This Agreement shall terminate immediately upon delivery of notice to you if: (i) you misrepresent or omit material information on your application; or (ii) you fail to locate a suitable site or open the Office for business within the time required under section 1.2 of this Agreement; or (iii) you become insolvent or bankrupt; or (iv) you transfer or attempt to transfer this Agreement without our consent; or (v) you abandon this Agreement, the Office or the Business; or (vi) you (or a principal officer, director, or partner of Franchisee) are convicted of, or plead guilty or no contest to, any charge of violation of any law relating to the Office (including any Additional Office or Extension Office) and

Business, or of any felony; or (vii) you perform any act, or fail to take an action, the result of which impairs or threatens to impair the goodwill associated with the Marks; or (viii) you are in continuous or repeated breach of this Agreement.

(c) Termination or expiration of this Agreement does not abrogate post-termination obligations of a party, including without limitation the obligations set forth in Sections 7.2(b) and (d).

12. TERMINATION CONSEQUENCES.

Upon termination or expiration of this Agreement, all rights licensed herein, and your interest herein, revert to Counselor automatically, and you must immediately:

(a) stop using the Marks and System, any materials containing or depicting the Marks or System, and any other name or mark confusingly similar to the Marks, including domain names;

(b) pay all sums due to Counselor or its affiliates or which we have guaranteed;

(c) return the Franchise Policy Guidelines and all other confidential or trade secret information to us, and stop using distinctive, proprietary or confidential items, methods or other techniques, systems or know-how we disclosed to you. Counselor or its affiliate may access and remove any confidential or proprietary information and materials, either at the Office (including any Additional Office and Extension Office) or remotely by electronic means ; and

(d) remove all distinctive inventory, trade dress, and leasehold improvements to eliminate any similarity in design, structure, signage, trade dress, decor, color or layout to the distinctive appearance of other Counselor businesses.

13. MISCELLANEOUS PROVISIONS.

13.1 Interpretation. This Agreement, plus your application, are the entire and final agreement between you and us. This Agreement supersedes any Agreement previously made between you and us for the Office covered by this Agreement. You have not received or relied upon any representation, understanding, agreement or assurance not set forth herein and in our Franchise Disclosure Document. All rights and remedies provided herein or by law are cumulative.

13.2 Governing Law. This Agreement is made in Minnesota and shall be governed by Minnesota law (except that the Minnesota Franchise Law (Minn. Stat. Chapter 80C) shall apply only to Minnesota franchisees). This Agreement may be waived, modified or varied only by a writing signed by the parties on a separate document prepared by us. Acquiescence in or waiver of any breach is not a waiver of any other or subsequent breach. No custom, practice or course of dealing constitutes a waiver of any provision of this Agreement.

13.3 Severability. If any provision of this Agreement (except Sections 7.2(c) and (d)) is held unenforceable, it shall be severed from the balance of this Agreement. If Section 7.2(c) or (d) is or becomes illegal or unenforceable, it shall be reformed to the least extent necessary to be lawful and enforceable in the opinion of the arbitrator or court.

13.4 Notice. Notices or other communications are given when delivered personally or one business day after being sent by certified mail, to us, at our head office in Arden Hills,

Minnesota, or to you, at the Office or at the address shown in your Franchise Application. Notice also may be given by facsimile, email, messenger or overnight express.

13.5 Relationships. You are an independent contractor, not the employee, agent, partner or joint venturer of Counselor. This Agreement does not create a fiduciary relationship or a relationship of special trust and confidence. No person may acquire any interest in or under this Agreement except in accordance with Article 9. No other person except our affiliate is intended to be a beneficiary of this Agreement. If Franchisee is more than one person, all are jointly and severally liable hereunder. If Franchisee is a partnership, corporation or other entity, all of its partners, shareholders or owners from time to time shall execute the guaranty at the foot of this Agreement. We owe no implied duties to you.

13.6 FDD Disclosure. You acknowledge receipt of our Franchise Disclosure Document at least 14 calendar days before execution of this Agreement. You acknowledge receipt of this Agreement with all applicable blanks completed and with all applicable Attachments, Addendums and Exhibits at least seven calendar days before execution of this Agreement. Counselor does not authorize any information, promise, or representation to be communicated to you concerning the offer of this franchise that is not contained in Counselor's Franchise Disclosure Document or this Franchise Agreement or in printed franchise sales literature prepared by Counselor, and you should not rely upon any other information purportedly provided by Counselor in deciding whether to purchase a Counselor franchise.

13.7 Review. This Agreement is not effective until fully executed by both parties and we issue notice of approval to you. You acknowledge that we have recommended and that you have had an opportunity to review this Agreement, our Franchise Disclosure Document and other relevant information before entering into this Agreement with legal counsel or a professional business advisor of your choosing.

13.8 Responsibility. You acknowledge that your Business will operate in a highly competitive marketplace and that its financial results, including its ultimate success or failure, depend upon your personal management and resources, and supply and market conditions. You acknowledge, therefore, that Counselor did not, cannot and does not guarantee or represent that the Business will be profitable or successful and you have not relied upon any promise, assurance, understanding or agreement not set forth herein.

PLEASE INDICATE YOUR ACCEPTANCE BY SIGNING AND RETURNING THIS COPY OF THIS AGREEMENT. YOU REPRESENT AND WARRANT THAT YOU ARE AUTHORIZED TO EXECUTE THIS AGREEMENT FOR THE FRANCHISEE.

* * *

COUNSELOR REALTY FRANCHISING, INC.

FRANCHISEE BUSINESS NAME:

Print Name of Person Signing for Counselor:

Franchisee Business Office Address:

Sign Name _____

Title: _____

Date: _____

Print Name of First Person Signing for Franchisee:

Sign Name: _____

Title: _____

Date: _____

Print Name of Second Person Signing for Franchisee:

Sign Name: _____

Title: _____

Date: _____

NOTE: IF FRANCHISEE IS A CORPORATION OR OTHER ENTITY, EACH PERSON WHO IS OR BECOMES A STOCKHOLDER OR OWNER MUST SIGN BELOW:

The undersigned represent to Counselor that they are all of the stockholders or owners of Franchisee. In consideration of the franchise to Franchisee each of the undersigned agrees, jointly and severally, and for themselves, their heirs, legal representatives, successors and assigns that they, and each of them, shall be personally firmly bound by all of the terms, provisions and conditions of the foregoing Agreement; that they and each of them do hereby primarily, unconditionally and irrevocably guarantee the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Agreement, and that they and each of them will not permit or cause control of Franchisee to be modified or altered in whole or in part by stock transfer or otherwise, or make or permit any transfer (as defined in Article 9) except in accordance with Article 9.

Exhibit A
DESCRIPTION OF TERRITORY
and
MINIMUM OFFICE SALES AGENT REQUIREMENTS

Description of Territory:

Minimum Office Sales Agent Requirements:

Date

Minimum Number of Agents in Office

EXHIBIT C
LIST OF FRANCHISEES

<u>Date</u>	<u>Location</u>	<u>Address</u>
December, 2002	Counselor Realty of Alexandria	211 Broadway Alexandria, MN 56308 Phone: (320) 762-1111
March 12, 2004	Counselor Realty of Rochester	3338 – 19 th Street NW, Suite 102 Rochester, MN 55901 Phone: (507) 285-9400
July 1, 2007	Counselor Realty of Detroit Lakes	901 Washington Avenue Detroit Lakes, MN 56501 Phone: (218) 844-5557
December, 2007	Counselor Realty of Victoria	1750 Tower Boulevard Victoria, MN 55386 Phone: (952) 368-0080
March, 2014	Counselor Realty of Brainerd Area Lakes	4687 Skillman Street Brainerd, MN 56401 Phone: (218) 821-3650

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT D

LIST OF STATE FRANCHISE ADMINISTRATORS

Department of Corporations
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344

Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 205
Honolulu, Hawaii 96813

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana Secretary of State
Securities Division
302 W. Washington Street, Room E-111
Indianapolis, Indiana 46204

Office of Attorney General
Securities Division
200 St. Paul Place
20th Floor
Baltimore, Maryland 21202

Michigan Department of Commerce,
Corporations and Securities Bureau
Franchise Administrator
670 Law Building
Lansing, Michigan 48913

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198

New York State Department of Law
Bureau of Investor Protection and Securities
120 Broadway
New York, New York 10271

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510

Rhode Island Department of Business Regulation
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920

South Dakota Department of Labor and Regulation
Division of Securities
124 S. Euclid Ave 2nd Floor
Pierre, South Dakota 57501-5070

State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, Virginia 23219

Washington Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033

Wisconsin Commissioner of Securities
345 West Washington Avenue, 4th Floor
P.O. Box 1768
Madison, Wisconsin 53703

EXHIBIT E

**WISCONSIN ADDENDUM
COUNSELOR REALTY FRANCHISING, INC.
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

Chapter 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provision of the Franchise Agreement that is inconsistent with that law.

State Effective Dates

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

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

State	Effective Date
Minnesota	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS FRANCHISE DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF COUNSELOR OFFERS YOU A FRANCHISE, COUNSELOR MUST PROVIDE THIS FRANCHISE DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, COUNSELOR OR ITS AFFILIATES IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

IF COUNSELOR DOES NOT DELIVER THIS FRANCHISE DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE WISCONSIN COMMISSIONER OF SECURITIES, 345 WEST WASHINGTON AVENUE, 4TH FLOOR, MADISON, WISCONSIN 53703

I have received a Franchise Disclosure Document dated April 24, 2024, for the State of Wisconsin that included the following exhibits:

- | | | | |
|----|----------------------|----|--|
| A. | Financial Statements | D. | List of State Franchise Administrators |
| B. | Franchise Agreement | E. | State Addendum |
| C. | List of Franchises | | |

PROSPECTIVE FRANCHISEE

(Print or type name of corporation or partnership)

	<u>Name</u>	<u>Signature</u>	<u>Date</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____

THIS PAGE MUST BE SIGNED BY AN OFFICER OF A CORPORATION, THE GENERAL PARTNER(S) OF A PARTNERSHIP, OR ANY INDIVIDUAL RECEIVING A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT AND MUST BE RETURNED IMMEDIATELY TO:

COUNSELOR REALTY FRANCHISING, INC.
1201 W County Rd E, Suite 103
Arden Hills, Minnesota 55112

Name, address and telephone number of the franchise seller offering the franchise:

Name: _____

Address: _____

Phone: _____

Issuance Date: _____

RECEIPT

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS FRANCHISE DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

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PROSPECTIVE FRANCHISEE

(Print or type name of corporation or partnership)

	<u>Name</u>	<u>Signature</u>	<u>Date</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____

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