

FRANCHISE DISCLOSURE DOCUMENT

Nest Realty Franchising, LLC
A Virginia Limited Liability Company
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Charlottesville, Virginia 22902
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www.NestRealty.com



Nest Realty Franchising, LLC d/b/a Nest Realty offers a franchise opportunity to offer a full service residential real estate brokerage business.

The total investment necessary to begin operation of a Nest Realty franchise is \$86,100-\$284,000. This includes \$28,000 - \$29,000 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 accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 Jonathan Kauffmann, 126 Garrett Street, Suite D, Charlottesville, VA 22902; (800) 325-6378.

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 to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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.

Issuance date: April 29, 2021

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E and F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G 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 Nest Realty 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 Nest Realty franchisee?	Item 20 or Exhibits E and F 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 B.

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 Virginia. 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 Virginia than in your own state.

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

3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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.

**MICHIGAN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

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

- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

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

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

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

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

- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations;
 - (iv) The failure of the franchisee or proposed transferee to

pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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Exhibits

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

The Franchisor, and any Parents, Predecessors, and Affiliates. To simplify the language in this disclosure document, the terms “we,” “us,” and “our” refer to Nest Realty Franchising, LLC d/b/a Nest Realty, the Franchisor. The terms “you” and “your” refer to the person or entity that buys this franchise, including any guarantors.

We are a Virginia Limited Liability Company formed on October 31, 2016. Our principal business address is 126 Garrett Street, Suite D, Charlottesville, VA 22902.

We do business as “Nest Realty.”

Exhibit B contains our agents for service of process.

Parents.

We have a parent, QCGW Holdings LLC (p/k/a At World Properties Holdings, LLC), a Delaware limited liability company, with a principal business address at 806 N. Peoria, Chicago, IL 60642 that was formed on April 12, 2018. QCGW Holdings LLC is a real estate brokerage that offers brokerage services to real estate buyers and sellers. QCGW Holdings does not offer products or services to our franchisees nor offer franchises in any line of business. QCGW Holdings LLC is a holding company that owns QCGW Midco LLC (p/k/a At World Midco LLC), discussed just below.

We have a parent, QCGW Midco LLC is a Delaware limited liability company, with a principal business address of 806 N. Peoria, Chicago, IL 60642, that was formed on April 12, 2018. QCGW Midco LLC does not offer products or services to franchisees, or franchises in any line of business. QCGW Midco LLC is a holding company that owns At World Properties LLC, discussed just below.

We have a parent, At World Properties, LLC, is an Illinois limited liability company, with a principal place of business at 806 N. Peoria, Chicago, IL 60642, that was formed on March 17, 2000. At World Properties offers real estate broker services but does not offer products or services to franchisees or offer franchises in any line of business. At World Properties LLC also owns Nest Holding Group, LLC, discussed just below.

We have a parent, Nest Holding Group, LLC, a Delaware limited liability company, with a principal business address of 806 N. Peoria, Chicago, IL 60642 that was formed on February 5, 2020. Nest Holding Group, LLC does not offer products or services to franchisees, or franchises in any line of business. Nest Holding Group, LLC holds the ownership of Nest Realty Group, LLC, described just below, as well as Nest Realty Franchising, LLC, the franchisor.

Predecessors.

We do not have any predecessors.

Affiliates (Nest Affiliates).

We have an affiliate, Nest Realty Group, LLC, a Virginia limited liability company, with a principal business address at 126 Garrett Street, Suite D, Charlottesville, VA 22902 that was formed on January 10, 2008. Nest Realty Group offers residential real estate brokerage services. Nest Realty Group does not offer products or services to franchisees or offer franchises in any line of business.

We have an affiliate, NRG Richmond, LLC, a Virginia limited liability company, with a principal business address at 126 Garrett Street, Suite D, Charlottesville, VA 22902 that was formed on November 24, 2015. NRG Richmond offers residential real estate brokerage services.

We have an affiliate, Nest Referrals, LLC, a Virginia limited liability company, with a principal business address at 126 Garrett Street, Suite D, Charlottesville, VA 22902 that was formed on November 14, 2017. Nest Referrals is a real estate brokerage where non-active, licensed real estate agents can place their license in order to receive commissions for real estate referral. Nest Referrals does not offer franchises in any line of business.

We have an affiliate, Red Fox Title, LLC, a Virginia limited liability company, with a principal business address at 200 Garrett Street, Suite A, Charlottesville, VA 22902 that was formed on March 2, 2011. Red Fox Title provides title insurance and real estate settlement services which our franchisees could use. Red Fox Title does not offer franchises in any line of business.

Affiliates (At World Affiliates).

As a result of a Member Interest Purchase Agreement dated March 13, 2020, which resulted in the combination of our ownership control with that of various At World Properties, LLC related companies, we now have a number of At World related affiliates that either offer products or services to our franchisees or offer franchises as follows:

Entity Name	Principal Business Address/ State and Date of Formation	What does entity do	Does this entity offer products or services to franchisees?	Does this entity offer franchises?
Proper Title, LLC	1530 E. Dundee Rd., Palatine, IL 60074; IL-November 21, 2011	Title Insurance	Yes, title insurance	No
At Properties Developer Services, LLC	3017 Bolling Way NE, Atlanta, GA 30305; DE-1/10/2017	Operates a real estate development services business	Yes, developer consulting and marketing services	No

Entity Name	Principal Business Address/ State and Date of Formation	What does entity do	Does this entity offer products or services to franchisees?	Does this entity offer franchises?
At World Franchising, LLC	806 N. Peoria, Chicago, IL 60642; DE-July 7, 2020	Franchisor of real estate brokerage services	No	Yes; 0 Outlets as of 12/31/2020

Our Business and the Franchises Offered. The franchise offered is to operate a full service residential real estate brokerage business (“Franchised Business”).

We do not operate a business of the type being franchised. We do not engage in other business activities except the offering of franchises as disclosed here.

The General Market. The general market for this service is developed. Your services will primarily be sold to individuals specifically homeowners, prospective homeowners, landlords, and Homeowner Associations. Sales are year-round.

Laws and Regulations. You or your Lead Broker must be a licensed real estate broker. Real estate brokers must have applicable state real estate broker licenses in order establish a real estate office. Your Franchised Business must comply with the rules and regulations of the real estate commission in your state and the federal statutes concerning settlement procedures. You should investigate the application of these laws further.

In addition, your Business must comply with the Code of Ethics of the National Association of Realtors, National Association of Residential Property Managers, and the rules and regulations of state and local boards of realtors in your area.

Competition. Our primary competition comes from other real estate brokers and agencies who assist consumers in buying and sell real estate as well as property and Homeowner Association management companies.

Our Prior Business Experience. We have offered franchises of the type offered here since January 2017. We have not offered franchises in any other line of business. We have not conducted the type of business you will operate. We have had three Licenses conduct a similar business to the type franchised here from 2014 to 2017.

As shown in the last row of the table above, our affiliate, At World Franchising, LLC, has offered real estate brokerage franchises since August 2020. None of our other affiliates have ever offered franchises in any line of business.

**ITEM 2
BUSINESS EXPERIENCE**

Jonathan Kauffmann, Member. Jonathan Kauffmann has served as a Member of ours since November 2016. Mr. Kauffmann has also served as a Member of Nest Realty Group, LLC since August 2008 and Nest Property Management, LLC, since July 2011, both in Charlottesville, Virginia. Mr. Kauffmann was also a Member of Nest Realty Fredericksburg, LLC from May 2013 until December 2017 and a Member of Nectar ICC, LLC from November 2014 to December 2018, both in Charlottesville, Virginia.

W. Keith Davis, Member. W. Keith Davis has served as a Member of ours since November 2016. Mr. Davis has also served as a Member of Nest Realty Group, LLC since January 2009 and NRG Richmond, LLC since November 2015, both in Charlottesville, Virginia.

James Duncan, Member. James Duncan has served as a Member of ours since November 2016. Mr. Duncan has also served as a Member of Nest Realty Group, LLC in Charlottesville, Virginia since January 2009.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this item.

**ITEM 5
INITIAL FEES**

You must pay to us an initial franchise fee of \$25,000.

The initial franchise fee is due to us in full when you return to us signed copies of your Franchise Agreement.

You must also purchase approximately \$3,000 - \$4,000 of initial inventory and supplies from us.

The initial fees are fully earned when paid and are nonrefundable.

We disclose financing terms in Item 10.

[remainder of page intentionally left blank]

**ITEM 6
OTHER FEES**

Fee	Amount	Due Date	Remarks
Branding, Administrative, and Strategy (“BAS”) Fee	This fee is based on your Gross Commission Income (“GCI”) as explained in Note 1 below	Monthly	See Note 2 for a definition of GCI.
Advertising Fund Fee	Up to .375% of GCI.	Monthly	Not presently in effect. May be assessed later.
Update Training Fees	\$250 per person trained per day, plus any expenses we incur to provide this training.	At time of training	Not presently in effect. May be assessed later.
Audit Fee	Cost of Audit	On Demand	Payable if audit discloses an under reporting of GCI or underpayment to us by 2% or more.
Monthly Agent Technology Fee	Up to \$50 per month per Agent	Monthly	This fee is not presently in effect, but we reserve the right to charge it later.
Agent Fee	\$75 per month for a Nest Agent or Team Lead; \$50 per month for Licensed Assistant, Unlicensed Assistant or Secondary Agent on an Approved Team Member	The 7 th of each month as to employees and unlicensed agents as of the end of the prior month	
Declined Payment Fee	\$100	At time of declined payment	You must pay this fee to us if an electronic transfer or other payment from you to us is declined.
Annual Meeting Fee	Up to \$350 per attendee	Before attending the Annual Meeting	We reserve the right to impose this fee to attend our Annual Meeting.

New Agent Onboarding Fee	\$150 per new Agent	The 7 th of the month after your request to onboard the new Agent is submitted to us	We may waive this fee if you are converting an existing brokerage.
New Employee Onboarding Fee	\$150 per new Employee	The 7 th of the month after your request to onboard the new Employee is submitted to us	
New Employee Training	Our actual travel, transportation, lodging and meal costs	When incurred	If we travel to you to train an employee of yours, you must pay our expenses.
Franchisee Employee Fee	Up to \$35 per month per person	The 7 th of each month as to employees as of the end of the prior month	
Brokerage Tech Fee	\$500 per month for the first office; \$250 per month for each additional office	The 7 th of each month	
Accounting Software Fee	\$75 per transaction for the first 100 transactions in a calendar year. \$50 per transaction thereafter.	Monthly	You agree to use our designated accounting software and pay these fees.
Marketing and Design Services	\$100/hour	At time of request	If you request and we agree to provide marketing and design services above our standard offering, you must pay this fee to us.
Testing/ Inspection Fees to Approve a Supplier	\$100/hour plus any costs incurred	When incurred	You must pay this fee to us if you request us to test and inspect a new supplier.
Special Assistance Fee	\$100/hour plus any costs incurred.	When incurred	Payable to us if you request and we agree to provide to you special assistance.
Transfer Fee	\$5,000	At the time you transfer the franchise or a majority ownership in it	No fee if transferred from individual to business entity owned by the same owners

			with the same ownership percentages.
Renewal Fee	\$1,000	At the time of renewal.	You must pay us a renewal fee to enter a new current franchise agreement at the expiration of the term of this franchise agreement.
Interest	Lessor of 1.5% per month or the maximum permitted by law	Owed on past due amounts	
Client Refunds	The amount of any fee we refund to a client	At time of payment	If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client of all or a portion of the client fees, we may make the refund and bill you. You agree to pay the charges.
Sales, excise or gross receipts tax	Actual amount incurred.	At time of payment of fees to us which are subject to any tax	If required by the federal, state or locality in which your franchise is located. Including sales, excise or gross receipts tax or similar type tax on the initial franchise fee, royalty, and other fees and costs.
Assistance Fee in the event of death or incapacity	Reimbursement for reasonable expenditures incurred including travel, lodging, per diem and wages.	At time of expense	In the event of your death or incapacity, we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services.
Third party charges that we incur on your behalf	Actual amount of charge	At time of expense	If we incur third party charges on your behalf, you agree to reimburse us for any such charges.

Digital Campaigns	Your pro-rata share of the cost	At time of expense	We may negotiate contracts with vendors such as realtor.com, Zillow, Trulia, and Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor.
Direct Mail	Our then current rates per piece	At the time of the mailing	We will make available to you optional direct mail assistance that you would pay us for on a per piece basis at our then current rates and you may bill your agents for.
Indemnity	Actual loss sustained	At time of expense	You must indemnify us from any loss caused by your operation of the Franchised Business.
Attorney Fees and Costs	Actual amount incurred	At time of expense	If we are the substantially prevailing party in litigation with you, you agree to pay our costs and attorney fees.

*Except where otherwise specified, we uniformly impose and collect all the fees in this table, you pay them to us, and we do not refund them.

Note 1: The **BAS Fee** is based on GCI tiers as follows:

Tier	GCI Amount	BAS Fee
Tier 1	\$0 - \$3,000,000	4.5%
Tier 2	Over \$3,000,000	3%

For each additional office you own and operate in your territory, the Tier limits would be increased by \$50,000. So, for example, if you have a two office territory, the following BAS Fee structure would apply:

Tier	GCI Amount	BAS Fee
Tier 1	\$0 - \$3,250,000	4.5%
Tier 2	Over \$3,250,000	3%

Note 2: “**Gross Commission Income**” (“**GCI**”) is defined as top line gross income generated from real estate transactions, consulting, or any other services offered through the Franchised Business.

Income generated through the Franchised Business relates to income that flows to your office. For example, if one of your Nest Realty agents generates a \$10,000 commission and your office receives \$3,000 of that amount, GCI shall be considered \$10,000.

GCI does not include revenue generated via Marketing Services Agreements with third party vendors, sponsorship income, or income related to additional agent services like desk fees, copy fees, marketing fees, or similar fees.

Note 3: Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. Schedule 2 to the Franchise Agreement. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT*

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$25,000	\$25,000	Check	Upon entering into franchise agreement	Us
Initial Training Expenses (Note 2)	\$1,500	\$2,500	Check/Charge	Before and during initial training	Third-party vendors
Leasehold Improvements (Note 3)	\$2,500	\$50,000	Check/Charge	Before opening	Third-party vendors
Rent and Security Deposit (Note 4)	\$3,000	\$10,000	Check	Monthly	Landlord
“For Sale” Signage (Note 5)	\$4,000	\$15,000	Check/Charge	Before opening	Third-party vendors
Signage (Note 6)	\$250	\$5,000	Check/Charge	Before opening	Third-party vendors
Equipment and Furniture (Note 7)	\$7,500	\$35,000	Check/Charge	Before opening	Third-party vendors
Computers and Software (Note 8)	\$2,500	\$10,000	Check/Charge	Before opening	Third-party vendors

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
Start-up Supplies/Inventory (Note 9)	\$5,000	\$10,000	Check/Charge	As incurred	Third-party vendors and us
Grand Opening Marketing (Note 10)	\$2,500	\$15,000	Check/Charge	As incurred	Third-party vendors
Insurance (Note 11)	\$1,500	\$7,500	Check/Charge	As incurred	Third-party vendors
Professional Fees (Note 12)	\$1,500	\$3,500	Check/Charge	As incurred	Accountants, Attorneys
Utilities (Note 13)	\$350	\$1,000	Check/Charge	As incurred	Third-party utilities
Licensing costs (Note 14)	\$500	\$2,500	Check/Charge	As incurred	State agencies
Vehicle (Note 15)	\$1,000	\$2,000	Check/ACH	As incurred	Third parties
Payroll (first 90 days)	\$7,500	\$15,000	Check/ACH	As incurred	Employees
Additional Funds- 3 months (Note 16)	\$20,000	\$75,000	Check/Charge	As incurred	Third party vendors
TOTAL (Notes 17 and 18)	\$86,100	\$284,000			

*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon their policies.

Note 1 – Initial Franchise Fee. The initial franchise fee is \$25,000. Depending upon your creditworthiness and industry experience, we may finance up to 50% of the initial franchise fee up to 24 months at 12% APR. If you finance \$12,500 over 24 months at 12% APR, your monthly payment would be approximately \$588. See Item 10 for further information.

Note 2 - Initial Training Expenses. We normally offer initial training in or near Charlottesville, Virginia. Travel and living expenses will vary significantly depending upon whether you live within driving distance or whether you must fly, rent a car, or incur lodging expenses. Your costs may vary.

Note 3 - Leasehold Improvements. You will need to operate from an appropriate retail or office location. The amount of leasehold improvement expense that you will incur will depend upon whether you already have a suitable office location and, if not, the extent to which you will need to make renovations and repairs.

Note 4 - Rent and Security Deposit. You will need to rent a location containing approximately 500-2,500 square feet. The amount of rent that you will incur will depend upon whether you already have a suitable office location and will also vary considerably in different market areas. We estimate rent for the first three months plus a security deposit for one month's rent.

Note 5 – “For Sale” Signage. We provide estimates for “For Sale” signs to place at properties that you list for sale. Your signage needs and costs will vary.

Note 6 – Signage. We provide estimates for exterior signage. Type of signage allowed varies depending on city ordinances, property owner's association covenants, and landlord preferences. Your signage needs and costs will vary.

Note 7 - Equipment and Furniture. You will need telephones, chairs, desks, file cabinets, tables, scanner, printer, and other items we specify.

Note 8 – Computers and Software. We require you to have an internet connection, email, a laptop or desktop computer, a printer, a scanner, along with basic editing and spreadsheet software. We also specify Lone Wolf accounting software.

Note 9 - Start-Up Supplies/Inventory. Your primary cost for start-up supplies and inventory will be basic Nest and real estate related marketing materials, products (listing presentations, buyer books, relocation booklets, branded closing gifts, Nest Magazines, About Us brochures, etc.), touchpoints, paper, and general office supplies. You will pay approximately \$3,000 - \$4,000 of these costs to us, and the rest to third party vendors.

Note 10 – Grand Opening Marketing. We encourage but do not require you to engage in a Grand Opening Marketing campaign to draw attention to the opening of your business.

Note 11 – Insurance. You will need insurance as we describe in detail in Item 8.

Note 12 – Professional Expenses. You may incur professional legal and accounting fees to assist with your entity set up, local licensing, and other legal and accounting issues.

Note 13 – Utilities. Utilities rates vary by market areas. Additionally, some utilities such as gas, electric, sewer, water, or trash removal are included in the lease rate and some are not.

Note 14 – Licensing Costs. You will need a real estate brokers license(s). You will need to be a member of the state, local, and national association of Realtors. You will also need to be a member of the local or regional multiple listing services (MLS). The costs vary state by state.

Note 15-Vehicle. You will need a vehicle with a professional appearance to operate this franchise. The dollar figures in the table above assume that you own a vehicle already or will finance the purchase or lease of a vehicle. If you purchase a vehicle for cash, you will incur a higher cost.

Note 16 - Additional Funds. Additional funds are to pay for permits, miscellaneous expenses, and to maintain sufficient working capital. We base this estimate upon the 15+ years of experience our management team has in the real estate industry.

Note 17 - Does not include BAS Fees, Marketing Fund Fees, interest expenses or taxes.

Note 18 - These figures are estimates of your initial expenses covering the first three months of your operation. We cannot guarantee that you will not have additional expenses starting the business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Goods or Services Required to be Purchased or Leased:

Advertising and Marketing. You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing, prior to its use.

Computers and Software. We require you to use such computer hardware, software, and systems as we specify, which may include vendor designations. You must use various Nest software applications which we furnish to you.

Equipment and Furniture. You must purchase equipment and furniture from a supplier that we designate or subject to our specifications.

Insurance. Before beginning operations under the Franchise Agreement, you must obtain, and maintain in full force and effect during the term of the Franchise Agreement, certain insurance coverage as we may specify from time to time.

The insurance coverage must be obtained from an admitted, responsible carrier or carriers acceptable to us, with a rating of at least "A" by Standard and Poor, Moody's and A.M. Best, and at present must include, at a minimum, the following:

1. Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, completed operations, fire damage, advertising and products liability coverage, in the amount of \$1,000,000 per occurrence for bodily injury and property damage.

2. Workers' Compensation and Employers Liability insurance in the minimum amount of \$500,000 for bodily injury per accident, \$500,000 for bodily disease per employee, \$500,000 bodily disease policy limit, or such other amounts as may be prescribed by the state or locality in which the Franchised Business is located, unless your state requires that employers must participate in a state-administered insurance pool (in which case you must adopt and implement a qualifying plan).

3. Automobile liability coverage, including coverage of any owned, non-owned and hired vehicles, in amounts not less than \$1,000,000 combined single limit.

4. Errors and omissions liability insurance in the minimum amount of \$1,000,000 per occurrence covering real estate brokerage services plus any other approved services and products, as applicable, that any person associated with your Franchised Business offers.

5. Such other insurance as may be required by the state or locality in which the Franchised Business is located and operated.

6. Each policy, except workers' compensation, must name us as an additional insured. All policies must be endorsed to include a waiver of subrogation in our favor and our subsidiaries, affiliates, successors and assigns and their respective directors, officers, shareholders, members, managers, partners, employees, servants, representatives, independent contractors and associates.

You may, with our written consent, elect to have reasonable deductibles for the coverages described in above.

Certificates of insurance must be sent in upon annual expiration date.

Leased Location. You will need a site in which to operate the Franchised Business. We furnish site selection guidelines. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord.

Leasehold Improvements. You may purchase leasehold improvements from any supplier but must build out your location pursuant to our specifications.

Licensing/MLS. You will need a real estate brokers license(s) from the state(s) in which you do business. You will need to be a member of the state, local, and national association of Realtors. You will also need to be a member of the local or regional multiple listing services (MLS), and obtain a data feed, as we specify. If the MLS data feed that you obtain is in some way limited by MLS (e.g., you can not obtain access to previously sold properties), then we will be unable to offer corresponding services dependent on such data.

Signs. You must purchase signage from a supplier that we designate or subject to our specifications.

Signs- "For Sale" signs. You may purchase "For Sale" signs from any vendor, subject to our specifications. Presently, Lowen Signs is a recommended and approved vendor. They have files, design specifications, and brand standards for all approved signage.

Supplies/Inventory. You must purchase certain start up supplies from us (e.g., letterhead, envelopes listing presentations, buyer books, relocation booklets, branded closing gifts, Nest Magazines, About Us brochures, etc.), and may purchase general office supplies, subject to any specifications we may issue, from any vendor.

Vehicle. You must own or lease any suitable vehicle which has a professional appearance to carry out your duties. We do not require your use of a designated vendor.

Website. You must purchase website development services from a vendor that we specify.

Whether we or our Affiliates are Approved Suppliers:

We are an approved supplier of advertising material but not the only approved supplier of such items. We are an approved supplier, and the sole approved supplier, of various Nest software applications which you must use.

Officer Interests in Suppliers:

Our officers, Jonathan Kauffmann, W. Keith Davis, and James Duncan own an interest in us.

Alternative Suppliers:

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We charge \$100/hour plus any costs incurred to test another supplier that you propose. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. Your request must include sufficient specifications, photographs, drawings and other information and samples to enable us to determine whether supplier meets our specifications. Your request must also provide confirmation that the supplier is financially sound and carries adequate liability insurance. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

Issuance and Modification of Specifications:

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

Revenue from Required Purchases:

In our last fiscal year ended December 31, 2020, we earned \$34,203.47 in revenue from required purchases or leases by franchisees (for marketing materials, presentation materials, client gifts, brochures, flyers, signage, and other branded materials and clothing), representing 2.8% of our total revenue of \$1,204,975.

In our fiscal year ended December 31, 2020, none of our affiliates earned revenue or other material consideration from required purchases or leases by franchisees.

Required Purchases as a Proportion of Costs:

We estimate that required purchases described above will be approximately 50-70% of all purchases and leases by you of goods and services to establish a franchise and approximately 30-50% of your operating costs.

Supplier Payments to Us:

At present, designated suppliers do not make payments to us from franchisee purchases, but we reserve the right to receive such payments in the future.

In the fiscal year ended December 31, 2020, we did not receive any supplier rebates.

Purchasing or Distribution Cooperatives:

At this time, we do not have any purchasing or distribution cooperatives.

Purchase arrangements:

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

Material Benefits:

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

**ITEM 9
FRANCHISEE’S OBLIGATIONS**

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

Franchisee’s Obligations	Section In Franchise Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	3, 6.2	11
b. Pre-opening purchases/leases	6.10, 6.11, 6.12, 6.13	7, 8
c. Site development and other pre-opening requirements	6.2	11
d. Initial and ongoing training	5.9, 6.1, 6.8	11
e. Opening	6.3	11
f. Fees	4, 6.17, 13.3, 15, 19.11	5, 6, 7, 8
g. Compliance with standards and policies/Manual	6.4	8, 11
	7, 8	13, 14

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
h. Trademarks and proprietary information		
i. Restrictions on products/services offered	6.6	8, 16
j. Warranty and customer service requirements	6.7, 6.17	6
k. Territorial development and sales quotas	3, 6.18	12
l. Ongoing product/service purchases	6.10, 6.11, 6.12	8
m. Maintenance, appearance & remodeling requirements	6.14	Not Applicable
n. Insurance	6.9	8
o. Advertising	7	8, 11
p. Indemnification	13.3	6
q. Owner's participation/management/staffing	6.5	15
r. Records and reports	9	11
s. Inspections and Audits	9	11
t. Transfer	14	17
u. Renewal	2.2	17
v. Post-termination obligations	11	15, 16, 17
w. Non-competition covenants	12	15, 16, 17
x. Dispute resolution	19	17

**ITEM 10
FINANCING**

We may offer financing for a portion of your Initial Franchise Fee if you meet our qualifications. We do not offer any other direct or indirect financing. The following table summarizes the financing we may offer you for the Initial Franchise Fee.

Item Financed	Initial Franchise Fee
Source of Financing	Us
Down Payment	Minimum of 50%
Amount Financed	Up to 50%
Interest Rate/Finance Charge	12% per annum (including finance charges)
Period of Repayment	24 months
Security Required	None
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt	If the franchisee is an entity, its owners must personally guarantee the debt
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the franchise.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.

Schedule 3 contains a copy of the promissory note you must sign for any financing extended.

We do not guarantee your notes, leases, or obligations. We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so. We do not receive any direct or indirect payments or other consideration for placing financing.

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

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

Before Opening:

Initial Training. We provide an initial training program in Charlottesville, Virginia. The topics covered in initial training are described in the chart below in this Item 11. (Franchise Agreement, Section 5.1).

Site Selection. We do not generally own the premises and lease it to you. We provide to you criteria to help you select a site. We must approve any site you select before you sign a lease for that

location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.

You may not operate your Nest Realty business from a home office. However, we may allow you to utilize a co-working or shared office space for a temporary period after you launch your franchise. However, this will not be an approved long-term office solution for your franchise.

We consider the following factors when reviewing a proposed site: (i) residential population, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) proximity to other Nest Realty offices, (vii) accessibility, (viii) traffic, (ix) size, (x) condition and character, (xi) parking, and (xii) available signage.

If you do not locate a site of which we approve within 120 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time. (Franchise Agreement, Section 5.2(a)).

Plans and Layout. We or our designee will furnish a sample site layout plan. (Franchise Agreement, Section 5.2(b)).

Build out. It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits. (Franchise Agreement, Section 6.2(b)).

Lease. Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement. (Franchise Agreement, Sections 5.2(c) and 6.2(d)).

Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, and supplies. We provide certain advertising material, Nest software, and a portion of your supplies (e.g., pens, closing gifts). We make advertising templates available online and ship the supplies to you. Otherwise, we provide the names of approved vendors or specifications for these items. (Franchise Agreement Section 5.3).

Operations Manual. We provide access to our Operations Manual (“Manual”) to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 5.4).

Website and Marketing Assistance. We offer website development (through a third party vendor) and marketing assistance. (Franchise Agreement, Sections 5.11, 7.3, 7.4, and 7.6).

Length of Time Before Opening: The typical length of time between the signing of the Franchise Agreement and the opening of your office is 60 and 120 days. You agree to begin operations and be open for business no later than 6 months from the time both parties execute the franchise agreement. If you and we can not agree on a site, we can allow you more time to search for a site or terminate the franchise agreement.

Factors that can affect the time length in which to be open for business include: the size and scale of your market, web development timeline, content creation and photography timeline, time

needed to secure a location and lease, the time needed to obtain building permits, requirements of local zoning laws and other ordinances, the availability of labor and materials, the time needed to acquire and install furniture, fixtures, and equipment, obtaining broker license(s); hiring and training any staff; and obtaining any needed occupancy permit.

During the Operation of the Franchise:

Operational Support. We offer assistance with operating problems and issues that you may encounter. (Franchise Agreement, Section 5.5).

Marketing Support. We offer marketing assistance and support. (Franchise Agreement, Section 5.11, 7.3, 7.4, and 7.6).

Accounting and Financial Assistance. We provide accounting, deposit, and payroll management assistance. (Franchise Agreement, Section 5.6).

Software and Computer Systems. We may specify software and computer systems to assist in the operation of your Franchised Business. We will assist you in the set up of a transaction management system. We or a designee will assist you to obtain the appropriate MLS data feed. (Franchise Agreement, Section 5.7).

Additional Training or Seminars. We may elect to offer additional training or seminars. (Franchise Agreement, Section 5.8).

Advertising Program:

Our Obligation to Conduct Advertising. We may advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located. (Franchise Agreement, Section 5.9).

Nest Realty Website. We will develop and maintain a comprehensive website that is built with location-specific content, information, and real estate search on the nestrealty.com digital platform. You and we will work together to mutually determine the URL extension and location-specific office name for your Franchised Business.

- We will provide a basic website framework that will include home search functionality, neighborhood and area information, agent profile pages, information about Franchisee's location-specific Nest office, a blog platform, as well as additional functionality and features integrated within the web platform.
- For the initial creation and launch of the URL extension for your Franchised Business, you and we will determine a mutually-agreed upon timeline for the content creation and official site launch.

- You must utilize an approved, professional photographer to capture imagery for your website. This list of photography needs will be determined in conjunction with our team as we develop content for the website.
- Per market web hosting fees. Data and hosting fees for each Franchisee's market are separate and are dependent on the data associated with the MLS feed.
- You may be charged an hourly development fee at the prevailing rate of Franchisor's web vendor and will be paid directly to the vendor in a timely fashion. Examples include: updating neighborhood information (photos, descriptions, details), adding content specific to the local market office, creating custom search functionality specific to a local market, changing or editing the standardized Nest Realty web design, adding additional pages, adding or updating neighborhood or area content, copy editing, etc.

(Franchise Agreement, Section 7.3).

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval. (Franchise Agreement, Section 7.4).

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. Unless we consent in writing, you or your employees may not conduct any digital marketing that uses our marks or relates to your Franchised Business, including through an independent website, or social media account. We may withdraw approval at any time and you must immediately modify or delete any digital marketing as required. (Franchise Agreement, Section 7.5).

Digital Campaigns. We may negotiate contracts with vendors such as realtor.com, Zillow, Trulia, and Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor. (Franchise Agreement, Section 7.6).

Print Design and Marketing Collateral.

- We will create print collateral and publications to assist in branding. We will provide you with full design files and offer design customization services.
- Collateral and publications may include the following: Listing Presentation, Buyer Brochures, About Nest brochures, Agent Playbook, Recruiting Brochures, Nest Magazine. Some print and collateral pieces may be updated on a regular basis.
- We will provide you with access to a variety of print design files, including but not limited to letterhead, envelopes, notecards, property brochures, print advertising, post cards, business cards, and For Sale signage and sign riders.
- We will provide you with access to print marketing templates for company-wide marketing and branding. We will assist with the customization of these standard, brokerage-wide print advertisements and printed pieces for each market. (Franchise Agreement, Section 7.7).

Direct Mail. We will make available to you optional direct mail assistance that you would pay us for on a per piece basis at our then current rates and you may bill your agents for. (Franchise Agreement, Section 7.8).

Use of Your Own Advertising Material. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. (Franchise Agreement, Section 7.2).

Advertising Council. We do not have an advertising council composed of franchisees that advises us on advertising policy.

Advertising Cooperative. You are not required to participate in a local or regional advertising cooperative.

Advertising Fund. We do not presently have an Advertising Fund. We may in the future implement an Advertising Fund and require you to contribute .375% of your GCI per month to the Advertising Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

In our last fiscal year ending December 31, 2020, we did not raise or spend any Advertising Fund fees.

If not all Advertising Fund fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may use up to 10% of the Advertising Fund fees to solicit new franchise sales.

Computer Systems:

We require you to have an internet connection, email, a laptop or desktop computer, a printer, a scanner, along with basic editing and spreadsheet software. You must use the various Nest software that we specify below for your marketing and other needs:

- Nest Email: company email hosting and support
- Nest Help Desk: company intranet and online help desk
- Nest Print Maker: creation and development of print and marketing pieces
- Nest Agent Web Dashboard: NestRealty.com site administration
- Nest Custom Marketing and Farming: digital platform to establish custom marketing and/or farming campaigns
 - Lone Wolf Real Estate software to manage your operations
 - Nest Pl@tform: This is our proprietary software platform that offers client management, transaction management, email marketing, marketing campaign management, as well as a variety of other features.

Depending on what computer systems and software you already have, and the number and type of equipment you will need, these items can be purchased for approximately \$2,500- \$10,000.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,000.

Anti-virus protection. You must use anti-virus protection on your computer. At present, we do not specify a particular vendor, but reserve the right to do so.

Independent Access to Information. We have and you are required to provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request.

Operations Manual:

Exhibit H contains the Table of Contents to the Operations Manual along with the page count per chapter. The total page count of the Operations Manual is 138 pages.

Initial Training Program:

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Nest History	.25		Charlottesville, VA
Strategic Overview	1.5		Charlottesville, VA
Team Introduction, Roles, and Support	.5		Charlottesville, VA
New Business Set Up (Entity formation, business license, etc.)	.5		Charlottesville, VA
Nest Marketing Materials, Tools, Systems (For Broker and Staff)	1		Charlottesville, VA

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Nest Marketing Materials, Tools, Systems (For Agents)	3		Charlottesville, VA
Recruiting and Hiring Salespeople and Staff	1		Charlottesville, VA
Training, Mentorship, and Onboarding	1		Charlottesville, VA
Marketing and Advertising Strategies	1		Charlottesville, VA
Social Media and Public Relations	.25		Charlottesville, VA
Running a Nest Brokerage	.5		Charlottesville, VA
Building and Maintaining Culture	.5		Charlottesville, VA
Opening a Physical Office	.5		Charlottesville, VA
Establishing Vendor Relationships	.5		Charlottesville, VA
Working with the Nest Team - Expectations and Roles	.5		Charlottesville, VA
The Future of Nest	.5		Charlottesville, VA
Totals	13 hours		

The following Instructors teach our initial training program: Jonathan Kauffmann and W. Keith Davis. Guest Instructors with a minimum of one year of experience in the field may also make select presentations.

The Instructors’ length of experience in the field and with us is shown in the following chart:

<u>Instructor</u>	<u>Years of Experience in the Field</u>	<u>Years of Experience with the Franchisor*</u>
Jonathan Kauffmann	16	11
W. Keith Davis	14	11

*Includes years of experience with our affiliate Nest Realty Group, LLC.

We intend to hold initial training classes quarterly, or more often if necessary, at our headquarters or leased classroom space in Charlottesville, Virginia.

We use the Operations Manual, manuals, handouts, and PowerPoint presentations to conduct initial training.

We do not charge for you to attend initial training, but you are responsible for travel, lodging, transportation, meal costs, and your employees' wages to attend initial training.

We require that you or, in the case of an entity, your principals, attend initial training along with your Lead Broker and Office Manager of each Nest Realty Office. You may enroll other personnel upon our approval. Successful completion of initial training to our satisfaction is required to operate a franchise within six months of signing the franchise agreement. We advise you during or immediately after initial training if you have successfully completed the course.

Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training and seminars that we may offer. We may charge up to \$250 per person trained per day, plus any expenses we incur to provide this training. You must also pay any travel and living expenses incurred to attend training.

ITEM 12 TERRITORY

The territory will be for a specific geographic region that we define by zip codes, natural, or political boundaries.

The minimum Small to Mid Sized territory will normally include a population of 10,000 – 100,000.

The minimum Large Market territory will normally include a population of approximately 100,000 – 500,000.

We use the US Census Bureau or another source we deem reliable for population data.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision (e.g., better lease terms, more visibility, or other improvements in the new location).

We may grant to you approval to open additional offices within your territory based upon your revenue and Agent growth, market share, geographic opportunity, office location, and a variety of other factors. You must request permission in writing to open an additional office in your territory. We may make an on site visit before making our decision whether to grant the request or not. You may not open the additional office until we give written permission.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, you will receive a territory containing a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Minimum Requirements: Continuation of your territorial rights depends on your achieving the following agent counts and GCI by the conclusion of the time frames listed below, and we also have the right to terminate your franchise agreement for failure to meet these requirements:

Large Market Territory*:

Year 1 (First Full Year)

- Agent Count: 6
- Total GCI: \$250,000

Year 2

- Agent Count: 12
- Total GCI: \$600,000

Year 3

- Agent Count: 18
- Total GCI: \$900,000

Year 4

- Agent Count: 24
- Total GCI: \$1,200,000

Year 5 and beyond

- Agent Count: 30
- Total GCI: \$1,500,000

Small to Mid Sized Market Territory*:

Year 1 (First Full Year)

- Agent Count: 5
- Total GCI: \$150,000

Year 2

- Agent Count: 8
- Total GCI: \$400,000

Year 3

- Agent Count: 10

- Total GCI: \$500,000

Year 4

- Agent Count: 12
- Total GCI: \$600,000

Year 5 and beyond

- Agent Count: 15
- Total GCI: \$750,000

**The above benchmarks relate to the total agent count and total company Gross Commission Income calculated as of the end of the calendar year.*

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

You and other franchisees also may solicit and transact business in any jurisdiction in which you or they are licensed.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.



You may solicit and accept orders from customers outside your territory, including through other channels of distribution such as catalog sales, telemarketing, or other direct marketing.

As disclosed in Item 1, we have “@Properties” affiliates who operate real estate brokerage services and which, though At World Franchising, LLC, franchise real estate brokerage franchises. These affiliate operated and franchised outlets may solicit or accept orders within your territory. We intend to resolve any conflicts between us and franchisees and between franchisees of each system regarding territory, customers, and franchise support through internal communications and conciliation among any affected parties.

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**ITEM 13
TRADEMARKS**

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

Description of Mark	Serial/Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
Nest Realty	3965510	Principal	May 24, 2011
	5280033	Principal	September 5, 2017
	5280034	Principal	September 5, 2017

We have filed all required affidavits and renewals.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

Nest Realty Group, LLC, a Virginia Limited Liability Company, owns the trademarks listed in the chart above and licenses them to us pursuant to a written License Agreement effective January 9, 2017. The License Agreement is perpetual in duration and may be terminated upon a material breach not remedied after 30 days’ written notice. If the License Agreement was terminated, you could lose the right to use the trademarks licensed to us under the License Agreement. There are no other currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If we discontinue or modify our Marks, you must adopt and use any new marks as required by us. Any expenses you incur because of adopting and using these marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere, except as follows:

Location	Company or Use	Infringing or Prior Rights (As Best We Can Determine)
Austin, TX	Nest Properties Austin	Infringing
Manchester by the Sea, MA	Nest/Nest powered by Compass	Infringing
Charleston, SC	Charleston Nest	Infringing
Minneapolis-St. Paul, MN	Twin Cities Homes by Nest Realty	Infringing

We are in the process of pursuing legal remedies against the companies listed above.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

At this time, we do not hold any patents. We claim a copyright to our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your franchise agreement, you must return to us our Operations Manuals and any confidential information.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the Franchise Agreement. You may use our Confidential Information to perform your obligations under the Franchise Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your franchised business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

“Customer Data” is considered Confidential Information, and includes all information about Customers that may be collected in connection with their use of your services, including, but not limited to, name, telephone number, address and email address.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information, except Customer Data. You may never - during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

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

You are not required to participate personally in the direct operation of the Franchised Business but you must designate a responsible broker to hold all necessary real estate licenses and to supervise all real estate activities and transactions handled by the Franchised Business (“Lead Broker”). In addition, a resident manager must be designated to be responsible for on-premises supervision of your office at all times (“Office Broker”) A Lead Broker and an Office Broker may be the same individual and they need not own any interest in your company.

If you operate more than one office, then, in addition to a Lead Broker and Office Broker, you must appoint an office manager for each Nest Realty Office (“Office Manager”). This may be the same person as either or both the Lead Broker and/or the Office Broker. The Office Manager need not own any interest in your company.

Your Lead Broker and Office Broker must successfully complete our initial training program. We recommend that you require your Lead Broker and Office Broker to sign a nondisclosure and non-competition agreement. Any Lead Broker or Office Broker must be in good standing with the local association/board of Realtors and also the state and national board of Realtors. Other than these two points, we make no recommendations and have no requirements regarding employment or other written agreements between you and your employees.

Each of your officers, directors, shareholders, partners, members and owners must guarantee your obligations under the Franchise Agreement.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

You must designate one (1) owner with at least 10% ownership as the “Principal Owner.” The Principal Owner is the primary owner responsible for your business and communication with us. The Principal Owner must have authority over all transactions and dealings related to your Franchised Business and must have power to create binding agreements with us.

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ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale through your franchised business only a residential real estate brokerage office and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

Subject to any legal limitations (e.g., real estate licensure in the jurisdiction at issue) you may offer real estate services to any customers.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

You are required to meet certain quality service standards that we may establish periodically, and your customer service may be monitored through a client survey developed by us. We can terminate the Franchise Agreement if you do not meet these minimum quality service standards. We also may conduct investigations of customer complaints about your performance and require you to resolve all complaints to our satisfaction. We may also contact the licensed salespeople in your office to inquire if they are being given access to all available Nest tools and if they are being provided the services as we recommend.

If we permit you to conduct activities that do not involve residential real estate brokerage services, then such activities must be conducted within the guidelines specified in the Franchise Agreement and Operations Manual, under a trade name not containing the word “Nest” and in a manner to eliminate the prospect that the public might believe that the other business relates to your Nest Realty Office in any way. You must obtain our written consent before engaging in any conduct that is not expressly authorized by the Franchise Agreement or Operations Manual.

For the duration of your franchise agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	2	10 years.
b. Renewal or extension of the term	2	Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).
c. Requirements for you to renew or extend	2	Renewing your Franchise Agreement means that you are able to continue your operations as a franchisee for an additional term. You must pay renewal fee, sign a general release of claims, notify us in writing at least 180 days before the expiration of the Agreement, and sign our then current Agreement, which may contain materially different terms and conditions than your original contract.
d. Termination by franchisee	10.1	You may terminate the Agreement if you sell the franchise or do not renew.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	10.2, 10.3	We can terminate only if you default.
g. “Cause” defined – curable defaults	10.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. “Cause” defined – non-curable defaults	10.2	Do not pass initial training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.
i. Franchisee’s obligations on termination/renewal	11	Stop using our marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers and URLs to us; assist in lease transfer and

Provision	Section In Franchise Agreement	Summary
		our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to the post-term covenant not to solicit employees; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by franchisor	14.1	We may assign to a successor in interest who remains bound by terms of Agreement.
k. "Transfer" by franchisee - defined	14.2	Includes transfer of Franchise Agreement, any interest of the Franchise Agreement, or substantially all of the assets of the Franchised Business.
l. Franchisor's approval of transfer by franchisee	14.2	We have the right to approve all transfers.
m. Conditions for franchisor's approval of transfer	14.5	<p>You must be:</p> <ul style="list-style-type: none"> -current in monetary obligations; -in compliance with the Franchise Agreement; -execute any transfer, amendment, or release forms that we may require; -provide to us a copy of the proposed transfer documents; -transferee must meet our criteria; -transferee must execute our then-current Franchise Agreement; -pay to us the Transfer Fee; -transferee must satisfactorily complete our initial training program; -comply with the post-termination provisions; -transferee must obtain necessary licenses and permits; -obtain any lessor approval for transfer; -the transfer must be made in compliance with any laws that apply to the transfer; -the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation; -you must request that we provide the prospective transferee with our current franchise disclosure document.
n. Franchisor's right of first refusal to acquire franchisee's business	14.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.

Provision	Section In Franchise Agreement	Summary
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability by franchisee	15	Transfer must be commenced within 60 days, completed within 6 months; pay transfer fee, we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	12	No competition allowed in the United States and its territories.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	16	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	18	Only the terms in the franchise agreement are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	19	You must first attempt to resolve claims against us through mediation. Arbitration does not apply except as to Illinois and Maryland franchisees and as provided in State Addenda to the franchise agreement.
v. Choice of forum	19	All claims must be brought before a court of general jurisdiction closest to our corporate office (subject to applicable state law).
w. Choice of Law	19	Virginia law governs (subject to applicable state law).

**ITEM 18
PUBLIC FIGURES**

We have not paid any compensation or other benefit to a public figure for the use of their endorsement or recommendation of the franchise to prospective franchisees.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Jonathan Kauffmann, 126 Garrett Street, Suite D, Charlottesville, VA; (800) 325-6378, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

**System Wide Outlet Summary
For Years 2018 to 2020**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2018	7	9	+2
	2019	9	11	+2
	2020	11	14	+3
Company-Owned	2018	2	2	0
	2019	2	2	0
	2020	2	2	0
Total Outlets	2018	9	11	+2
	2019	11	13	+2
	2020	13	16	+3

Table No. 2

**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2018 to 2020**

State	Year	Number of Transfers
All States	2018	0
	2019	0
	2020	0
Total	2018	0
	2019	0
	2020	0

Table No. 3

**Status of Franchised Outlets
For Years 2018 to 2020***

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Franchised Stores Operating at Year End
Georgia	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Kentucky	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
North Carolina	2018	4	0	0	0	0	0	4
	2019	4	1	0	0	0	0	5
	2020	5	1	0	0	0	0	6
South Carolina	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
Tennessee	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Virginia	2018	3	0	0	0	0	0	3
	2019	3	1	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Total	2018	7	2	0	0	0	0	9
	2019	9	2	0	0	0	0	11
	2020	11	3	0	0	0	0	14

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in

time.

Table No. 4

**Status of Company-Owned Outlets*
For Years 2018-2020**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Virginia	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Total	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2

*Company-owned refers to outlets run by Nest affiliates as disclosed in Item 1.

Table No. 5

Projected Openings as of December 31, 2020

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	1	1	0
Georgia	0	1	0
South Carolina	0	1	0
Virginia	0	0	2
TOTALS	1	3	2

Exhibit E contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit F contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Restrictions on Ability to Speak. Some franchisees have signed confidentiality clauses during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Nest Realty. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21 FINANCIAL STATEMENTS

Exhibit G contains our audited financial statements as of our fiscal years ended December 31, 2020, 2019, and 2018, as well as our unaudited Balance Sheet as of August 31, 2021 and our unaudited Profit and Loss Statement for the time period January 1, 2021 – August 31, 2021.

ITEM 22 CONTRACTS

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

- C. Franchise Agreement
 - Schedule 1-Territory
 - Schedule 2-Automatic Bank Draft Authorization
 - Schedule 3-Promissory Notes
 - Schedule 4-State Addenda to the Franchise Agreement
- D. Release

ITEM 23 RECEIPT

Exhibit J contains two copies of a Receipt of our Disclosure Document.

EXHIBIT A

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

Item 3 of the Disclosure Document is amended by adding the following paragraph:

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

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

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

The franchise agreement requires application of the laws of Virginia. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE

§§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at www.nestrealty.com.

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

The highest interest rate allowed by law in California is ten percent (10%) annually.

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

**HAWAII ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

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

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

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

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813

**MARYLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

**NEW YORK ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE SET THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

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

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

WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**WISCONSIN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

EXHIBIT B

State Administrators and Agents for Service of Process

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Boulevard Sacramento, CA 95834 1-866-275-2677	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place	Maryland Securities Commissioner 200 St. Paul Place

	Baltimore, MD 21202 (410) 576-6360	Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222 Phone	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section	

	P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd., SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

NEST REALTY FRANCHISING, LLC



FRANCHISE AGREEMENT

EXHIBIT C

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WHEREAS, Nest Realty Franchising, LLC d/b/a Nest Realty (“we,” “us,” or “our”) offers a real estate brokerage franchise program (“System”). Our system utilizes specified marketing techniques and operating procedures; and

WHEREAS, Franchisee and all Signators identified on the signature page to this Agreement, in your personal capacity, (collectively “Franchisee,” “you,” or “your”) desire to utilize our System and our trade names, service marks, and trademarks (collectively, the “Marks”); and

NOW, THEREFORE, for value received, we and Franchisee (“the Parties”) agree as follows:

1. GRANT OF FRANCHISE

1.1 Grant of Franchise. Subject to the terms of this franchise agreement (“Agreement” or “Franchise Agreement”), we grant to you a franchise (“Franchised Business”) using our system and our Marks in the territory described in Schedule 1 (“Territory”). You agree to abide by the terms of this Agreement.

1.2 Type of Territory. This Agreement is for the following Territory type:

Large Market Territory

Small or Mid Sized Market Territory

2. TERM AND RENEWAL

2.1 Term. This Agreement will be effective for a ten (10) year term beginning on the Effective Date specified in this Agreement.

2.2 Renewal. You may renew for another term by signing our then current franchise agreement if you are in compliance with this Agreement and meet the other conditions for renewal. You may also renew future franchise agreements if you are in compliance with such agreements and meet the other conditions for renewal by signing our then current franchise agreement. To renew, you must exercise a general release of all claims that you might have against us. Other terms, conditions, and fees may vary. If you wish to renew, you must notify us in writing at least 180 days before the expiration of this Agreement.

3. TERRITORY

The territory will be for a specific geographic region that we define by zip codes, natural, or political boundaries, as set forth on Schedule 1 to this Franchise Agreement.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision (e.g., better lease terms, more visibility, or other improvements in the new location).

We may grant to you approval to open additional offices within your territory based upon your revenue and Agent growth, market share, geographic opportunity, office location, and a variety of other factors. You must request permission in writing to open an additional office in your territory. We may make an on site visit before making our decision whether to grant the request or not. You may not open the additional office until we give written permission.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, you will receive a territory containing a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Minimum Requirements: Continuation of your territorial rights depends on your achieving the following agent counts and GCI by the conclusion of the time frames listed below, and we also have the right to terminate your franchise agreement for failure to meet these requirements:

Large Market Territory*:

Year 1 (First Full Year)

- Agent Count: 6
- Total GCI: \$250,000

Year 2

- Agent Count: 12
- Total GCI: \$600,000

Year 3

- Agent Count: 18
- Total GCI: \$900,000

Year 4

- Agent Count: 24
- Total GCI: \$1,200,000

Year 5 and beyond

- Agent Count: 30
- Total GCI: \$1,500,000

Small to Mid Sized Market Territory*:

Year 1 (First Full Year)

- Agent Count: 5
- Total GCI: \$150,000

Year 2

- Agent Count: 8
- Total GCI: \$400,000

Year 3

- Agent Count: 10
- Total GCI: \$500,000

Year 4

- Agent Count: 12
- Total GCI: \$600,000

Year 5 and beyond

- Agent Count: 15
- Total GCI: \$750,000

**The above benchmarks relate to the total agent count and total agent company Gross Commission Income calculated as of the end of the calendar year.*

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

You and other franchisees also may solicit and transact business in any jurisdiction in which you or they are licensed.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You may solicit and accept orders from customers outside your territory, including through other channels of distribution such as catalog sales, telemarketing, or other direct marketing.

4. FEES AND PAYMENTS

4.1 Initial Franchise Fee. The Initial Franchise Fee is \$25,000.

The Initial Franchise Fee is due to us in full when you return to us signed copies of your Franchise Agreement. The Initial Franchise Fee is fully earned and nonrefundable upon your signing of the franchise agreement and receipt of the funds by us.

4.2 Branding, Administrative, and Strategy (“BAS”) Fee. You agree to pay to us the applicable **BAS Fee**, per the tables below, which is based on GCI tiers as follows:

Tier	GCI Amount	BAS Fee
Tier 1	\$0 - \$3,000,000	4.5%
Tier 2	Over \$3,000,000	3%

For each additional office you own and operate in your territory, the Tier limits would be increased by \$50,000. So, for example, if you have a two office territory, the following BAS Fee structure would apply:

Tier	GCI Amount	BAS Fee
Tier 1	\$0 - \$3,250,000	4.5%
Tier 2	Over \$3,250,000	3%

Note 2: “**Gross Commission Income**” (“**GCI**”) is defined as top line gross income generated from real estate transactions, consulting, or any other services offered through the Franchised Business.

Income generated through the Franchised Business relates to income that flows to your office. For example, if one of your Nest Realty agents generates a \$10,000 commission and your office receives \$3,000 of that amount, GCI shall be considered \$10,000.

GCI does not include revenue generated via Marketing Services Agreements with third party vendors, sponsorship income, or income related to additional agent services like desk fees, copy fees, marketing fees, or similar fees.

4.3 Advertising Fund Fee. We reserve the right to require you to pay a monthly Advertising Fund Fee equal to .375% of your GCI for the prior month.

Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

If not all Advertising Fund Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may use up to 10% of the Advertising Fund fees to solicit new franchise sales.

4.4 Update Training Fee. If you request additional updated training beyond which we offer, we reserve the right to charge \$250 per person trained per day, plus any expenses we incur to provide this training.

4.5 Audit Fee. If we perform an audit of the Franchised Business and the audit discloses an under reporting of GCI or underpayment to us of 2% or more for the time period audited, you agree to pay to us our costs in performing the audit.

4.6 Monthly Agent Technology Fee. We reserve the right to charge you and you agree to pay to us up to \$50 per month as to each Agent engaged by you during the prior month.

4.7 Agent Fee. You agree to pay to us our then current Monthly Per Employee or Unlicensed Agent Fee of \$75 per month for a Nest Agent or Team Lead Member, \$50 per month for Licensed Assistant, Unlicensed Assistant or Secondary Agent on an Approved Team Member that you have in your employment for any part of the prior month.

4.8 Declined Payment Fee. You agree to pay to us \$100 if an electronic transfer or other payment from you to us is declined.

4.9 Annual Meeting Fee. We reserve the right to impose an annual meeting fee of up to \$350 per attendee.

4.10 New Agent Onboarding Fee. You agree to pay to us \$150 per new Agent that you onboard. We may waive this fee if you are converting an existing brokerage.

4.11 New Employee Onboarding Fee. You agree to pay to us \$150 per new Employee that you onboard.

4.12 New Employee Training Fee. If we travel to train an employee of yours, you agree to pay our travel, transportation, lodging, meal, and any other expenses.

4.13 Franchisee Employee Fee. You agree to pay to us up to \$35 per month per person per employee of yours based upon your employee count as of the end of the prior month.

4.14 Brokerage Tech Fee. You agree to pay to us a Brokerage Tech Fee of \$500 per month for the first office; \$250 per month for each additional office.

4.15 Accounting Software. You must use our designated accounting software, pay \$75 per transaction for the first 100 transactions in a calendar year and \$50 per transaction thereafter, and provide us with full access to the accounting data.

4.16 Marketing and Design Services. If you request and we agree to provide marketing and design services above our standard offering, you agree to pay \$100/hour to us.

4.17 Testing/ Inspection Fees to Approve a Supplier. You agree to pay to us \$100/hour plus any costs incurred if you request us to test and inspect a new supplier.

4.18 Special Assistance Fee. You agree to pay to us \$100/hour plus any costs incurred if you request and we agree to provide to you special assistance

4.19 Transfer Fee. You agree to pay to us a Transfer Fee of \$5,000 if you wish to transfer ownership of the rights under this Franchise Agreement, or a majority of the ownership of this Agreement or in an entity holding this Agreement. We do not charge a transfer fee if the owners of this Agreement transfer this Agreement into an entity owned by the same owners with the same ownership percentages.

4.20 Renewal Fee. You agree to pay to us a Renewal Fee of \$1,000 to enter a new franchise agreement and continue your rights as a franchisee for an additional term.

4.21 Interest. You agree to pay to us the lesser of 1.5% per month or the maximum amount permitted by law, if less, on any amounts owed to us that are more than 30 days past due.

4.22 Client Refunds. If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client all or a portion of the client's fees, we may pay the client directly and bill you. You agree to pay the charges.

4.23 Sales, Excise or Gross Receipts Tax. If required by the federal government, state or locality in which your Franchised Business is located, the initial franchise fee, royalty, and other fees and costs may be subject to sales, excise, gross receipts or similar type tax, which you agree to pay to us at the same time and in the same manner as you pay these fees and costs to us.

4.24 Assistance Fee in the event of Death or Incapacity. In the event of your death or incapacity, you agree we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing operation of your Franchised Business.

4.25 Sales, Income, and Other Taxes. You shall be solely responsible for paying all sales, income, and other taxes imposed upon you with respect to your operation of the Franchised Business. We do not charge royalty or national marketing fees on sales tax.

4.26 Fees to Third Parties. You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.

4.27 Payment Period and Method. You agree to pay to us recurring fees by the 7th of the month incurred or accrued in the prior month. You must pay to us all other fees when incurred. Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. Schedule 2 to the Franchise Agreement. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement. We reserve the right to modify the payment methods and schedule in our Operations Manual.

5. OBLIGATIONS OF FRANCHISOR

5.1. Initial Training. We provide you with an initial training, currently a two (2) day initial training course in Charlottesville, Virginia or such other location as we designate.

5.2 Site Selection and Build Out.

(a) Site Selection. We provide to you criteria to help you select a site. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.

You may not operate your Nest Realty business from a home office. However, we may allow you to utilize a co-working or shared office space for a temporary period after you launch your franchise. However, this will not be an approved long-term office solution for your franchise.

We consider the following factors when reviewing a proposed site: (i) residential population, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) proximity to other Nest Realty offices, (vii) accessibility, (viii) traffic, (ix) size, (x) condition and character, (xi) parking, and (xii) available signage.

If you do not locate a site of which we approve within 120 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time.

(b) Plans and Layout. We or our designee will furnish to you a sample site layout plan.

(c) Lease. Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement.

(d) Relocation Review. We will evaluate locations you propose to us to relocate your Franchised Business. We will typically approve or disapprove a relocation site within 14 days of your submission to us of the information required by us on the proposed site. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

5.3 Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, and supplies.

5.4 Operations Manual. We provide you access to our proprietary and confidential Operations Manual, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business (“Manual”). We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for legal or technological changes, competition, or attempts to improve in the marketplace.

5.5 Operational Support. We provide support to you in operational problems and issues that you may encounter in the operation of your Franchised Business.

5.6 Accounting and Financial Assistance. We provide accounting, deposit, and payroll management assistance as we may further specify in our Operations Manual or other informational bulletins.

5.7 Software and Computer Systems. We may specify software and computer systems to assist in the operation of your Franchised Business. We will assist you in the set up of a transaction management system. We or a designee will assist you to obtain the appropriate MLS data feed.

5.8 Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training or seminars that we may offer.

5.9 Advertising and Marketing. We may advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

6. OBLIGATIONS OF FRANCHISEE

6.1 Initial Training. You must successfully complete our initial training within four (4) months of the Effective Date of this Agreement and before you may operate the Franchised Business.

6.2 Site Selection and Build Out.

(a) Site Selection. You must select a site for operation of your Franchised Business pursuant to our guidelines. You agree to obtain our written approval for your proposed site. You may operate the Franchised Business only at the accepted site.

(b) Buildout. It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits.

(c) Plans and Layout. You are required to submit the layout and have it approved by us. We will typically approve or disapprove a proposed layout within 14 days of your submission to us. Once approved by us, it is your responsibility to remodel the premises and install the furniture, fixtures and equipment accordingly.

(d) Lease. Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement.

(e) Relocation Review. You must obtain our approval if you wish to relocate. We will evaluate locations you propose to us to relocate your Franchised Business. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

6.3 Starting Date. You agree to be operational within 6 months of the Effective Date of this Agreement.

6.4 Operations Manual. You agree to operate the Franchised Business according to the then current Operations Manual, the Nest Realty Style Guide(s) and brand standards, as well as information bulletins and guidance that we disseminate electronically.

6.5 Personal Participation.

(a) Personal Participation and Supervision. You are not required to participate personally in the direct operation of the Franchised Business but you must designate a responsible broker to hold all necessary real estate licenses and to supervise all real estate activities and transactions handled by the Franchised Business (“Lead Broker”). In addition, a resident manager must be designated to be responsible for on-premises supervision of your office at all times (“Office Broker”) A Lead Broker and an Office Broker may be the same individual and they need not own any interest in your company.

If you operate more than one office, then, in addition to a Lead Broker and Office Broker, you must appoint an office manager for each Nest Realty Office (“Office Manager”). This may be the same person as either or both the Lead Broker and/or the Office Broker. The Office Manager need not own any interest in your company.

Your Lead Broker and Office Broker must successfully complete our initial training program. We recommend that you require your Lead Broker and Office Broker to sign a nondisclosure and non-competition agreement. Any Lead Broker or Office Broker must be in good standing with the local association/board of Realtors and also the state and national board of Realtors. Other than these two points, we make no recommendations and have no requirements regarding employment or other written agreements between you and your employees.

Each of your officers, directors, shareholders, partners, members and owners must guarantee your obligations under the Franchise Agreement.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

(b) Principal Owner. You must designate one (1) owner with at least 10% ownership as the “Principal Owner.” The Principal Owner is the primary owner responsible for your business and communication with us. The Principal Owner must have authority over all transactions and dealings related to your Franchised Business and must have power to create binding agreements with us.

6.6 Authorized Products and Services Only. You may offer for sale through your franchised business only a residential real estate brokerage office and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

Subject to any legal limitations (e.g., real estate licensure in the jurisdiction at issue) you may offer real estate services to any customers.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

If we permit you to conduct activities that do not involve residential real estate brokerage services, then such activities must be conducted within the guidelines specified in the Franchise Agreement and Operations Manual, under a trade name not containing the word “Nest” and in a manner to eliminate the prospect that the public might believe that the other business relates to your Nest Realty Office in any way. You must obtain our written consent before engaging in any conduct that is not expressly authorized by the Franchise Agreement or Operations Manual.

6.7 Client Service. You shall interact with prospective and actual clients in a professional and respectful businesslike manner and diligently fulfill your obligations to them when they engage your services. We may with just cause arising from a customer complaint or conduct detrimental to the brand, require you to dis-associate with an agent, vendor, or employee.

You are required to meet certain quality service standards that we may establish periodically, and your customer service may be monitored through a client survey developed by us. We can terminate the Franchise Agreement if you do not meet these minimum quality service standards. We also may conduct investigations of customer complaints about your performance and require you to resolve all complaints to our satisfaction. We may also contact the licensed salespeople in your office to inquire if they are being given access to all available Nest tools and if they are being provided the services as we recommend.

6.8 Employee Training. You shall train your employees to competently and professionally carry out their duties and offer excellent customer service. You shall ensure that your employees have any training, licenses, or certifications required by applicable law, including necessary state real estate license(s). You are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

6.9 Insurance. You are required to have insurance as may be required by your state laws and as we may specify in the Operations Manual. You must name us and all our officers, directors, members and agents and others as their interest may appear on a primary, noncontributory basis as an additional insured on these policies and send proof of same to us. Certificates of insurance must be sent in upon annual expiration date. If you suffer a loss to your franchise, such as fire or theft, you are required to use the insurance proceeds to replace or repair the premises or property damaged or lost.

6.10 Furniture, Fixtures, Equipment and Supplies. You agree to use furniture, fixtures, equipment, and supplies as we specify to operate the franchise.

6.11 Software and Computer Systems. You are required to purchase or use such software and computer systems to operate your Franchised Business as we may specify.

6.12 Telephone Number. You agree to maintain a dedicated telephone number for your Franchised Business.

6.13 Licensing/MLS Data Feed. You will need a real estate brokers license(s) from the state(s) in which you do business. You will need to be a member of the state, local, and national association of Realtors. You will also need to be a member of the local or regional multiple listing services (MLS), and obtain a data feed, as we specify. If the MLS data feed that you obtain is in some way limited by MLS (e.g., you can not obtain access to previously sold properties), then we will be unable to offer corresponding services dependent on such data.

6.14 Brand Image and Remodeling. You agree to keep your Franchised Business clean and well maintained in order to uphold the image and goodwill of our franchise system. You agree to remodel your Franchised Business if and when we request, at your cost, pursuant to our guidelines at the time. However, we promise not to require you to do a full remodel of your Franchised Business more than once every ten years.

6.15 Minimum Days and Hours. You agree to be open for business, at a minimum, the days and hours that we specify in the Operations Manual.

6.16 Laws and Regulations. You agree to comply with all federal, state, and local laws, and regulations. You agree to secure all necessary permits, certificates, licenses, and consents to operate your business. Your Franchised Business must comply with the rules and regulations of the real estate commission in your state and the federal statutes concerning settlement procedures. You should investigate the application of these laws further.

In addition, your Business must comply with the Code of Ethics of the National Association of Realtors, National Association of Residential Property Managers, and the rules and regulations of state and local boards of realtors in your area.

6.17 Conversion Warranty. If you are converting an existing brokerage to this franchised system, you understand that you must pay to us BAS Fees on pending real estate contracts that close after the Effective Date of this Agreement. You further warranty that there are no lawsuits or claims against you or your current brokerage, except as you may disclose in writing to us and we approve, before entering into this Franchise Agreement, and you are not violating any other agreement in entering into this Franchise Agreement.

6.18 Minimum Requirements. You must meet the Minimum Requirements specified in Section 3 above.

7. ADVERTISING

7.1 Use of our Marks. We allow and require you to use our Marks to hold out your Franchised Business to the public. You agree to use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Operations Manual.

7.2 Local Advertising and Promotions. Your advertising and promotions shall conform to the following requirements:

- a) You shall advertise and promote only in a manner that will reflect favorably on us;
- b) You shall use our advertising templates or, if you wish to use your own material, you shall submit to us for written approval all advertising and promotional material, including proposed signage, prior to its use. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved.
- c) You agree to participate in all promotional programs and that we create, offer or advertise.
- d) Your advertising must comply with federal, state, and local laws.
- e) You shall not, directly or indirectly, advertise commission rates through any medium (including, but not limited to, print advertising, digital advertising, and social media).

7.3 Nest Realty Website. We will develop and maintain a comprehensive website that is built with location-specific content, information, and real estate search on the nestrealty.com digital platform. You and we will work together to mutually determine the URL extension and location-specific office name for your Franchised Business.

- We will provide a basic website framework that will include home search functionality, neighborhood and area information, agent profile pages, information about Franchisee's location-specific Nest office, a blog platform, as well as additional functionality and features integrated within the web platform.
- For the initial creation and launch of the URL extension for your Franchised Business, you and we will determine a mutually-agreed upon timeline for the content creation and official site launch.
- You must utilize an approved, professional photographer to capture imagery for your website. This list of photography needs will be determined in conjunction with our team as we develop content for the website.
- Per market web hosting fees. Data and hosting fees for each Franchisee's market are separate and are dependent on the data associated with the MLS feed.
- You may be charged an hourly development fee at the prevailing rate of Franchisor's web vendor and will be paid directly to the vendor in a timely fashion. Examples include: updating neighborhood information (photos, descriptions, details), adding content specific to the local market office, creating custom search functionality specific to a local market, changing or editing the standardized Nest Realty web design, adding additional pages, adding or updating neighborhood or area content, copy editing, etc.

7.4 Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval.

7.5 Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. Unless we consent in writing, you or your employees may not conduct any digital marketing that uses our marks or relates to your Franchised Business, including through an independent website, or social media account. We may withdraw approval at any time and you must immediately modify or delete any digital marketing as required.

7.6 Digital Campaigns. We may negotiate contracts with vendors such as realtor.com, Zillow, Trulia, and Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor.

7.7 Print Design and Marketing Collateral. We will create print collateral and publications to assist in branding. We will provide you with full design files and offer design customization services.

Collateral and publications may include the following: Listing Presentation, Buyer Brochures, About Nest brochures, Agent Playbook, Recruiting Brochures, Nest Magazine. Some print and collateral pieces may be updated on a regular basis.

We will provide you with access to a variety of print design files, including but not limited to letterhead, envelopes, notecards, property brochures, print advertising, post cards, business cards, and For Sale signage and sign riders.

We will provide you with access to print marketing templates for company-wide marketing and branding. We will assist with the customization of these standard, brokerage-wide print advertisements and printed pieces for each market.

7.8 Direct Mail. We will make available to you optional direct mail assistance that you would pay us for on a per piece basis at our then current rates and you may bill your agents for. We may modify or discontinue this program at any time.

7.9 Entity Name Requirements. You may not use the words “Nest” or “Nest Realty” or any confusingly similar words, as any part of the name of a corporation, LLC or other entity. However, “Nest Realty” followed by your entity number, or such other designation as we shall specify, shall be your “doing business as” name for an entity which owns this franchise, sometimes also called your “assumed name,” “trading as” name, or “fictitious name.”

7.10 No Confusingly Similar Marks. You agree not to use any marks that could be confused with our Marks.

7.11 Update to our Marks. We may replace, modify, or add to our Marks. If we replace, modify, or add additional marks, you agree to update or replace your supplies, etc. to reflect the new marks, at your expense, in the time frame we provide at the time of such an update.

7.12 Publicity. Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

7.13 Name and Likeness. You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

8. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS

8.1 Definition. “Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

8.2 Confidentiality. You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information.

8.3 Return of Information. Upon termination or expiration of this Agreement, you will return to us all of our Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

8.4 Customer Data. Notwithstanding Section 8.2 above, you retain all right, title, and interest in and to the Customer Data during and after the term of this Agreement, provided that you use the Customer Data during the Term of this Agreement as permitted by this Agreement or our Manual, and in accordance with law. “Customer Data” means any and all information about Customers that may be collected in connection with their use of your franchise services, including, but not limited to, name, telephone number, address and email address.

8.5 Intellectual Property Ownership. We own the Franchise system and all intellectual property associated with it. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise system by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest exclusively to us. You will not undertake to obtain, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system.

8.6 Suggestions. You agree that we may incorporate into our business operations any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else and we shall have sole rights and title to such suggestions.

8.7 Performance Data. You agree that we may share performance data from your Franchised Business between our employees, franchisees and their employees. You agree to keep such performance data confidential.

9. REPORTS AND REVIEW

9.1 Reports. You must send us such reports in the time and manner we may specify in the Operations Manual.

9.2 Profit and Loss. By January 30 of each year, you must send us an unaudited profit and loss statement of the Franchised Business, in the manner and form we specify, for the 12-month period ending the prior December 31.

9.3 Reviews. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. This includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

9.4 Time Frame to Furnish Documents. If, as part of a review of your business operations, we request a copy of any business records related to the Franchised Business, you must send us at your expense these records within five (5) business days of receiving our request.

9.5 Independent Access to Information. You agree that we have and that you will provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information.

10. TERMINATION

10.1 Termination by You. You may terminate this Agreement by not renewing; that is by notifying us in writing of your desire to not renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

10.2 Termination by Us. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- a) If you do not pass our initial training in accordance with our passing standards;
- b) If you fail to obtain our approval of a site or open on time;

- c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- d) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of, or plead guilty or no contest to a felony;
- e) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster;
- f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- h) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;
- i) You fail to pay suppliers an amount exceeding \$3,000 for more than 60 days;
- j) You fail to permit us to inspect or audit your franchise; or
- k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us, in any 12-month period regardless of whether such breaches were cured after notice.

10.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

- a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; or
- b) Any amount owing to us from you is more than 30 days past due.

10.4 No Refund of Initial Fee. We have no obligation to return or refund any fee to you upon termination of this Agreement.

11. POST TERMINATION OBLIGATIONS

If this Agreement expires, is not renewed, or is terminated for any reason by any party, including a sale of the Franchised Business, you must immediately:

- a) Cease to operate the Franchised Business and discontinue using any of our Marks or any marks which are likely to be confused with our Marks;
- b) Deliver to us the original and all copies, both paper and electronic, of the business records of your Franchised Business (retaining only such copies as you need for legal or tax purposes);
- c) Pay to us all amounts owing to us;
- d) At our request, cancel or assign to us all telephone numbers and web URLs under your ownership used in the Franchise Business;
- e) Reimburse customers for any fees paid for services not yet rendered;
- f) At our option, and upon our request, use your best efforts to assist in our taking over the lease of the location of your Franchised Business, whether it be through a new lease or assignment;
- g) At our option, offer to us the right to purchase your furniture, equipment, signage, fixtures, and supplies within 30 days of the date of termination for the adjusted book value, which is the undepreciated book value of the assets on your most recently filed federal tax return prior to the date of the termination or expiration;
- h) Deliver to us any paper and electronic copies of the Operations Manual and any Confidential Information;
- i) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;
- j) Adhere to the provisions of the post-term covenants not to compete and not to solicit;
- k) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and
- l) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section 11.

12. NON-COMPETE AND NO SOLICITATION.

12.1 Non-Compete.

- a) **In-Term.** You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly offer real estate brokerage services, except in the provision of such services through the Franchised Business.

12.2 Waiver of Bond. You agree that if we bring suit to enforce Sections 11 or 12.1 above, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

12.3 Severability. If any covenant or provision of Section 12.1 or 12.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

13. ADDITIONAL IN-TERM AND POST-TERM COVENANTS

13.1 Maintenance of Goodwill. You agree not to disparage us or our current and former employees, agents, members, or directors. During the term of this Agreement, you agree not to do any act harmful, prejudicial, or injurious to us.

13.2 Independent Contractor. You and we are independent contractors to each other. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours.

13.3 Indemnity. You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the Franchised Business and for all claims or demands for damage directly or indirectly related. You agree to defend, indemnify, and hold harmless us and our employees, officers, directors, and members with respect to any such claim, loss, or damage, including our costs and attorney fees.

14. TRANSFER

14.1 Assignment by Us. We may assign this Agreement to an assignee who agrees to remain bound by its terms. We do not permit a sub-license of the Agreement.

14.2 Transfer by You. You may transfer this Franchise Agreement, any interest under this Agreement, or substantially all the assets of the Franchised Business only if we approve, and you comply with the provisions in this Section 14. We shall not unreasonably withhold approval. If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability.

14.3 Transfer to a Controlled Entity. A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a Controlled Entity shall not trigger the Right of First Refusal, described in Section 14.6 below. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. We do not charge a transfer fee for this change.

14.4 Transfer within an Entity. A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 14.6 below if only the percentage ownership, rather than the identity of the owners, is changing. Prior to the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then current amendment and release forms and/or Franchise Agreement as required by us, and you shall pay to us the applicable transfer fee specified in Section 4 above.

14.5 Conditions for Approval of Transfer. We may condition our approval of any proposed sale or transfer of the franchised business or of your interest in this Agreement upon satisfaction of the following occurrences:

14.5.1 You are current in all monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;

14.5.2 You are in full compliance with this Agreement;

14.5.3 You execute any transfer, amendment, or release forms that we may require;

14.5.4 You or the transferee will provide to us a copy of the proposed documents as we may request to evidence the transfer;

For a transfer under Section 14.2 above, the following conditions also apply:

14.5.5 The transferee must be approved by us and demonstrate to our satisfaction that s/he meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;

14.5.6 The transferee must execute our then-current Franchise Agreement;

14.5.6 You or the transferee must pay to us the Transfer Fee specified in Section 4 above;

14.5.7 The transferee must satisfactorily complete our initial training program at the transferee's expense within the time frame we establish;

14.5.8 You must comply with the post-termination provisions of this Agreement;

14.5.9 The transferee must obtain within the time limits set by us and maintain thereafter, all permits and licenses required for operation of the Franchised Business;

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

14.5.12 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

14.5.13 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation and performance under its franchise agreement;

14.5.14 You must request that we provide the prospective transferee with our current franchise disclosure document;

14.5.15 Our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party;

14.5.16 We will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning the Franchised Business as you have supplied us hereunder; and

14.5.17 In any event, we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

14.6 Right of First Refusal. If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Franchise Agreement, any interest in it, or substantially all the assets of the Franchised Business, you shall grant us the option (the "Right of First Refusal") to purchase the Franchised Business as provided here:

- a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Franchised Business or interest in the Franchised Business at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or its owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.
- b) If we do not exercise our Rights of First Refusal, you may transfer the Franchised Business or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Section 14.5 above and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

15. DEATH OR INCAPACITY

In the event of your death or incapacity, you, or your estate, as the case may be, must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the

transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new Franchisee must pay the transfer fee specified above, meet our qualifications, complete initial training, and enter into a new Franchise Agreement. And we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination. The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement.

16. MODIFICATION

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent, as discussed in Section 5.

17. NON-WAIVER OF BREACH

The failure of either party to enforce any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

18. FULL UNDERSTANDING

This Agreement, including the schedules, is the entire agreement between the parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.

19. GOVERNING LAW

19.1 Choice of Law. This Agreement is effective upon its acceptance in Virginia by our authorized officer. Except as to claims governed by federal law, Virginia law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

19.2 Jurisdiction and Venue. You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Charlottesville, Virginia. However, if you are an Illinois or Maryland resident or your franchise territory is located in Illinois or Maryland, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

19.3 Jury Waiver. In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

19.4 Class Action Waiver. You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class

action against us.

19.5 Punitive Damages Waiver. As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

19.6 Limitation of Actions. You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

19.7 Prior Notice of Claims. As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

19.8 Internal Dispute Resolution. You must first bring any Claim to our CEO, after providing notice as set forth in Section 19.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

19.9 Mediation. Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we can not mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”), and split any AAA and mediator fees equally.

19.10 Waiver of bond. You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

19.11 Attorney Fees. If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

19.12 Third Party Beneficiaries. Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the terms of the Governing Law provisions contained herein.

19.13 Survival. All of the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

19.14 Severability Clause. If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.

20. RELEASE OF PRIOR CLAIMS

By executing this Agreement, the undersigned entity, if any, and individuals, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and

directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other claims relating to any dealings between any of the parties. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

21. NOTICES

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, or by facsimile, to our CEO, at our corporate office, presently 126 Garrett Street, Suite D, Charlottesville, VA 22902. Telephone: (800) 325-6378. We may also give any such notice to you in the same manner at the address indicated below your signature on this Agreement, such other more current address as we may have for you, or by e-mail.

22. ACKNOWLEDGMENTS

You acknowledge that you have read our Franchise Disclosure Document and this Agreement and that you are familiar with their contents. You acknowledge that you have independently investigated the business offered hereunder and base your decision to purchase solely on such investigation. You acknowledge that we have recommended, and that you have had the opportunity to obtain, review of this Agreement and our Franchise Disclosure Document (“FDD”) by your lawyer, accountant or other business advisor prior to execution. Except as may be stated in Item 19 of our Franchise Disclosure Document, you acknowledge that no person is authorized to make and no person has made any representations to you as to the actual, projected or potential sales, volumes, revenues, profits or success of our franchise. You further acknowledge and agree that you are not a third party beneficiary to any agreement between us and any other franchisee.

23. GUARANTY

The Franchisee named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity’s agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Paragraphs 11-13 above**, the obligation to make specified payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

Franchisee: _____ Entity Number: _____

Type: _____ (Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship (“JTROS”), Tenants in Common, Partnership).*

SIGNATORS:

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

Nest Realty Franchising, LLC

By: _____ Effective Date: _____

Jonathan Kauffmann, Member

***Joint Tenants with Right of Survivorship is typically for married couples and must be owned equally by each tenant, 50-50 for two owners, and if one spouse passes away, the other automatically receives the decedent’s share. Tenants in common is normally for non-spouses and if one passes away, his or her share passes by will or state law to his or her heirs.**

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT
TERRITORY**

Your Territory shall be as follows:

Principal Owner: Your designated Principal Owner (pursuant to Section 6.5(b) of the Franchise Agreement) shall be:

Name: _____

**SCHEDULE 2 TO THE FRANCHISE AGREEMENT
AUTOMATIC BANK DRAFT AUTHORIZATION**

ACH Origination Authorization

Please complete the following with your banking information and attach a voided check:

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number _____

Account Number: _____

I hereby authorize Nest Realty Franchising, LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Nest Realty Franchising, LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

SCHEDULE 3
PROMISSORY NOTES

**PROMISSORY NOTE- SOLE PROPRIETORSHIP, JOINT TENANTS,
TENANTS IN COMMON**

\$ _____

Date _____
Charlottesville, Virginia

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of Nest Realty Franchising, LLC [“Holder”] at 126 Garrett Street, Suite D, Charlottesville, VA 22902, or at Holder’s option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of ____ percent (____%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter “Obligor”), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Virginia.

WITNESS the following signature(s) and seal(s):

Signature of Maker

Signature of Maker

Printed Name of Maker

Printed Name of Maker

Home Address:

Home Address:

PROMISSORY NOTE- ENTITY

\$ _____

Date _____
Charlottesville, Virginia

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of Nest Realty Franchising, LLC [“Holder”] at 126 Garrett Street, Suite D, Charlottesville, VA 22902, or at Holder’s option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of ____ percent (____%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter “Obligor”), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Virginia.

WITNESS the following signature(s) and seal(s):

Maker: _____
(Enter Name of Entity Here)

By _____

Printed Name: _____

Title: _____

Guarantors:

Signature of Guarantor

Signature of Guarantor

Printed Name of Guarantor

Printed Name of Guarantor

Home Address:

Home Address:

Signature of Guarantor

Signature of Guarantor

Printed Name of Guarantor

Printed Name of Guarantor

Home Address:

Home Address:

**SCHEDULE 4 TO THE FRANCHISE AGREEMENT
STATE ADDENDA**

**CALIFORNIA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Sections 10.2 and 10.3 are deleted and in their place are substituted the following:

10.2 Termination by Us Without Right to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 10.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

10.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

FRANCHISEE:

FRANCHISOR:

Nest Realty Franchising, LLC

By: _____

By: _____

Jonathan Kauffmann, Member

By: _____

Date: _____

**MARYLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
3. The acknowledgment or representations of the franchisee made in the Franchise Agreement which disclaim the occurrence or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
4. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

FRANCHISEE:

FRANCHISOR:

Nest Realty Franchising, LLC

By: _____

By: _____
Jonathan Kauffmann, Member

By: _____

Date: _____

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

FRANCHISOR:

Nest Realty Franchising, LLC

By: _____

By: _____
Jonathan Kauffmann, Member

By: _____

Date: _____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

FRANCHISOR:

Nest Realty Franchising, LLC

By: _____

By: _____
Jonathan Kauffmann, Member

By: _____

Date: _____

**EXHIBIT D
RELEASE**

THIS RELEASE is made and given by _____,
("Releasor") with reference to the following facts:

1. Releasor and Nest Realty Franchising, LLC (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

_____ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

_____ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

Releasor:

By: _____

Printed Name: _____

Title: _____

Releasee: Nest Realty Franchising, LLC

By: _____
Jonathan Kauffmann, Member

Date: _____

EXHIBIT E

CURRENT FRANCHISEES

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

Operational Outlets:

Georgia

Nest Realty Atlanta
Jennifer Kjellgren
Jonathan Freeman
537 St Charles Avenue NE
Atlanta, GA 30308
404.307.6634

Kentucky

Nest Realty Greater Louisville
Stephanie Wetzstein and Bobby Harding
10215 Linn Station Road
Louisville, KY 40223
502.742.2161

North Carolina

Nest Realty Asheville
Angie and Glenn Cullen
394 Merrimon Avenue, Suite A
Asheville, NC 28801
828.318.8313

Nest Realty Lake Norman
Amy Fraser
21325 Catawba Ave
Cornelius, NC 28031
800.325.6378 (NEST)

Nest Realty Morganton
Leanne Brittain
304 S. Sterling Street, Suite 100
Morganton, NC 28655
828.368.4898

Nest Realty Triangle
Julian and Cathy Culton
P.O. Box 14429
Durham, NC 27709-0962
800.325.6378 (NEST)

Nest Realty Wilmington
Ryan Crecelius
1508 Military Cutoff Rd, Suite 203
Wilmington, NC 28403
910.550.2788

Nest Realty Greensboro
Jan Branyon
1250 Revolution Mill Drive, Suite 220
Greensboro, NC 27405
(336) 303-8492

South Carolina

Nest Realty Greenville
Corinne and Adam Nickell
102 West Stone Avenue
Greenville, SC 29609
864.915.8110

Tennessee

Nest Realty Jackson
731 Living LLC
1143 Rushmeade Road
Jackson, TN 38305
731.265.6800

Virginia

Nest Realty New River Valley
Jeremy Hart
400 N Main Street
Blacksburg, VA 24060
540.443.6100

Nest Realty Fredericksburg
Sarah and Bryan Stelmok
510 Princess Anne St, Suite 201
Fredericksburg, VA 22401
540.684.1344

Nest Realty Richmond
Keith Davis
221 S Robinson Street
Richmond, VA 23220
800.325.6378 (NEST)

Nest Realty Roanoke
Scott and Kim Miller
129 Salem Avenue SW, Suite A
Roanoke, VA 24011
(540) 206-2069

Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2020)

Arizona

Nest Realty Phoenix
Jono Friedland
4108 E Indian School Road
Phoenix, AZ 85018
480.331.5055

EXHIBIT F

FORMER FRANCHISEES

The following is a list of Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None

EXHIBIT G

Financial Statements

The following statement applies to the unaudited portion of the financial statements which follows:

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Nest Realty Franchising, LLC

Unaudited Balance Sheet

As of August 31, 2021

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Nest Franchising VNB *3278	286,898.55
Total Bank Accounts	\$286,898.55
Accounts Receivable	
Franchising Fees Due	121,038.62
Total Accounts Receivable	\$121,038.62
Other Current Assets	
Due from Franchises - Initial Fees	
Due from Sugar Magnolia LLC (Phoenix)	6,250.00
Total Due from Franchises - Initial Fees	6,250.00
Total Other Current Assets	\$6,250.00
Total Current Assets	\$414,187.17
TOTAL ASSETS	\$414,187.17
LIABILITIES AND EQUITY	
Liabilities	
Long-Term Liabilities	
Deferred Franchise Revenue	199,453.58
Total Long-Term Liabilities	\$199,453.58
Total Liabilities	\$199,453.58
Equity	
Intercompany Transfer from Realty	-420,998.70
Retained Earnings	443,415.71
Net Income	192,316.58
Total Equity	\$214,733.59
TOTAL LIABILITIES AND EQUITY	\$414,187.17

Nest Realty Franchising, LLC

Unaudited Profit and Loss Statement

January - August, 2021

	TOTAL
Income	
Deferred Franchise Fee Income	20,483.52
Technology Fees	326,791.31
Weekly Franchise Fees	698,114.80
Total Income	\$1,045,389.63
GROSS PROFIT	\$1,045,389.63
Expenses	
Bank Charges & Fees	55.41
Franchise Filing Fees	1,500.00
Legal & Professional Services	28,606.36
Management Fees - Nest Realty	819,357.68
QuickBooks Payments Fees	3,553.60
Total Expenses	\$853,073.05
NET OPERATING INCOME	\$192,316.58
NET INCOME	\$192,316.58

Nest Realty Franchising, LLC

Financial Statements and Independent Auditors' Report

December 31, 2020

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MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Member
Nest Realty Franchising, LLC
Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Nest Realty Franchising, LLC (the "Company"), which comprise the balance sheet as of December 31, 2020, the related statements of income and member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nest Realty Franchising, LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Correction of Error

As discussed in Note A-3 to the financial statements, auditing standards generally accepted in the United States of America required companies to adopt Accounting Standards Update 2014-09, *Revenue From Contracts with Customers* (Topic 606) as of January 1, 2019. The Company issued their 2019 financial statements without adopting Topic 606. Member's equity and deferred revenue have been restated as of January 1, 2020 due to the error. Our opinion is not modified with respect to this matter.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
April 29, 2021

FINANCIAL STATEMENTS

Nest Realty Franchising, LLC
BALANCE SHEET
December 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 171,133
Accounts receivable	21,221
Notes receivable	<u>50,000</u>
	<u>\$ 242,354</u>

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES

Deferred revenue, current portion	\$ 26,625
-----------------------------------	-----------

DEFERRED REVENUE, LESS CURRENT PORTION

196,531

223,156

MEMBER'S EQUITY

19,198

\$ 242,354

The accompanying notes are an integral part of this statement.

Nest Realty Franchising, LLC
STATEMENT OF INCOME AND MEMBER'S EQUITY (DEFICIT)
Year Ended December 31, 2020

Revenues		\$ <u>1,204,975</u>
Operating expenses		
Management fees - related party		635,625
Professional fees		37,504
Computer related		2,248
Other		<u>50</u>
		<u>675,427</u>
NET INCOME		529,548
Member's equity, beginning of year, as previously reported	\$ 72,153	
Correction of error (Note A-3)	<u>(161,504)</u>	
Member's deficit, beginning of year, as corrected		(89,351)
Distributions to member		<u>(420,999)</u>
Member's equity, end of year		<u><u>\$ 19,198</u></u>

The accompanying notes are an integral part of this statement.

Nest Realty Franchising, LLC
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

Cash flows from operating activities	
Net income	\$ 529,548
Reconciliation of net income to net cash provided by operating activities	
(Increase) decrease in assets	
Accounts receivable	17,830
Notes receivable	(32,500)
Increase (decrease) in liabilities	
Accounts payable	(67,098)
Deferred revenue	61,652
	<hr/>
Net cash provided by operating activities	509,432
	<hr/>
Cash flows from financing activities	
Distributions to member	(420,999)
	<hr/>
Net cash used in financing activities	(420,999)
	<hr/>
INCREASE IN CASH	88,433
	<hr/>
Cash, beginning of year	82,700
	<hr/>
Cash, end of year	\$ 171,133
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

Nest Realty Franchising, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

Nest Realty Franchising, LLC (the “Company”) is a limited liability corporation, formed on October 31, 2016 under the laws of the Commonwealth of Virginia. The Company operates as the central franchisor organization for the franchising of various real estate brokerage agencies throughout the United States and engages in other activities that are related or incidental to this purpose.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Adoption of New Accounting Standard and Correction of Error

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, (Accounting Standards Codification (ASC) 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). The core principle of ASC 606 is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Company was required to adopt ASC 606 with a date of initial application of January 1, 2019. The Company did not initially adopt ASC 606 as of this date and has corrected the error in adopting ASC 606 as of January 1, 2020 using the modified retrospective approach of adoption.

The Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) the new guidance is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Nest Realty Franchising, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Adoption of New Accounting Standard and Correction of Error (Continued)

As a result of the correction of error, the cumulative effect of the initial application of the new guidance results in an adjustment to decrease member's equity (deficit) by \$161,504 and increase deferred revenue by \$161,504 as of January 1, 2020.

The modified retrospective method of transition requires disclosure of the effect of applying the new guidance on each item included in the Company's 2020 financial statements. The following table presents how the adoption of Topic 606 affected certain line items in the balance sheet:

	As of December 31, 2020		
	Recognition Under Previous Guidance	Impact of the Adoption of Topic 606	Recognition Under Topic 606
Deferred revenue	\$ -	\$ (223,156)	\$ (223,156)
Member's (equity) deficit	(242,354)	223,156	(19,198)

Following are the line items from the statement of income and member's equity (deficit) and statement of cash flows for the year ended December 31, 2020 that were affected, the amounts that would have been reported under the former guidance, and the amounts reported under the new guidance:

	Year Ended December 31, 2020		
	Recognition Under Previous Guidance	Impact of the Adoption of Topic 606	Recognition Under Topic 606
Revenues	\$ (1,266,627)	\$ 61,652	\$ (1,204,975)
Net income	(591,200)	61,652	(529,548)

See Note A-4 for further discussion of the effects of the adoption of ASC 606 on the Company's significant accounting policies.

Nest Realty Franchising, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Revenue Recognition

a. Revenue Recognition Policy

Revenues from franchisees consist primarily of initial and renewal franchise fees, branding, administrative, and strategy fees, agent and employee onboarding and monthly fees, service fees, software fees, transfer fees, and property management fees. Revenue is recognized upon the transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. Performance obligations for all significant revenue streams are satisfied over time. The Company has elected the practical expedient for recognizing revenue when the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. This practical expedient has been applied to all revenue streams, except initial and renewal franchise fees, as the Company has the right to invoice for these revenues.

b. Performance Obligations

The initial and renewal franchise fee, as well as transfer fee, includes multiple performance obligations, including initial franchisee training, site selection, assistance with equipment, access to operations manual, and access to the Company's proprietary marks for the duration of the contract. These performance obligations are highly interrelated to the promise to provide the franchise right. As such, these promises are not distinct and have been combined into a single performance obligation that is satisfied over the term of the franchise agreement. The Company's revenue recognition policy for initial franchise fees is to begin recognizing revenue earned one month after executing contract as that is the approximate amount of time needed to have the franchise fully operational per the terms of the franchise agreement. Revenues associated with the franchise renewal fee and transfer fee performance obligations are recognized over the term of the remaining period or new term. Initial, renewal, and transfer fees are collected at the inception or renewal of the franchise agreement, and as such, the portion of the those fees paid by the franchisee that relates to performance obligations to be satisfied in future periods have been reflected as deferred revenue on the accompanying balance sheet. Deferred revenue (contract liabilities) totaled \$223,156 at December 31, 2020.

Nest Realty Franchising, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Revenue Recognition (Continued)

b. Performance Obligations (Continued)

Branding, administrative, and strategy fees are invoiced monthly based on a percentage of the gross commission income of the franchisee. The Company has utilized an exception that allows for recognition of revenue related to sales-based fees when the subsequent sale by the franchisee occurs and is reported to the Company. The amount is estimated throughout the month and is adjusted to actual at month end when invoicing occurs.

As part of the franchise agreements, the Company earns revenue from agent and employee onboarding fees, agent and employee monthly fees, software and computer systems support fees, and various service fees that relate to operational support. These fees are provided and invoiced on a monthly basis.

c. Significant Judgments

The Company enters into multi-year franchise agreements with its franchisees. Management used significant judgment in determining if these agreements contain a significant financing component regarding the upfront payment for the initial franchise fee. The Company has requested the upfront payment for reasons other than financing needs, specifically to ensure that the counter party performs. As such, there is no significant financing component.

Significant judgment is used by management to estimate the standalone selling price of the initial franchise fee, which includes initial agent training, site selection, assistance with equipment, access to the operations manual, and access to the franchise right.

5. Accounts Receivable

Accounts receivable from the Company's franchise operations are recorded at the time the Company is entitled to bill under the terms of the franchise agreements and other contractual arrangements. These receivables do not bear interest and are due under normal trade terms typically requiring payment within 30 days from the invoice date.

Nest Realty Franchising, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Notes Receivable

Franchise fees receivable represent the uncollected portion of the initial franchise fees described in Note A-4. Such fees are typically due in quarterly installment payments over a one year period.

7. Income Taxes

The Company is a disregarded entity for federal income tax purposes. The income of the Company is allocated to its member and, accordingly, no provision for income taxes is provided in the accompanying financial statements. The Company may be subject to certain state taxes.

Management has analyzed the tax positions taken by the Company, and have concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability in the financial statements.

8. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including accounts receivable and notes receivable, approximate fair value due to the short maturity of these instruments.

NOTE B - SUMMARY OF FRANCHISE OUTLETS

The following is a summary of changes in the number of franchise outlets in 2020.

In operation at January 1, 2020	11
New franchise outlets sold in 2020	3
Franchise outlets closed in 2020	<u>-</u>
In operation at December 31, 2020	<u><u>14</u></u>

The Company has one franchise outlet in which a franchise agreement has been signed but is not yet in operation as of December 31, 2020.

Nest Realty Franchising, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE C - GUARANTEE

Effective March 13, 2020, the Company's parent was acquired and was added as a party to a guaranty and security agreement related to a credit agreement dated April 24, 2018 of its parent company. The Company considers the likelihood of making payments under this guarantee to be remote and thus no liability has been recorded as of December 31, 2020.

NOTE D - RELATED PARTY TRANSACTIONS

The Company is managed by a related party. The related party charged the Company \$635,625 related to fees for management services performed during the year ended December 31, 2020. There were no other transactions between this entity and the Company.

NOTE E - CONCENTRATIONS OF RISK AND UNCERTAINTIES

1. Uninsured Cash

The Company maintains its primary operating account with a financial institution located in the United States. The balance is guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. The Company may, from time to time, have balances in excess of FDIC insured limits. At December 31, 2020, no amounts were considered at-risk.

2. COVID-19 Outbreak

The direct and indirect impacts of the current COVID-19 outbreak on the Company's operations are currently unknown, as is the duration and severity of any impacts that the Company may experience. Management is currently unable to quantify the effects that this situation will have on its operations and financial position; however, they may be significant.

NOTE F - SUBSEQUENT EVENTS

Subsequent events were evaluated through April 29, 2021, which is the date the financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the balance sheet date that require disclosure in the financial statements.

NEST REALTY FRANCHISING, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NEST REALTY FRANCHISING, LLC
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Table of Contents

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS
NEST REALTY FRANCHISING, LLC
CHARLOTTESVILLE, VIRGINIA

We have audited the accompanying financial statements of Nest Realty Franchising, LLC which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nest Realty Franchising, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
March 21, 2020

Nest Realty Franchising, LLC

Balance Sheets

As of December 31, 2019 and December 31, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 82,700	\$ 89,407
Note receivable	17,500	-
Franchise fees receivable	<u>39,051</u>	<u>29,126</u>
Total Current Assets	<u>\$ 139,251</u>	<u>\$ 118,533</u>
Total Assets	<u><u>\$ 139,251</u></u>	<u><u>\$ 118,533</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	<u>\$ 67,098</u>	<u>\$ 18,880</u>
MEMBERS' EQUITY		
Members' Equity	<u>\$ 72,153</u>	<u>\$ 99,653</u>
Total Members' Equity	<u>\$ 72,153</u>	<u>\$ 99,653</u>
Total Liabilities and Members' Equity	<u><u>\$ 139,251</u></u>	<u><u>\$ 118,533</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Nest Realty Franchising, LLC

Statements of Income and Members' Equity
For the Years Ended December 31, 2019 and December 31, 2018

	<u>2019</u>	<u>2018</u>
Revenue		
Franchise fees	\$ <u>556,516</u>	\$ <u>398,625</u>
Expenses		
Bank fees	\$ 840	\$ -
Bank fees	202	163
Legal & Professional Services	585	1,500
Management fees	537,339	331,794
Taxes and licenses	<u>50</u>	<u>500</u>
Total expenses	\$ 539,016	\$ 333,957
Net Income	\$ 17,500	\$ 64,668
Beginning Members' Equity	99,653	74,985
Member Distributions	<u>(45,000)</u>	<u>(40,000)</u>
Ending Members' Equity	\$ <u><u>72,153</u></u>	\$ <u><u>99,653</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Nest Realty Franchising, LLC

Statements of Cash Flows For Years Ended December 31, 2019 and December 31, 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net income (loss)	\$ 17,500	\$ 64,668
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
(Increase) decrease in franchise fees receivable	(9,925)	(16,626)
(Increase) decrease in note receivable	(17,500)	-
Increase (decrease) in accounts payable	48,218	18,880
Net cash provided by (used for) operating activities	\$ <u>38,293</u>	\$ <u>66,922</u>
Cash flows from financing activities		
Member distributions	\$ <u>(45,000)</u>	\$ <u>(40,000)</u>
Net cash provided by (used for) financing activities	\$ <u>(45,000)</u>	\$ <u>(40,000)</u>
Net increase (decrease) in cash	\$ (6,707)	\$ 26,922
Cash and cash equivalents, beginning of year	<u>89,407</u>	<u>62,485</u>
Cash and cash equivalents, end of year	\$ <u><u>82,700</u></u>	\$ <u><u>89,407</u></u>
Supplemental cash flow disclosures		
Cash paid during the year for interest	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Nest Realty Franchising, LLC

Notes to Financial Statements
As of December 31, 2019 and 2018

Note 1—Organization and Nature of Business:

Nest Realty Franchising, LLC (the “Company”) is a limited liability corporation, formed on October 31, 2016 under the laws of the Commonwealth of Virginia. The Company operates as the central and franchiser organization for the franchising of various real estate brokerage agencies throughout the United States; and engages in such other activities as are related or incidental to such purpose.

Note 2—Summary of Significant Accounting Policies:

Basis of Accounting

The Company uses the accrual basis of accounting. Under this method, income is recognized in the period earned rather than when received and expenses are recognized in the period incurred rather than when paid.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all bank deposits and highly liquid investments with an original maturity of three months or less from the date of acquisition to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Company is not a taxpaying entity for federal income tax purposes, and therefore no provision or liability for federal or state income taxes has been included in these financial statements. Income of the Company is taxed to the members on their respective share of the Company’s income (loss).

Concentrations of Credit Risk

The Company maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019 and 2018 the Company had no uninsured cash balances.

Note 3—Subsequent Events:

Subsequent events were evaluated through March 21, 2020, which is the date the financial statements were available to be issued. No events have occurred as of March 21, 2020 that would require adjustment to, or disclosure in, the financial statements.

EXHIBIT H



Operations Manual Chapters

Topic	Page Count Per Subject
About Nest Realty	3
Your Support Team	8
Admin and Operations	4
Your Vendors to Source	7
Nest Policies	6
Transaction Management	3
Nest Branding	3
Photography and Videography	6
Marketing Materials Ordering Guide (Do It Yourself)	9
Marketing Materials Ordering Guide (Via your rep)	4
Agent Tools / Software	12
Lead Broker Tools / Software	3
Customizing Nest Marketing Pieces	8
Prospect Management	3
Proprietary Nest Programs	14
Market Data and Data Reporting	4
Nest Website	8
Digital and Social Media	5

Onboarding	4
Recruitment	8
Office Design	8
Client Appreciation Events and Planning	2
Team Building and Culture	3
Nest Events	3
Total Page Count	138

EXHIBIT I
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
California	Pending
Hawaii	October 15, 2021
Maryland	August 11, 2021
New York	August 30, 2021
Virginia	August 26, 2021
Washington	Pending
Wisconsin	Pending

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.

EXHIBIT J
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Nest Realty Franchising, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is Nest Realty Franchising, LLC located at 126 Garrett Street, Suite D, Charlottesville, VA 22902. Its telephone number is (800) 325-6378.

Issuance Date: April 29, 2021

The franchise seller for this offering is:

- Jonathan Kauffmann, 126 Garrett Street, Suite D, Charlottesville, VA 22902; (800) 325-6378.
- W. Keith Davis, 126 Garrett Street, Suite D, Charlottesville, VA 22902; (800) 325-6378.

We authorize the respective state agencies identified in Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document dated April 29, 2021 that included the following Exhibits:

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
- C. Franchise Agreement
 - Schedule 1-Territory
 - Schedule 2-Automatic Bank Draft Authorization
 - Schedule 3-Promissory Notes

Schedule 4-State Addenda to the Franchise Agreement

- D. Release
- E. List of Current Franchisees
- F. List of Former Franchisees
- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
- J. Receipts

PROSPECTIVE FRANCHISEE:

Date you received this Disclosure Document

If an individual:

If a business entity:

Name of Business Entity

Signature

By: _____
Signature

Printed Name

Printed Name/Title

Please sign, date, and retain this copy for your records.

EXHIBIT J
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Nest Realty Franchising, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is Nest Realty Franchising, LLC located at 126 Garrett Street, Suite D, Charlottesville, VA 22902. Its telephone number is (800) 325-6378.

Issuance Date: April 29, 2021

The franchise seller for this offering is:

- Jonathan Kauffmann, 126 Garrett Street, Suite D, Charlottesville, VA 22902; (800) 325-6378.
- W. Keith Davis, 126 Garrett Street, Suite D, Charlottesville, VA 22902; (800) 325-6378.

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- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
- J. Receipts

PROSPECTIVE FRANCHISEE:

Date you received this Disclosure Document

If an individual:

If a business entity:

Name of Business Entity

Signature

By: _____
Signature

Printed Name

Printed Name/Title

Please sign, date, and return this copy to us at Nest Realty Franchising, LLC, 126 Garrett Street, Suite D, Charlottesville, VA 22902; (800) 325-6378.