

## Franchise Disclosure Document

The C12 Group, LLC  
A Texas Limited Liability Company  
777 E. Sontera Blvd., Suite 305  
San Antonio, TX 78258  
(210) 767-6200  
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[www.C12forums.com](http://www.C12forums.com)



The C12 Group® provides specified business coaching and advising services on a fee for service basis to member Christian business CEOs, owners, and presidents, as well as their selected key staff members, including conduct of monthly Business Forum meetings, one-on-one consultation sessions, and selected seminars and mentoring processes.

The total investment necessary to begin operation of a C12 franchised business is \$36,500 to \$67,000. This includes \$34,500 to \$59,500 that must be paid to the franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least fourteen (14) calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate of the franchisor 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 to you. To discuss the availability of disclosures in different forms, contact The C12 Group, LLC, 777 E. Sontera Blvd., Suite 305, San Antonio, TX 78258 or call The C12 Group at (210) 767-6200.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “Buying a Franchise, A Consumer Guide” 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 Ave., NW, Washington, D.C. 20850. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 30, 2025

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Exhibit D and D-1.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Exhibit B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only C12 Group business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a C12 Group franchisee?</b>	Exhibit D and D-1 list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Texas. 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 Texas 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.

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.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (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 protection 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 franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This 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 sub-franchisor.

(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 obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373 7117

The C12 Group, LLC®  
**FRANCHISE DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS**

<b>Item</b>	<b>Page</b>
<b>ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES...</b>	<b>1</b>
<b>ITEM 2: BUSINESS EXPERIENCE .....</b>	<b>2</b>
<b>ITEM 3: LITIGATION .....</b>	<b>4</b>
<b>ITEM 4: BANKRUPTCY .....</b>	<b>4</b>
<b>ITEM 5: INITIAL FEES.....</b>	<b>4</b>
<b>ITEM 6: OTHER FEES .....</b>	<b>5</b>
<b>ITEM 7: ESTIMATED INITIAL INVESTMENT .....</b>	<b>11</b>
<b>ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....</b>	<b>12</b>
<b>ITEM 9: FRANCHISEE’S OBLIGATIONS .....</b>	<b>14</b>
<b>ITEM 10: FINANCING .....</b>	<b>15</b>
<b>ITEM 11: FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....</b>	<b>15</b>
<b>ITEM 12: TERRITORY .....</b>	<b>23</b>
<b>ITEM 13: TRADEMARKS.....</b>	<b>26</b>
<b>ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION .....</b>	<b>28</b>
<b>ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....</b>	<b>29</b>
<b>ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....</b>	<b>30</b>
<b>ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION .....</b>	<b>30</b>
<b>ITEM 18: PUBLIC FIGURES.....</b>	<b>34</b>
<b>ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS .....</b>	<b>34</b>
<b>ITEM 20: OUTLETS AND FRANCHISEE INFORMATION .....</b>	<b>35</b>
<b>ITEM 21: FINANCIAL STATEMENTS.....</b>	<b>40</b>
<b>ITEM 22: CONTRACTS .....</b>	<b>40</b>
<b>ITEM 23: RECEIPTS.....</b>	<b>40</b>

**EXHIBITS**

- A. Franchise Agreement
- A-1. General Release Form
- B. Financial Statements
- C. Agents for Service of Process; State Administrators
- D. List of Franchisees
- E. Operating Manual Table of Contents
- F. State Addenda to the Disclosure Document
- G. State Effective Dates
- H. Receipt

## **ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language, this disclosure document uses “we,” “us,” “our,” and “C12” to refer to The C12 Group, LLC, the franchisor. “You,” “your,” and “yours” refer to the individual, corporation, limited liability company, partnership, or other entity that buys a C12 franchise. “FDD” means this Franchise Disclosure Document. If the franchisee is an individual, the terms “franchisee” and “Principal Chair” as used in this FDD both refer to such franchisee. If the franchisee is an entity, the term “Principal Chair” means the person owning the largest percentage of voting equity in such franchisee entity, or the agent designated by the entity to be the responsible party(ies) operationally to the Franchisor. An “Associate Chair” is a person who is not a franchisee but who has been selected by both C12 and the franchisee to perform many of the same functions such as building and facilitating Business Forums within the Principal Chair’s franchise area. An “Area Chair” is either a “Principal Chair” or an “Associate Chair.”

### **Franchisor, Parent, and Affiliates**

C12 is a Texas limited liability company, and our principal business address is 777 E. Sontera Blvd., Suite 305, San Antonio, TX 78258. C12 was organized under the laws of North Carolina on January 1, 2005 and was converted to a Texas limited liability company on August 29, 2016 when we moved our principal place of business from North Carolina to Texas.

We do not have a parent entity. We do not have any affiliates.

### **Agent for Service of Process**

Our Agent for Service of Process is Michael Sharrow whose address for service of process is 777 E. Sontera Blvd., Suite 305, San Antonio, TX 78258. Michael Sharrow is the Agent for Service of Process for each state listed in Exhibit C with the exception of those states which list a specific Agent for Service of Process in Exhibit C.

### **Prior Experience**

C12 was originally founded in Florida in 1992 as a sole proprietorship owned and operated by Lester (Buck) Jacobs. That Florida sole proprietorship, whose address was 656 Flamingo Dr., Apollo Beach, Florida 33572, is the first of C12’s two predecessors. The Florida sole proprietorship was reorganized as a Florida limited liability company by the filing of its articles of organization with the Florida Secretary of State on March 20, 2001. The Florida limited liability company was merged into the North Carolina limited liability company on January 1, 2005, with the North Carolina limited liability company being the surviving entity of the merger. The North Carolina limited liability company was “redomesticated” into a Texas limited liability company on September 1, 2016 by way of a statutory conversion process.

C12 has offered franchises since 2007. Neither C12 nor any affiliate of C12 (of which there are none as of the effective date of this FDD) has ever offered franchises in any line of business other than that being offered to franchisees as described in this FDD and has never operated any type of business other than that being offered to franchisees as described in this FDD. No predecessor of C12 has: (a) offered franchises in

any other line of business other than that being offered to franchisees as described in this FDD, or (b) operated any type of business other than that being offered to franchisees as described in this FDD.

C12's business model has been substantially the same since it was founded as a sole proprietorship in Florida by Mr. Jacobs in 1992. This business is an executive development program to serve the needs of Christian business owners, CEOs, presidents, and their key staff. This business was operated as a sole proprietorship from October 1992 through March 19, 2001, as a Florida limited liability company from March 20, 2001 through January 20, 2005, as a North Carolina limited liability company from January 21, 2005 through August 31, 2016, and as a Texas limited liability company from September 1, 2016 to present. The foregoing are the only predecessors of C12.

### **The Business We Offer**

C12 offers for sale and sells franchises. C12 does not operate any franchises itself in any line of business and operates no business other than its obligations as franchisor owed to its franchisees.

The business to be conducted by the franchisees is comprised of an executive development program to serve the needs of Christian business owners, CEOs, presidents, and their key staff, in which franchisees facilitate monthly Business Forum meetings, provide monthly one-on-one consultation, host seminars, and provide customized business and ministry-oriented materials and information to enhance the life and performance of their local members. C12 defines a Christian as a person who believes that Jesus Christ is Lord, the whole Bible is wholly true, and that God has an eternal plan for each believer's life and business, without regard to any particular religious affiliation or denomination in which such believing person participates. The market for the sale of franchises is comprised of such Christian persons. C12 Group franchisees ("Principal Chairs") will operate Business Forums themselves, and they may optionally hire individuals ("Associate Chairs") to operate additional Business Forums within their Territory.

### **Applicable Regulations**

There are no local, state, or federal regulations that are specific to the operation of a C12 franchise.

### **Competition**

Competition to a franchisee's business generally includes organizations designed to create business peer advisory groups, the most common purpose of which is to improve the participants' skills as business leaders. Tools used by such organizations may include mentoring, distribution of educational materials, and topical speakers. Our franchisees will face competition from national and regional competitors including franchised and non-franchised businesses.

### **ITEM 2: BUSINESS EXPERIENCE**

**President, Chief Executive Officer & Board Director: Michael W. (Mike) Sharrow (May, 2016 – present)**

Since May 2016, Mr. Sharrow has served as our President, Chief Executive Officer and a member of our board of directors. From April 2013 to April 2016, Mr. Sharrow was a partner of Los Garrios LLC d/b/a C12 Central Texas, a C12 franchisee in San Antonio, TX. From 2011 to March 2016, Mr. Sharrow was a C12 Chair for the C12 Central Texas franchise in San Antonio, TX.

**Vice President of Marketing & Operations: Michele Jech (November 2024 – Present)**

Michele Jech has served as our Vice President of Marketing & Operations since November 2024. From November 2023 to November 2024, Ms. Jech served as our Vice President of Marketing. Prior to that, she served as the Executive Pastor of Bandera Road Community Church in San Antonio, TX from March 2016 to November 2023.

**Vice President of Global Field Operations: Sérgio Damiani (May 2024 – present)**

Sérgio Damiani has served as our Vice President of Global Field Operations since May 2024. He has also served as the Managing Director of Damiani Business Development Consulting in San Antonio, TX since January 2024. From June 2018 to December 2023, Mr. Damiani served as the Managing Director of C12 Brasil in Curitiba, Brazil.

**Board Director & Chairman of the Board: David (Dave) Dunkel (January, 2004 – present)**

From 1980 to 2021, Mr. Dunkel has served as chairman and chief executive officer of Kforce Professional Staffing (NASDAQ – KFRC), transitioning to Executive Chairman after retiring as CEO effective January 1, 2022. A C12 member since 1995, Mr. Dunkel has been a member of C12's board of directors from May 2004 to present, assuming the role of chairman of the board of directors in 2016. Mr. Dunkel serves in such capacities from his location in Tampa, Florida.

**Board Director: Rod Smith (July, 2017 – present)**

Rod is the owner of HundredFold Life, operating as EOS Implementers franchise and related professional services since 2021. Prior to that Mr. Smith was Chief Operating Officer for Arthritis Relief Centers in San Antonio from 2020-2021, previously serving as President of Health by Design, LLP in San Antonio, TX from 2016 - 2020. Mr. Smith became a C12 member in 2011 and a member of the board of directors in July 2017. He currently serves in his capacities from his location in San Antonio, Texas.

**Board Director: Alan Barnhart (January, 2018 – present)**

Since 1986, Mr. Barnhart has been serving as CEO of Barnhart Crane & Rigging in Memphis, TN. A C12 member in Memphis, TN since 2013, he joined the board as a director in January 2018. Mr. Barnhart serves in such capacity from his location in Memphis, Tennessee.

**Board Director: Douglas Grant Edwards (January, 2021 – present)**

Since January 2008, Mr. Edwards has been the Owner/Franchisee and Principal Chair of C12 Group Upstate SC. He currently serves in his capacities from his location in Greer, South Carolina.

**Board Director: Steven Todd Hayes (January, 2021 – present)**

Since December 2000, Mr. Hayes has served as a Senior Partner and Senior Managing Director of Gallagher Corporation/Humana Capital Group (Gallagher Corporation purchased Humana Capital Group in September 2019) in Brentwood Tennessee. Mr. Hayes has been a C12 Member since 2011 and currently serves in his capacities from his location in Brentwood, Tennessee.

**Board Director: Vincent (Jay) Fechtel, III (January, 2018 – present)**

Since 1988 Mr. Fechtel has served as the Chief Executive Officer and Owner of The Fechtel Company in Tampa and St. Petersburg, FL. Since 1992, he has served as a founding member of the C12 Business Forum. Since 2010, he has been the owner of Olive Tree Energy located in Tampa and St. Petersburg, FL.

**ITEM 3: LITIGATION**

In the Matter of The C12 Group, LLC, Administrative Proceeding Before the Securities Commissioner of Maryland, Case No. 2011-0530. In responding to inquiries from the Maryland Securities Division as a result of an investigation into the franchise related activities of The C12 Group, LLC (“C12”), the Maryland Securities Commissioner (“Commissioner”) concluded that grounds exist to allege that C12 violated the registration, disclosure and antifraud provisions of the Maryland Franchise Law and an Escrow Order of the Commissioner, in relation to the offer and sale of a C12 franchise. C12 disclosed that it sold a franchise in Maryland during a time it was not registered to offer and sell franchises in Maryland and that it did not deposit any initial fees paid by the franchisee into escrow account as required pursuant to a 2009 Escrow Order of the Commissioner. On May 15, 2012, the Commissioner and C12 agreed to enter into a consent order whereby C12, without admitting or denying any violations of law, agreed to: immediately and permanently cease from the offer and sale of franchises in violation of the Maryland Franchise Law; promptly file and diligently pursue an application for franchise registration in Maryland; and offer rescission to the franchisee who was sold a franchise in Maryland in violation of the Maryland Franchise Law.

Other than this action, no litigation is required to be disclosed in this Item.

**ITEM 4: BANKRUPTCY**

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

**ITEM 5: INITIAL FEES**

Before you commence operations, you will pay the following fees to us:

1. \$10,000 Prepaid Marketing Fund Fee
2. \$12,000 Training and Technology Fee
3. \$12,500 - \$37,500 Franchise Fee

The Training and Technology Fee is paid to us upon signing your Franchise Agreement and no later than two weeks prior to your scheduled training. If you notify us in writing at least two days before training that you are not moving forward with the franchise, we will refund the Training and Technology Fee to you. If

you decide to not move forward with the franchise during training, we will refund 50% of the Training and Technology Fee to you. At the end of training, you will pay us the franchise fee and the \$10,000 Prepaid Marketing Fund Fee. The Prepaid Marketing Fund Fee is used by us to foster your initial business activities. If you do not meet Training Week requirements, you will be given a plan of remediation to complete, and you may be required to train a second time at our discretion, at an additional \$2,500 fee. Should you still not meet the Training Week requirements or if the Franchise Agreement is terminated under any other circumstances prior to the Prepaid Marketing Fund being fully used, we may only return whatever portion of the Marketing Fund that has not already been used. Other than as described above, all fees making up the Initial Franchise Fee are non-refundable.

The Initial Franchise Fee varies based on the size of the Territory granted to you in your Franchise Agreement (a “Franchise Unit”). Franchise Units are \$25,000 per 1.0 Franchise Unit (0.9 – 1.1 units) with “Franchise Unit” otherwise already defined from a calculation basis. If a defined territory for purchase is less than or more than 1 Franchise Unit, the price shall be the actual multiple of Franchise Unit price and no less than \$12,500. The largest territory we usually award is 1.49 Franchise Units, which would be a Franchise Fee of approximately \$37,500.

For example, a metropolitan market with a defined territory possessing 1.3 Franchise Units worth of eligible customers would consist of a \$32,500 Franchise Fee. On the other hand, a rural or less densely populated market representing 0.65 franchise units would consist of a \$16,250 Franchise Fee. A territory of 0.92 units would still consist of a \$25,000 Franchise Fee whereas a market with 0.47 units would consist of a \$12,500 Franchise Fee (\$12,500 being the minimum).

The Prepaid Marketing Fund for Territories with a larger number of Units (1.5 or greater) will be \$10,000. Territory expansion will require a payment for each additional Unit of market potential (calculated as described here and in Item 7) according to C12’s prevailing discounted Franchise Fee (i.e., currently \$20,000 per Unit for expansions), with a minimum \$2,500 paid to C12.

Other than as described above, all initial franchisees fees are non-refundable.

**ITEM 6: OTHER FEES**

Type of fee	Amount	Due Date	Remarks
Royalty Fee <sup>1</sup>	Currently 17%-30% of Gross Billings <sup>1</sup>	5 <sup>th</sup> calendar day of each month	Paid as a percentage of monthly C12 member billings (including CEO Forums and Key Players Forums) based on a sliding scale between 17%-30% of gross revenues.  The current monthly billing thresholds and Royalty Fee tiers are found below in Note 1.  The Royalty Fee tiers will not

			increase during the Term of your Franchise Agreement, but they may be increased if you renew your Franchise Agreement. The Royalty Fee tiers have only been increased one time in the past seventeen years, and that was made in conjunction with increased product offerings and after consulting with our franchisee council.
Semi-Annual Franchisee Training Workshops	Currently \$110 per month training fee/Chair	5th calendar day of each month	Travel/lodging paid by franchisee; meals and meeting space for Principal Chair provided by C12 during mandatory on-site training. The cost of these workshops may increase by a maximum of ten percent (10%) annually to account for inflation and increased costs of hosting the workshops.
Associate Chair Training Fee	Currently \$10,000 per Associate Chair	Due two weeks prior to start of online training	Same terms as training for Principal Chair. If you hire one or more Associate Chairs to facilitate C12 Groups in your territory, subject to our approval, they will be required to attend and complete our training. The cost of this training may increase by a maximum of ten percent (10%) annually to account for inflation and increased costs of hosting the training.
Associate Chair Support Fee <sup>2</sup>	\$200 per Associate Chair that serves 9 or fewer CEOs in a Business Forum or that generates less than \$10,000 in monthly	5th calendar day of each month	When you hire an Associate Chair, you will pay us an Associate Chair Support Fee of \$200 per month until that Associate Chair facilitates a Business Forum with 10 or more CEO Members or \$10,000 in monthly

	revenues from such Business Forum		revenues. After the Associate Chair is facilitating a Business Forum with 10 or more CEOs, there is no Associate Chair Support Fee.
Optional Branded Supplies	Varies with demand	Ordered through C12 online store and paid for at that time	Covers supplies beyond baseline amount; additional ordering billed at C12 cost. The supplies included within the starter kit, provided at no additional cost to the franchisee, are intended to last not more than one (1) year. The length of time that such supplies will actually last will depend on your activities.
Monthly Late Fees	\$100 per incident plus 1.5% interest on balances over 30 days, subject to usury maximums	Day on which reporting and monthly royalty fees are remitted	Applies to late Monthly royalty fee and Activity Report
C12 CURRENT Conference	Up to \$1,000 to attend every two years	Prior to conference to secure a reservation	Travel/lodging paid by you; meals and meeting space provided by C12 during conference; family members incur fees
Optional C12 Merchandise	Then-current prices	As transacted	Purchases of books and specialty items are optional and will be at then-current prices. The cost of this optional merchandise may increase to no more than our actual cost of manufacturing, procuring, and shipping/delivering the merchandise to you.

Optional C12 Seminars, Awards Banquets, and Introductory Events	No fee	N/A	You pay for local event; C12 representative, if available, attends at no cost to you.
Local C12 Co-op Marketing	Upon approval, for qualifying expenses, we subsidize a portion equal to your Monthly effective royalty fee. You pay balance (e.g., if royalty fee is 25%, you pay 75% of marketing cost)	N/A	C12 subsidizes local direct mail and event advertising on a pre-approved basis, at same % as Monthly royalty fee. There exists no advertising fund/advertising cooperative. We will consider sharing the costs of franchisees' marketing efforts on a case-by-case basis. See Note 3 for marketing costs that are pre-approved and for C12's current criteria for approving costs for reimbursement.
Local C12 Seminars	If C12 representative participates, then fee equals 50% of your net proceeds from event.	N/A	You pay for local event, C12 representative attends and presents (when mutually scheduled); net proceeds from the event are split 50/50. If there are no net proceeds from the event, then you do not pay or otherwise reimburse C12 for its cost of sending a representative.
Member Registration	Currently: CEO - \$550 Key Players - \$330	Upon sign-up	Enrolls member and provides start-up kit. See Item 12 of this FDD for definitions of CEO and Key Player membership. This is amount due to C12, franchisee may charge more to the new member. The cost of member registration may increase by a maximum of ten percent (10%) annually.

Transfer Fee	\$6,000	On date of transfer	Transfers of franchises are subject to C12's prior approval.
Exit Fee	The average Royalty Fees paid to us over the three (3) months preceding your notice of termination multiplied by twelve (12)	Upon termination by the franchisee, if applicable.	If Franchisee terminates this Agreement due to no fault of Franchisor and Franchisee engages in or intends to engage in a competitive business serving the same customers who were otherwise engaged as members in Franchisee's C12 Franchised Business, Franchisee shall pay Franchisor an exit fee equal to (a) the average Royalty Fees paid to Franchisor over the three (3) months preceding Franchisee's notice of termination (b) multiplied by twelve (12) ("Exit Fee").

Note 1. Certain franchisees are "grandfathered in" at lower Royalty Fee rates. Otherwise, the Royalty Fee is uniformly imposed. You will pay us a monthly Royalty Fee equal to a percentage of your monthly Gross Billings (including CEO Forums and Key Players Forums) from the prior month based on a sliding scale as defined below, with payment to be received by us no later than the fifth (5<sup>th</sup>) day of each month, even if some billings are not actually collected. "Gross Billings" means the actual total amount that you charge on a monthly basis for your collective CEO Members' and Key Player Members' membership fees subject to the minimum individual membership fees of \$1,000 for CEO Members and \$475 for Key Player Members. If you charge your members less than these minimum membership fees, then your Gross Billings shall be calculated based on these minimum membership fees multiplied by the respective number of CEO Members and Key Players Members on your roster each month. If you charge more than these minimum membership fees, then Gross Billings shall be based on the higher fees that you actually charge for your memberships multiplied by the respective number of CEO Members and Key Players Members on your roster.

We may increase the minimum individual membership fees over time. The minimum membership fees for 2025 are \$1,100 per CEO and \$500 per Key Player. In 2026, these fees will increase to \$1,150 per CEO and \$550 per Key Player.

The monthly Gross Billings thresholds and applicable Royalty Fee shall be as follows:

Gross Billings	Royalty Fee
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	<b>(% of Corresponding Gross Billings)</b>
\$0 - \$13,000	30%
\$13,001 - \$26,000	27.5%
\$26,001 - \$40,000	25%
\$40,001 - \$60,000	22.5%
\$60,001 - \$80,000	20%
\$80,001 +	17.5%

Note 2. There will be a monthly support fee of \$200 per Associate Chair. This fee will terminate either once the Associate Chair has reached 10 CEO members or once the Associate Chair reaches a level of \$10,000 in monthly CEO dues revenue.

Note 3. When a franchisee submits a request for reimbursement of marketing expenses to us, we consider the nature of the marketing effort and the strategic intent behind it. The process for requesting reimbursement is set forth in the Operations Manual. To assess this, franchisees submit a document to us with detailed answers to the following questions:

- What is the purpose of the initiative?
- Who is your target?
- What exactly will you do?
- How will you succeed?
- What is the timeline?
- How much will it cost?
- What is the expected ROI and impact?
- How will you measure and report results?

Once a franchisee submits this document to us, we review and approve or deny the request within approximately 7-10 days. The following marketing expenses are currently already determined to be eligible or ineligible for reimbursement:

<b>Eligible for Reimbursement</b>	<b>Ineligible for Reimbursement</b>
Print or Digital PR Campaign Targeted Direct Mail Campaign Email Nurturing Campaign Targeted Social Media Advertising Google Ad Campaign Radio or TV Advertising Spots Event Sponsorship with Speaking Opportunity	Sports Team or Mission Trip Sponsorship Event Hosting or Printing Costs Member, Vendor, or Prospect Gifts Marketing Collateral/Material Purchase Lead or Contact List without Campaign Software Subscriptions/Membership Fees Graphic Designer/Videographer Fee Consultant

Note: Unless otherwise noted, all fees are imposed by us, are payable to us, and are non-refundable. Except as stated above, all such payments are uniformly imposed on all franchisees.

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
Initial Franchise Fee <sup>1</sup>	\$12,500 - \$37,500	Lump Sum	Upon your signing FA	Franchisor
Prepaid Marketing Fund Fee <sup>2</sup>	\$10,000	Lump Sum	Upon your signing FA	Franchisor
Training and Technology Fee	\$12,000	Lump Sum	Upon your signing FA	Franchisor
Office Equipment and Furniture <sup>3</sup>	\$0-\$1,500	As incurred	Prior to opening	Third party vendors
Technology and A/V equipment <sup>4</sup>	\$1,500-\$3,000	As incurred	As incurred	Third party vendors
Supplies <sup>5</sup>	\$0-\$500	As incurred	As incurred	Third party vendors
Additional funds (hosting local events) - 1 year <sup>6</sup>	\$500-\$2,500	As incurred	As incurred	Third party vendors
<b>TOTAL<sup>7</sup></b>	<b>\$36,500-\$67,000</b>			

Notes:

1. This is for a 1.49 Unit or smaller Territory.
2. The Prepaid Marketing Fund of \$10,000 is for Territories of up to 1.49 Units. Territories larger than 1.49 Units will require a payment for each additional Unit of market potential (calculated as described in Item 5 and here) according to C12's prevailing Franchise Fee (i.e., currently \$25,000 per Unit). The Prepaid Marketing Fund for Territories with a larger number of Units (1.5 or greater) will be \$10,000. Territory expansion after the initial Territory purchase will require a payment for each additional Unit of market

potential (calculated as described in Item 5 and here) according to C12's prevailing discounted Franchise Fee (i.e., currently \$20,000 per Unit) with a minimum of \$2,500 paid to C12.

3. Typically home office based; possible need for desk, chair, telephone(s), and files.

4. Apple laptop/tablet, projection, sound and recording equipment necessary to conduct C12 meetings with mixed media format.

5. Generally not necessary as C12 provides initial complement of branded marketing materials and meeting facilitation supplies which should cover first 90 days or more.

6. Computer/iPad, projection equipment, screen, and other audio-video equipment related to delivery of C12 content during group meetings and other miscellaneous expenditures during first year of operations.

7. Unless otherwise noted, all fees are imposed by us, are payable to us, are non-refundable and subject to change. C12 does not provide any financing for any of the fees referenced in the immediately preceding table. In addition to the assumptions and descriptions contained in the footnotes to the immediately preceding table, C12 has estimated the fees in the table on the basis of its prior operation, since 1992, of businesses the same as or substantially similar to the business to be operated by the franchisee along with experience of actual franchisees.

## **ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **Required Purchases from C12**

You are required to purchase New Member Registration Kits from us whenever you have a new member sign up with your C12 Forum. You will pay us flat fees for each CEO Member and Key Player Member, and you will charge that fee (or a greater fee) to such members. Other than New Member Registrations, you are not obligated to purchase or lease from C12 or any specified sources any equipment, services, supplies, fixtures, computer equipment and network peripherals, signs, inventory or real estate during the establishment or operation of your business. Mike Sharrow, David Dunkel, Douglas Grant Edwards, Steven Todd Hayes, and Vincent (Jay) Fechtel, III own interests in C12 and will indirectly derive revenue from required franchisee purchases of New Member Registration Kits. Otherwise, neither C12 nor any individual listed in Item 2 has any ownership interest in any business that is a supplier to C12's franchisees. No requirement is made for specific purchases and leases by the franchisee and as a result no revenue or material consideration is received by C12 or any individual listed in Item 2.

### **No Restriction on Purchases from Suppliers**

You are supplied, at no additional cost to you, a start-up supply of C12 printed and electronic materials upon completion of initial training, as well as access to C12 web resources. Also, you may purchase additional supplies as needed via an exclusive C12 web store pre-loaded with appropriately branded collateral. All C12 monthly meeting materials are to be used in compliance with the Brand Standards established by C12 and are to be printed and supplied by C12 at no additional cost to you, or, at your option, printed locally by you (or your contractor) at your own expense on C12 specified paper (either blank paper or template sheets).

Monthly Business Forum Meetings are to utilize C12's prescribed monthly agenda, curriculum, mixed-media format, and facilitation notes and forms which are supplied at no additional cost either in hard copy or downloadable format from a web platform supplied by C12. You may supplement these materials with

others of your own choosing and utilize helpful resources to enrich your members' overall C12 experience (e.g., lunchtime videos or handouts) in a manner which does not modify the intended standard C12 meeting flow and process. If the C12 Business Forum meeting agenda should change, C12 home office will let you know in written communication prior to the delivery of the following month's material.

All meetings are to be facilitated in compliance with the Field Operations Manual and the Brand Standards Guide provided during initial and subsequent training.

We estimate that required purchases and leases will be approximately 80% to 90% of your total expenses incurred in the establishment of your C12 franchise. We estimate that required purchases and leases will be approximately 30% to 35% of your total expenses incurred in the ongoing operation of your C12 franchise.

C12 estimates that at least ninety percent (90%) of all materials and supplies required to facilitate an effective monthly Business Forum meeting and conduct monthly one-on-one consultation sessions with each member will be routinely supplied by C12 at no additional cost to you. The optional items which you may also order are sold at a cost intended merely to offset C12's costs. C12 aims to produce elements of its process centrally whenever this serves as an advantage (cost/quality/service) to our franchisees.

C12-branded marketing materials are to be employed in a manner consistent with C12's established brand identity and trademark, including without limitation displaying C12's name, logos, and tag lines, as they may exist from time to time, only in styles, colors, and formats as are approved by C12 (see FA Section I). You must maintain updated information regarding your local franchise on the C12 website. You are to adopt C12's standard satellite website, business card and stationery, at C12's expense, immediately upon becoming a franchisee unless otherwise given specific approval by C12. Such pre-approved incorporation or access of C12's web platform into another 'umbrella' web or print medium must be solely funded by you and must comply with C12's requirements regarding C12's brand marketing and use of proprietary marks and materials, including without limitation displaying C12's name, logos, and tag lines, as they may exist from time to time, only in styles, colors, and formats as are approved by C12 (see FA Sections I, IV, and VII) and must provide the same prescribed utility and information to C12 at a minimum. You must also adhere to monthly operating report formats and timing, payment methods and timing, and C12's standard member registration process forms and payment protocols (see FA Section IV). Further guidelines and protocols are maintained in the Franchise Operations Manual.

During the fiscal year ending December 31, 2024, we received \$458,500 from required franchisee purchases of New Member Registrations, which represented 5.8% of our total revenue of \$7,852,914. We do not provide material benefits to a franchisee based on their purchase of a particular product, service, or use of a particular supplier.

## **Insurance**

We do not require you to purchase insurance beyond what you are required to maintain under state law where you operate, which may include workers compensation insurance.

## **No Cooperatives**

We do not have any purchasing or distribution cooperatives established at this time.

**ITEM 9: FRANCHISEE’S OBLIGATIONS**

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

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	IV, V	5, 7
c. Site development and other pre-opening requirements	III, IV, V	5, 7, 11
d. Initial and ongoing training	III, IV	5, 6, 7, 11
e. Opening	III, IV	7, 11, 15
f. Fees	V, VI	5, 6, 7
g. Compliance with standards and Policies/Operating Manual	I, IV	8, 16, 17
h. Trademarks and proprietary information	I, IV	13, 14
i. Restrictions on products/services offered	I, IV, IX	8, 15, 16, 17
j. Warranty and customer service requirements	IV	12, 16, 17
k. Territorial development and sales quotas	I, IV, VI, VII	5, 12, 16
l. Ongoing product/service purchase	VI, VII	6, 8, 11
m. Maintenance, appearance, and remodeling requirements	NA	NA
n. Insurance	IV	NA
o. Advertising	III, IV, VI, VII	6, 7, 8, 11, 13, 14
p. Indemnification	Not Applicable	Not Applicable
q. Owner’s participation/management/ staffing	IV, XVIII	15
r. Records and reports	IV	6, 8, 11, 16
s. Inspections and audits	IV	16
t. Transfer	X	17
u. Renewal	I, II	12, 17
v. Post-termination obligations	IV, VIII, IX, X	12, 15, 17
w. Non-competition covenants	I, IV, IX	12, 17

x. Dispute resolution	XII	17
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## **ITEM 10: FINANCING**

C12 does not offer financing of any kind for its franchisees. C12 does not guarantee any lease, note, or other obligation of franchisees.

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

**Except as listed below, C12 is not required to provide you with any assistance.**

### **Pre-Opening Assistance**

Our obligations before commencing operation of your franchise include:

1. C12 does not participate or assist in locating a site or negotiation for the purchase of or lease of a site for your business, nor does C12 approve the site of your business. C12 does not construct, remodel, or decorate your meeting premises. C12 does not hire or train employees that work for the Area Chairs’ C12 businesses. C12 will engage you in a seven-step selection process including, but not limited to: initial inquiries, conversations and evaluations, application submittal and review, visitation of an existing C12 meeting, assessments (for example, on-line Leading Dimensions Profile), and due diligence (reference checks, credit check, criminal background check), exchange of disclosure documents and draft agreements, in-person meeting(s) with C12 leader(s), Board interviews, and final evaluation and examination prior to the New Chair Training.
2. Granting you a franchise to operate as a C12 franchisee within a designated Territory upon the payment of the Initial Franchise Fee (FA Sections III, IV, and V).
3. Providing you with an intensive five-week training program (New Chair Training), including four weeks of guided, self-study combined with weekly live webinar training with a C12 Trainer, followed by a one-week on-site Training Week at the C12 home office (FA Sections III, IV) which includes: orientation to C12’s vision, mission, core values, doctrine, and promise; discussion of C12’s process, materials, protocols, methods, affiliates, and C12 services/resources; actual CEO Forum visitation and audit; discussion of Territory development and your specific business plan and action plan; and approval of your business plan. Training Week must be completed to C12’s satisfaction.
4. Providing you with a Franchise Training Manual (FA Section III) and additional training materials. The contents of the current version of the Franchisee Training is set forth in Exhibit E.
5. Supplying initial start-up materials to aid in prospect development, member recruitment, and meeting facilitation, including guest binders, forms, stationery supplies, website-based resources, and promotional materials (FA Section III). The franchisee is responsible for purchasing and maintenance of a color printer and computer projector for their practice as needed with an

estimated cost between \$300-\$1000 to purchase (FA Section IV.1.b).

6. Supplying foundational print and audio resources, including online resources, which share content from C12 and affiliates (FA Section III). These will generally be made available prior to and during Training Week.

## **Continuing Assistance**

Our obligations to you during the operation of your franchise include:

1. To co-plan a C12 executive briefing event, where an experienced C12 leader, peer, member, or other contributor will travel to your Territory at no cost to you to provide a C12 overview presentation to prospects and help you to address questions (FA Section III). You will incur the cost of locally hosting the event and you must schedule this event to coincide with the availability of one of C12's leaders or designated representatives. This is not a part of the Prepaid or Co-op Marketing funds. C12 will conduct on your behalf a turnkey direct mail campaign as one means to generate prospects for these initial meetings (hereinafter "C12 Direct Mail Campaign") (FA Section III). C12 has arranged for mailing lists, a contracted mail house, marketing materials, and options for letter format and style from which you may select when you order a C12 Direct Mail Campaign in conjunction with your first Introductory Event. C12 will subsidize and co-op a portion of your campaign's cost (i.e., currently 17.5-30% based on your prevailing monthly royalty fee as a % of billings), as further described in 14 below (FA Section III), and the balance of the cost will be paid from the Prepaid Marketing Fund that has been designated from your Initial Franchise Fee. If you order any additional C12 Direct Mail Campaigns after your Introductory Event, C12 will continue to subsidize and co-op a portion of your campaign's cost (i.e., based on your prevailing monthly royalty fee as a % of billings), as further described in 14 below (FA Section III).
2. Including you, your Territory, noteworthy local information, and planned area event/meeting dates and locations on the C12 websites (C12forums.com & JoinC12.com) if you provide the necessary information (FA Section III).
3. Providing you with ongoing telephone and email consultation regarding Territory development and member/group facilitation (upon request) (FA Section III).
4. Providing the mandatory Sales Training Series currently offered in weekly one-hour group coaching sessions (FA Section III.3.b).
5. Maintaining C12 websites (www.c12forums.com & www.JoinC12.com) with an Area Chair community portal, downloadable resources, and on-line ordering for routine elements of franchise operation. You will be given a unique username and password to access these functions (FA Section III).
6. Providing you with on-going monthly supply of C12 meeting materials in both digital and print

media including mixed-media stack for meetings, along with digital/email copies of applicable materials (i.e., monthly agendas, curriculum, facilitation notes) and hard copies of member curriculum mailed to you in advance of each month's meetings (FA Section III). This includes CEO Forums and Key Players.

7. Providing you with an on-going re-supply of C12 meeting process forms and promotional materials (FA Section III).
8. Engaging in monthly teleconference calls with other members of the C12 Principal Chairs community, hosted and funded by C12, to discuss each month's meeting materials, Territory development and events, and issues of common interest (FA Section III).
9. We provide an annual franchise compliance administrative update letter to franchisees, reporting on the franchisee's compliance and outlining any updates to the FDD.
10. Providing a localized C12 website (e.g., [www.C12Atlanta.com](http://www.C12Atlanta.com)) and C12 email address (e.g., [Paul.Tarsus@C12forums.com](mailto:Paul.Tarsus@C12forums.com)) to help you establish a unique web face consistent with C12's overall web presence (FA Section III). These standardized elements are hosted by C12 at no cost to you. Additional customizations can be negotiated at cost to the franchisee, and all digital activities must be in compliance with C12 Brand Standards and approved prior to being live online as set forth in the Operations Manual.
11. Providing you with valuable tools and resources for your own use and for your members' use where applicable. Current examples include financial modeling services, strategic planning and implementation tools, an Annual Business Planning Process, a subscription to digital video content from national experts in business and ministry fields. We generally provide you with access to these tools and resources at no additional cost to you.
12. Maintaining, at our sole discretion and budget, a program of C12 brand advertising and publicity in national and regional/local online and print publications as well as websites to help drive leads through our website and home office to Area Chairs across the network (FA Section III). There is no advertising or marketing fund applicable to you with respect to this national advertising. There are no advertising or marketing cooperatives among franchisees. There is no advertising council that advises C12 with respect to its advertising. C12 utilizes primarily its in-house staff in developing advertisements but may from time to time retain advertising or marketing firms and/or graphic design artists to contribute to any particular campaign. There is no requirement that you expend any particular amount on advertising and/or marketing beyond the initial \$10,000 in Prepaid Marketing paid along with the franchise fee. We also provide you with sample formats and artwork to assist with your local efforts. If you do conduct advertising, we require you to follow the C12 Brand Standards Guide (FA Section III). There are no other advertising cooperatives or councils in place.
13. Performing marketing and promotions in your Territory by spending the Prepaid Marketing Fund on initiatives that directly promote the formation of new C12 Business Forums in your Territory. Prepaid Marketing expenditures that qualify for payment include C12 Direct Mail

Campaigns related to C12 introductory events or meetings, procurement of qualifying lists of leads, local advertising, banners and other displays for exhibiting, event sponsorships, and e-marketing. The use of the Prepaid Marketing Fund and percentage used for different approved expenditures vary for each individual practice and Chair. You are to follow the C12 Brand Standards Guide. Items which do not qualify include software related to contact or customer relationship management, regular subscriptions (e.g., Constant Contact), food and beverage, catering, organizational membership dues, space rental for events or meetings, audio-visual equipment, and general supplies. Upon your submission of written requests with applicable documentation, C12 will reimburse you for your out-of-pocket expenditures on qualifying Prepaid Marketing Expenditures up to the limit of the balance available in the Prepaid Marketing Fund. C12 will make payments directly to vendors in the cases where C12 administers the marketing initiative on your behalf. You are not precluded from spending on non-qualifying marketing items or spending amounts greater than the \$10,000 Prepaid Marketing Fund, but such costs will be borne solely by you. C12 will provide you with a periodic Prepaid Marketing Fund financial statement upon your request. C12 audits the Prepaid Marketing Fund account monthly. C12 uses the Prepaid Marketing Fund to solicit for new franchisees. For the purpose of promoting the formation of new C12 forums, C12 requires you spend the full prepaid marketing fund within 18 months of the execution of this agreement, and any unspent amounts will be forfeited as of that date.

14. Maintaining a C12 Marketing Co-op whereby C12 will pay a share of the cost of C12 marketing expenses both including the expenses related to the Prepaid Marketing Fund and all other eligible C12 marketing expenses at a rate equal to your applicable Monthly royalty fee %. This is a cooperative between you and C12 and not an advertising or marketing cooperative between you and other C12 franchisees.
15. The C12 marketing expenses related to marketing activities and items are those specifically approved and administered by C12, which include C12 Direct Mail Campaigns and C12-endorsed lead lists (e.g., InfoUSA). Upon your submission of a C12 Marketing Co-op Request Form with applicable documentation, C12 will review, approve, and make payment accordingly.
16. Hosting semi-annual training workshops, which are required for the entire C12 Area Chairs community, typically for two to three days in the fall, and two to three days in the spring of each year (FA Section III). During the years when a C12 CURRENT conference is held, it is intended for the workshop to be planned for the days before. Franchisees pay a \$110/month training fee for participation in both semi-annual mandatory national chair training gatherings and semi-annual regional chair events; franchisees bear their own costs for travel and lodging (FA Section III).
17. Hosting a periodic C12 CURRENT conference where C12 community members (board, Area Chairs, members, spouses, affiliates, friends, and non-member Christian business leaders) meet for a special two-day conference in a resort/hotel setting to enjoy highly focused Kingdom/business equipping and fellowship. A subsidized conference fee at a discount of the published rate (to cover cost of sessions/meals) is charged to C12 Area Chairs. Standard charges

typically apply for spouses, family members, personal travel, and lodging (FA Section III).

18. Assisting you with on-going local C12 events, seminars, and awards banquets in your local Territory by providing formats, selected support materials, and perhaps a speaker (when mutually scheduled in advance) (FA Section III). When events are specifically planned with the primary purpose of expanding local C12 membership, C12 may subsidize the marketing cost (e.g., pre-approved turnkey C12 Direct Mail Campaign) at the rate of your Monthly royalty fee % against total billings, subject to your application and C12's approval.
19. We will provide you with an annual credit of \$500 to purchase C12 promotional materials from our online store.
20. We will provide you with suggested pricing for initial membership packages and memberships, but you will set your own pricing for these items. We do not set minimum or maximum prices at which you must sell products and services. (FA Section IV.7.d.)

### **Site Selection and Assistance**

We provide guidance during Training Week for the kind of venue you should arrange for introductory events and for Business Forum meetings.

C12 imposes no meeting site selection criteria or requirements upon you, except that the meeting site must be consistent with high-quality standards of a board meeting location such as a private country club or resort setting that a member would customarily find private, comfortable, and refreshing. Regular Business Forum meetings should not occur in member workplaces unless an exception is granted by C12, and all meeting experiences should comply with the Field Operations Guide and Meeting Playbook standards.

### **Time to Open**

The typical length of time between signing the franchise agreement and opening for business is ninety (90) days, which depends on how quickly you attend and complete our initial training program.

### **Advertising Assistance**

You are not obligated to conduct advertising beyond your \$10,000 Prepaid Marketing. As set forth in Section 9 above, we elect to conduct advertising using print, direct mail, and Internet advertising on a local, regional, and national basis, and you are not required to contribute to this advertising. At your election, you may advertise locally for a specific event or campaign. Additionally, you have an opportunity to request C12 Marketing Co-op support as described in 14 above. We are not required to spend any amount of money advertising in your territory.

In our fiscal year ended December 31, 2024, we spent \$346,680 on marketing fees. Of this amount, 53% was spent on media placement, 42% was spent on media production, 4% was spent on administrative expenses, and 1% was spent on other marketing expenses. You may obtain an

accounting of the marketing fees by submitting a written request to us.

**Computer Requirement**

The personal computer we require you to use in the day-to-day operation of your Franchise must be capable of operating Microsoft Office programs (Word, Excel) as well as Apple/Mac products (Keynote) and Google Suite web products. Prices for such computer hardware vary widely depending in part on the other features you select as components of such hardware and whether you select a laptop or a desktop computer. However, if you do not already have such a computer, you should anticipate a minimum purchase price for such hardware of \$1,000. In addition to a computer, other devices, projection, audio/visual, and recording equipment will be needed as mentioned below; the cost of purchasing such equipment will vary based on need and is estimated between \$300-\$1,000. Prices charged for Microsoft Word, Excel, and PowerPoint also may vary widely. As of the date of this disclosure document such cost is estimated to be a minimum of \$700. You must also have high-speed internet and emailing service capable of receiving 300+ MB files. You also will need a laser or inkjet color printer to locally print supplemental C12 materials periodically. We also reserve the right to require you to acquire a suitable computer projector in the future as certain elements of the C12 monthly process may be deliverable via web or video delivery. Generally, C12 franchisees operate out of a home office, although those building a multi-unit practice or affiliated with another business entity may choose to operate from a commercial office location at their discretion. We will not have independent access to franchisees’ computer data and information. Any updates of computer hardware or software requirements or related equipment will be set forth in the annual franchise compliance administrative update letter. There is no cost associated with maintenance, updating, upgrading, or support of the C12 App and CRM, which C12 maintains and provides for you. We do not require you to keep your computer updated, but we estimate that you may incur approximately \$1,000 every 3-4 years to update or replace your computer.

Monthly Business Forum meetings are to utilize C12’s prescribed monthly agenda, curriculum, and facilitation notes and forms in a mixed media format, including digital video and audio. In order to deliver the required content at monthly Business Forum meetings with mixed media capability, you are required to acquire necessary computer devices, projection, audio/video and recording equipment sufficient to project digital video and broadcast audio for each place in your Territory (which marks the opening of your business). This timetable presumes initial prospect contact work via direct marketing and/or personal circle-of-influence selling to take place over the course of the first 90 days following Training Week.

**Training Program**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>

<p><b>Part I - Virtual Component:</b> 4 weeks x 1.5 hours per week. Facilitated training and discussion plus assignments through the week to include video-based and e-learning self-study modules, assigned reading, territory research, forum venue scouting, shadowing area C12 Forums, framing out business plan, crafting sales presentations, and sourcing leads.</p> <ul style="list-style-type: none"> <li>• C12 platforms, processes</li> <li>• Training process and timeline</li> <li>• C12 history and founder</li> <li>• C12 mission/vision/values/culture</li> <li>• C12 Business model</li> <li>• C12 Brand (nomenclature and ethos)</li> <li>• C12 Value Proposition</li> <li>• Business-as-a-ministry Framework</li> <li>• Practice Lifecycle</li> <li>• Territory success metrics</li> <li>• Launch plan framework</li> </ul> <p><b>Note:</b> Includes an additional 16 hours of self-study (4 hours x 4 weeks)</p>	<p>7.5  (1.5 hours x 4 weeks)</p>	<p>15 - 25</p>	<ul style="list-style-type: none"> <li>• Web-based, facilitated from San Antonio, TX</li> <li>• Learning Management System (“LMS”) portal (online learning)</li> <li>• On-the-job in Franchisee’s city</li> </ul>
<p><b>Part II – In-Person Component:</b> 5 days, approx. 36 hours total. Facilitated practicum with hands-on practice in all aspects of C12 Chair activity.</p> <ul style="list-style-type: none"> <li>• Administrative practices</li> <li>• Presentation skill development</li> <li>• Forum facilitation simulation, observations</li> <li>• One-on-one coaching simulations facilitation, observations</li> <li>• Sales pipeline management</li> <li>• Marketing strategies</li> <li>• Lead generation</li> <li>• Introductory event planning</li> <li>• Closing process</li> <li>• Launch Plan Checklist</li> </ul>	<p>8 - 10</p>	<p>30</p>	<p>C12 HQ, San Antonio, TX</p>
<p><b>Part III – Post-Course Component (Required During 6-Month Launch Phase):</b> Additional training, coaching, and observation, skill remediation (as needed).</p>			

Sales Skill Training (13-week course): nurturing leads, prospect conversations, sales pipeline skills; practice, observation, reporting.  <b>Note:</b> Includes an additional 13+ hours of self-study.	13  (1 hour coaching call x 13 weeks)	130 minimum  (10 hours X 13 weeks)	In the field, on-the- job, in San Antonio, TX and web-based in Franchisee's city
<ul style="list-style-type: none"> <li>• Introductory event execution</li> <li>• CEO Forum shadowing and facilitation, share observations on facilitation and meeting dynamics</li> <li>• Success metrics review</li> <li>• Review operational/administrative processes and routines</li> <li>• One-on-one coaching</li> <li>• Best practices for new Chairs</li> <li>• Using C12 tools and resources</li> <li>• New C12 member onboarding</li> </ul> <b>Note:</b> Includes an additional 18 hours of self-study (3 hours minimum x 6 months).	24  (biweekly group coaching call x 6, plus biweekly one-on-one coaching x 6)	15 - 25	In the field, on-the- job, in San Antonio, TX and web-based in Franchisee's city
IFC Accredited Executive/Leadership Coaching  <b>Note:</b> Includes an additional 4 hours of self-study.	6  (2 hours over 3 days)	28  (supervised practice and observation)	In-person at Blackaby Ministries International headquarters, Atlanta GA or C12 Chair Training event (various cities)
C12 Principal Chair Training: <ul style="list-style-type: none"> <li>• Sales Team leadership and management</li> <li>• Territory development</li> <li>• Territory marketing plan</li> <li>• Coaching and Mentoring</li> <li>• Metrics and Accountability</li> </ul>	4  (1 hour x 4 weeks)	0	In the field, on-the- job and web-based in Franchisee's city
<b>TOTAL HOURS</b>  <b>Note:</b> Includes an estimated 50 hours of self-study.	<b>52.5 – 54.5</b>	<b>216 – 226</b>	

The Training Program (New Chair Training) is mandatory. Some elements may be delivered via on-site video (e.g., DVD or web-based) presentation and training manual. The order of the delivery may vary depending upon the scheduling of the C12 CEO Forum meeting or as the Trainer may decide.

These sessions are typically located in San Antonio, Texas and conducted by Jarrod Albergaria (4 years of experience as a C12 Field Consultant and 4 years of experience with training our franchisees), Joanne Davis (2 years of experience as a C12 Area Chair and 1 year of experience with training our franchisees), and Mike Sharrow (see Item 2). We may have other individuals with subject matter expertise provide certain portions of the training sessions. We engage Topaz Sales Consulting for a required 13-week sales training program for each new franchisee, which does not have to be completed prior to a franchisee opening for business.

C12 will determine whether New Chair Training has been satisfactorily completed. Training Week will typically involve an assessment to evaluate proficiency and readiness. While it is rare for an incoming franchisee to fail to complete training to our satisfaction, C12 reserves the right to make this determination and establish a remediation plan with the franchisee. C12 has the unilateral right to evaluate your personal abilities, aptitude, calling, fit, and financial ability to qualify as a C12 franchisee. Existing franchisees have the option to retake New Chair Training for a fee of \$2,500.

## **ITEM 12: TERRITORY**

You will have a specific exclusive Territory, which is defined mutually by C12 and you and should be incorporated in your business plan development in conjunction with C12. This Territory will be defined based on geography, in terms of cities, zip codes, counties, states, or the radius around your home address. There is no minimum granted Territory size. No other franchisee shall have the right to establish, acquire, or operate a franchise within your exclusive Territory. You must reside within your Territory unless we approve otherwise. You will have the exclusive right to offer C12 services, programs, and materials in your Territory via the hosting of CEO Forum meetings and Key Players Forum meetings in that geography, with the following exceptions and restrictions:

C12 Business Forum membership is open to all qualified business owners, CEOs, and general managers (and their staffs) who agree to comply with C12's behavioral protocols, maintain confidentiality, resolve conflict through biblical methods, and participate in the C12 'iron sharpening iron' peer group process which necessitates both listening and speaking in mutual 'business-as-ministry' efforts. All members must pledge to a non-solicitation protocol. Franchisee territory figures are based upon qualified/eligible individuals and, in good faith, all members of a Business Forum should meet or exceed minimum standards.

Once you have achieved two full Business Forums, you may also request an expansion of your Territory based on a proposed business plan. C12 must review and approve any such plan before it is pursued. Territory expansion will require a payment for each additional Unit of market potential (calculated as described in Item 5 & Item 7) according to C12's prevailing Franchise Fee (i.e., currently discounted for compliant franchisees seeking to expand at \$20,000 per additional Unit). Any additional C12 Associate Chairs needed to service this expanded Territory must be mutually selected with the same high standards as Principal Chairs and trained according to C12's certification process. The cost for an Associate Chair for Training Week is \$10,000 and must be paid by the franchise and accompanied by a signed Associate Agreement at least two weeks prior to their Training Week. Franchise owners are required to complete the Associate Chair Checklist in coordination with the C12 Group development manager prior to Associate

Chair candidates attending New Chair Training to ensure alignment and success factors for new Area Chairs.

C12 grants exclusive territory to the C12 Principal Chairs (franchisees). If you fail to meet minimum required levels of target market penetration (i.e., 33% of Baseline Target within 24 months and 50% within 36 months of becoming a franchisee with at least one (1) CEO Forum with at least ten (10) CEO Members within two years of opening the business should 33% of Baseline Target be less than ten (10) CEOs), C12 has the unilateral right to redefine exclusive and non-exclusive Territory definitions but will endeavor to jointly discuss and plan such changes in advance. Each franchisee's Baseline Target is established on a case-by-case basis. C12 also reserves the unilateral right to terminate a Franchise Agreement for non-performance after a 90-day right to cure on the part of the franchisee. C12 reserves the right to require additional Baseline Target requirements after 36 months, including achieving greater than 100% of your original Baseline Target (see the example at the end of this Item 12), in order to ensure continued market growth and development. Your original Baseline Target only represents 10% of the estimated number of evangelical CEOs and senior business managers employed by companies in your Territory. During the initial launch period, the franchisee will be responsible for demonstrating good faith development pursuits demonstrated by execution of the business plan crafted during New Chair Training or making at least eight new contacts per week until two CEO Forums are operating with more than six members each. C12 reserves the right to impose a cure process in subsequent months in the case of failure to demonstrate good faith development of a Territory.

You may not solicit current or prospective C12 members who live and work outside your own Territory via direct (e.g., face-to-face, telephone, direct mail, telemarketing, email) or indirect means (e.g., via third parties, other channels of distribution such as the Internet or mutual friends). Any solicited or unsolicited inquiries from outside your Territory will necessitate that the candidate be given the opportunity to attend any Business Forum meeting in their home Territory (i.e., their 'local' CEO Forum) as well as your Business Forum before selecting the specific Business Forum they would like to join. If contacted by such a prospect, you must inform them that there is another C12 Business Forum option and provide contact information for the applicable franchisee. The qualified prospective member is free to elect, based on their own needs, priorities, and evaluation, which Business Forum they would like to join. The franchisee that is the Area Chair of that Business Forum must then decide if they are able to accommodate the candidate based on the Business Forum's existing composition and the logistics involved in the monthly one-on-one consultation sessions with the client.

We may terminate the Franchise Agreement or revise your territorial size and exclusivity in our sole discretion if, by the conclusion of the first ninety (90) days after executing the Franchise Agreement, you have not started building a CEO Forum as is demonstrated by your diligence in performing the following duties: (i) making eight (8) Contacts per week on average; (ii) attending the mandatory Semi-Annual Chair Training sessions that occur during that period as well as the Sales Training Series; (iii) launching a direct marketing campaign; (iv) having a specific plan for the first C12 introductory event and/or initial CEO Forum in the Territory, and (v) reporting to us and making progress regarding the specific Business Plan Goals and Action Plan Goals that you established with us during Training Week. (See Franchise Agreement, Section VIII.6) Except as set forth above, the definition of your Territory may not be changed without our and your written consent. You are permitted, at your expense and discretion, to relocate your business, as long as the relocation occurs within the geographic territory boundaries as clearly defined in

your Franchise Agreement. You, under the Franchise Agreement, are NOT permitted, under any circumstances, to relocate the business outside of your Territory. You do not automatically receive the right to additional Territory Units in your area. Additionally, there are no options, rights of first refusal or similar rights under the Franchise Agreement.

You also will have the non-exclusive right to serve those who live or work outside of your Territory but desire to participate in Business Forum meetings hosted in your Territory provided that you follow the same exceptions and restrictions above.

The Franchise Agreement is automatically renewed on a year-to-year basis until (1) either you give C12 a notice to discontinue at least 90 days prior to the end of the then-current term, or C12 gives you a notice to discontinue at least 90 days prior to the end of the then-current term, (2) either party should breach its terms or conditions, or (3) franchisee fails to consent to any updates or changes in the C12 business model and Operations Manual which may have occurred during the prior year by signing a Franchise Compliance Administrative Update letter each year. Compliance with the Field Operations Manual will be understood to include the Brand Standards, mandatory elements of the Meeting Playbook and One-on-One Playbook, and any standard components of the C12 member experience put forth by the C12 Group, LLC.

Except as specifically stated herein, we cannot engage in activities in your Territory that are competitive with your franchise. Nor can we operate, plan to operate, or franchise any businesses under a different trademark that will sell similar goods or services to those of this franchise in your Territory.

We have no right to solicit business for ourselves within your Territory that is competitive with your franchise, whether through alternative channels of distribution, whether via the Internet, catalogs, telemarketing, or otherwise.

We shall have the right to negotiate “enterprise” relationships with national brands and you shall agree to honor such enterprise pricing offered by us. Examples of the enterprise pricing and benefits that we may offer are (1) a 10% discount on first-year dues (as determined by the franchisee list price for local market) for new Members from certain organizations and (2) corporately discounted new membership kits and other benefits sponsored by us (e.g., access to digital products, discounts to events).

We do not pay any compensation to a franchisee for soliciting or accepting orders from inside the franchisee’s Territory.

Your Franchise Agreement will include a specified geographic Territory (the “Territory”) in which you will have the exclusive right to operate a C12 franchise which includes the right to develop and facilitate CEO Forums and Key Player Forums and to use C12 materials and resources in that Territory. “CEO Forum” is defined as a business peer executive roundtable of business owners and/or CEOs who meet together monthly to exchange advice about running their businesses and apply C12’s content and resources aligned with biblical truth to their companies. “Key Players Forum” is defined as a business peer executive roundtable of presidents, vice presidents, general managers, directors, and other executive leaders within a company which is principally led by a member of a CEO Forum and which covers and applies the same C12 content and processes as a CEO Forum.

Although a Territory is defined in terms of geography in your Franchise Agreement, the geographic size of a Territory is only one of two factors used in determining the potential value of the Territory to a C12 franchisee. The other factor is the estimated number of evangelical or “Bible-minded and practicing” Christians within the Territory who are owners, chief executive officers, or equivalent senior managers of companies having headquartered in the Territory and that have at least ten employees and/or at least \$1 million in annual revenue, excluding public and government offices, public schools, adult entertainment, and other non-applicable SIC codes (“Target Companies”). Therefore, in addition to a Territory having a geographic description in a Franchise Agreement, it also is described in terms of the number of Units included within such geographic region, with the estimated number of evangelical Christian chief executive officers and senior business managers employed by companies (“Evangelical Rate”) within the Territory having at least 10 employees and at least \$1 million in annual revenue, as calculated by C12 using data from Intelligent Direct, Inc. (“IDI”) dba GbBIS, Inc. and The Barna Group, Ltd.

For example, using October 2022 data, the Indianapolis, Indiana Metropolitan Statistical Area (MSA) included 5,590 Target Companies, with 15% of the chief executive officers or equivalent senior business managers of such Target Companies likely to be evangelical Christians. Therefore, the number of Units corresponding to that Territory would be equal to 3.49, calculated as follows:

$$5,590 \text{ Target Companies} \times 15\% \text{ Evangelical Rate} \times 10\% \text{ Market Penetration} / 24 \text{ CEOs per Unit} = 3.49$$

“Baseline Target” is defined as the specific number of C12 members for a given Territory that equates to the level of market penetration that is determined by the calculations set forth below. Each franchisee’s Companies in the Territory, the applicable Evangelical Rate for the region, and a 10% market penetration rate. This rate is based on a defined geographical area from business census data provided by IDI. It is based on businesses with 10+ full-time employees and \$1 million+ in revenue. The 10% penetration rate represents a reasonable and customary formula for establishing franchise territories.

For example, the Baseline Target for Indianapolis is as follows:

$$5,590 \text{ Target Companies} \times 15\% \text{ Evangelical Rate} \times 10\% \text{ Market Penetration Rate} = 84 \text{ C12 CEO Members}$$

**ITEM 13: TRADEMARKS**

C12 is the owner of certain trademarks, service marks, trade names, logotypes, internet domain names, and other commercial symbols which you will use under license from us through the Franchise Agreement. The C12 Group ® service marks listed below are registered with the United States Patent and Trademark Office (“USPTO”), as Principal Register federal registrations, thereby granting C12 certain presumptive rights.

TRADEMARK	REGISTRATION NUMBER	DATE OF REGISTRATION	REGISTER
The C12 Group	2,720,517	June 3, 2003	Principal

C12	4,574,577	July 29, 2014	Principal
	6,073,903	June 9, 2020	Principal
BUILDING GREAT BUSINESSES FOR A GREATER PURPOSE	6,254,358	January 26, 2021	Principal
	6,966,865	January 31, 2023	Principal
MISSIONPRENEUR FORUM	7,576,028	November 26, 2024	Principal

All required affidavits and renewals have been filed.

The C12 Group ® service marks listed below are pending registration with the USPTO, as Principal Register federal registrations, thereby granting C12 certain presumptive rights.

TRADEMARK	SERIAL NUMBER	DATE OF APPLICATION	REGISTER
Buffalo Culture	98,180,822	September 14, 2023	Principal
	98,180,817	September 14, 2023	Principal

We do not have a federal registration for the two pending trademarks in the preceding table. Therefore, our trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use the trademarks is challenged, you may have to change to alternative trademarks, which may increase your expenses.

We currently have opposition proceedings regarding our two pending trademarks. The opposition is ongoing, and the parties are working toward a settlement agreement that would allow for the registration of both marks.

You agree to use our current and future trademarks, service marks, trade names, document templates, logotypes, and domain names only in the ways we have approved in advance in writing as we have set

forth in our training and operating manuals or in other routine communications to C12, such a semi-annual workshops and via our [www.C12forums.com](http://www.C12forums.com) web-based portal for franchisee materials, resources, and information. C12 branding and marks will only be used in conjunction with the delivery of C12's goods and services and not with unaffiliated business which may be transacted by a C12 franchisee.

There are no currently effective material determinations of the USPTO Trademark Trial and Appeal Board, the trademark administrator of any state, or any court. Except as stated above, there are no pending infringements, oppositions, or cancellations concerning the principal trademarks. We have no knowledge of either superior rights or infringing uses that could materially affect your use of the principal trademarks in the state where your franchise may be located. There are no agreements currently in effect that significantly limit our rights to use or license the use of the principal trademarks in a manner material to the franchise. There is currently no pending litigation, settlement, or agreement that may limit a franchisee's use of any of our trademarks (FA Section I.5). The franchisor will control any litigation or proceeding which may ensue.

The franchisor must protect the franchisee's right to use the trademarks and must protect the franchisee against claims of infringement or unfair competition arising from the franchisee's use of them. WE agree to indemnify, defend, and hold you harmless in the event that your use of C12's trademarks in accordance with the Franchise Agreement infringes upon the intellectual property rights of a third party. You agree to notify C12 immediately when you learn of an infringement or challenge to your use of any of our trademarks (FA Section I.6).

You will not directly or indirectly contest our right to, or use of, our trademarks, trade secrets, or proprietary materials and processes that are part of our business format.

If this Agreement is terminated, you agree to immediately cease using C12's trade name, trademarks, service marks, symbols, or insignia, or any proprietary materials, forms, bulletins, advertising materials, slogans, manuals, or websites which relate to the name and marks listed in this Agreement. You will ensure this by returning to C12 or destroying residual local inventory of these materials (FA Section I.7). Any use of C12 proprietary programs, Business Forum formats, and the techniques trained via the Field Operations Manual, Meeting Playbook, Brand Standards Guide, and New Chair Training protocol will be considered violation of copyright privileges.

#### **ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the C12 Training Manual in accordance with the C12 Brand Standards guide.

The C12 Training Manual is described in Item 11 of this FDD. Item 11 also describes limitations on the use of the C12 Training Manual by you and your employees.

You also must promptly tell us when you learn about the unauthorized use of this proprietary information. We are not obligated to take any action, but we will respond to your notification of unauthorized use as we think appropriate.

C12 is the owner of several top-level internet domain names (i.e., .COM, .NET, .ORG) that have been registered with domain name registrars, including our primary websites located under the www.c12forums.com & www.JoinC12.com domain names. C12 claims copyright of these websites.

C12 owns no patents, is not the applicant with respect to any pending application for the registration of any patents and is not the licensee of any patent right owned by any other party.

C12 claims common law rights and copyright protection for our proprietary materials, training and operating manuals, program materials, and other documents used in the operation of the business. This includes advertising and marketing materials, meeting/facilitation materials, booklets, seminars, presentations, and software specifically developed by C12 for usage and delivery to its members and prospective members.

C12 may license portions of its business and ministry training materials from its historical archives to other like-minded individuals and entities, at C12's discretion.

You must operate your franchise in accordance with our Chair Training Manual and Workbook, and the standard practices as typically maintained in the C12 Manual and on the www.c12forums.com web portal for franchisees.

You agree not to contest C12's interest in its proprietary information. Although C12 is not obligated to defend your use of these items or processes, C12 will pursue resolution which in its judgment is in the best overall interest of the C12 community. If C12 decides to add, modify or discontinue the use of an item or process covered by a patent or copyright, you must also do so.

There is no infringing use known to C12 which would materially affect your use of proprietary and/or copyrighted materials.

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

The Principal Chair must be actively involved in the day-to-day operation of your franchise as a fully-trained Principal Chair (FA Sections IV, XVIII) and pursue effective stewardship in addressing the full market potential available in your assigned Territory as You serve local Christian business owners, CEOs, and presidents. Although it is possible to engage other qualified and fully-trained personnel in serving your Territory's demand as a part of your C12 practice (FA Sections I, IV, IX), you must remain active in the role of Principal Chair to retain the franchise. If the franchise is owned by an entity (e.g., a corporation, limited liability company, or partnership), then the franchise must be operated by someone who is an owner and officer of such an entity (a "Principal") and who has met all the on-going requirements of a fully-trained C12 Principal Chair (FA Sections X, XVIII). If circumstances should ever change such that such Principal is no longer both an owner and officer of such entity and such entity does not have a suitable replacement candidate for the role of C12 Principal Chair (contingent on C12's approval), then the franchise must be operated by the Principal Chair, or, failing that, transferred to C12 (at C12's option), an approved third-party (at C12's discretion), or terminated (FA Sections VIII, X).

C12 permits third party investors, silent equity positions, and non-operating ownership of a C12 franchise when all parties and agreements are reviewed and approved by C12. A non-operating ownership entity may designate a Principal Chair to operate the franchise and lead teams of Area Chairs as long as agreements and assignments are approved by C12 in writing. This includes the stipulation that C12 must approve and train all subsequent Area Chairs (whether designated as Principal Chairs by responsibility or not). The allowance is to both support capitalizing franchise launches as well as succession and liquidation of franchisees upon exit scenarios.

A non-operating ownership entity must comply with the moral and spiritual integrity standards associated with a Principal Chair within the community and not engage in any competing, conflict of interest, or predatory business interests. Any non-operating ownership entity must still coordinate with and submit to C12 Group's ultimate approval of the selection, training, and installment of any Principal Chair for the franchise.

#### **ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

As a franchisee, you may only offer and sell those services and products approved by C12 in managing C12 programs but may only offer and sell such services and products within your exclusive Territory. The Franchisor retains the right to change the types of authorized goods and services provided without limitation.

The Franchise Agreement provides that you shall not own an interest or participate in any business viewed as competitive, injurious, or incompatible with C12 and that such activities must not have any material adverse impact on your performance of your obligations hereunder. You agree to offer and sell only those services and products approved by C12 in managing C12 programs in Your Territory. In doing so, You agree to comply with C12 rules, regulations, methods, procedures, programs, policies, standards, and Christian conduct as established in our Operations Manual, training, and by this Agreement. You have the exclusive right to offer C12 services, programs, and materials in Your Territory.

You will have a specific exclusive Territory which is defined mutually by C12 and you and should be incorporated in your business plan development in conjunction with C12. This Territory will be defined based on geography, in terms of cities, zip codes, counties, states, or the radius around your home address. There is no minimum granted Territory size. No other franchisee shall have the right to establish, acquire, or operate a franchise within your exclusive Territory.

#### **ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

##### **THE FRANCHISE RELATIONSHIP**

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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	II	Your Term runs through December 31 <sup>st</sup> of the year after you sign the Franchise Agreement.
b. Renewal or extension	II	You may, subject to qualifying for renewal, renew the Franchise Agreement for an unlimited number of twelve-month renewal terms.
c. Requirements for franchisee to renew or extend	II	To renew, you must be in compliance with franchisee performance expectations, training, financial obligations, and agree to any updates or changes in C12 business model which may have occurred during prior year by signing a Franchise Compliance Administrative Update letter each year. There is no renewal fee. These updates or changes may include materially different terms and conditions from the original contract as is necessary to keep C12's overall business model current. You must provide us with ninety (90) days' notice if you choose to not renew the Franchise Agreement. Upon notice of non-renewal, you must take all reasonable steps to ensure continuity of the Franchised Business or, if we decide to wind it down, the winding down of the Franchised Business.
d. Termination by franchisee	VIII	You may terminate the franchise agreement under any grounds permitted by state law. You must provide written notice, 90 days in advance, and if C12 so elects, to be accompanied by transparent communication of reasons with Area Chair peers at a national workshop or regional Area Chair gathering, and further accompanied by mutual effort to transition practice to successor C12 franchisee, and confidentiality regarding C12 materials and members.
e. Termination by franchisor without cause	None	N/A

f. Termination by franchisor with cause	VIII	C12 reserves the right to remedy breaches of this agreement, including defaulting on financial obligations, failure to deliver services/products in conformity to the Franchise Operations Manual parameters, moral turpitude, failure to fulfill franchise territory development potential, negligence in developing the territory, or prolonged poor quality service by either restructuring the scope of or terminating entirely the Franchise Agreement for a given Territory. C12 measures “poor quality service” through annual customer service reporting from Members, net promoter scores, detailed statistics across franchisees regionally and nationally, field consultant visits and audits, and whether franchisees have failed to cure any defaults after receiving notice from C12. Franchisees are operating in prolonged poor quality service if they continue to measure for poor quality after C12 has notified them of quality issues and offered opportunities to improve service.
g. “Cause” defined -- curable defaults	VIII	You have 30 days to cure: failure to submit reports, non-standard operating practices, failure to pay fees and charges when due, failure to meet minimum performance standards or to comply with Franchise Agreement.
h. “Cause” defined -- non- curable defaults	VIII	Non-curable defaults: conviction or plea of nolo contendere to felony, repeated defaults even if cured, abandonment, unapproved transfers of responsibility, bankruptcy or making assignment for the benefit of creditors, or violation of C12’s policies or procedures or the Franchise Agreement. The foregoing provisions applicable to bankruptcy may not be enforceable under current U.S. Bankruptcy laws.
i. Franchisee’s obligations on termination/non-renewal	VIII	Immediately cease using all programs, process formats, materials, forms, manuals, systems, slogans, signs, marks, symbols, websites, or designs used by C12; return all manuals and member information, pay all debts, satisfy outstanding accounts receivable with C12, cease advertising former association (see r. below).
j. Assignment of contract by franchisor	X	No restriction on C12’s right to assign, transfer or restart.
k. “Transfer” by franchisee -- definition	X	Includes transfer of contract or assets, or ownership change.
l. Franchisor approval of transfer by franchisee	X	C12 must approve all transfers and sales based on evaluation of successor qualifications, training, completion, and business plan viability.

m. Conditions for franchisor approval of transfer	X	New franchisee qualifies, transfer fee of \$6,000 paid, purchase agreement approved, training completed, all outstanding accounts receivable satisfied, release signed by you and current agreement signed by new franchisee (also see r. below).
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	C12 does not require right of first refusal, but must approve owner/operator and may, on occasion, take ownership if necessary.
o. Franchisor's option to purchase franchisee's business	X	If you ask C12 to purchase your business or you have not actively tended to the Territory for 60 days or more, C12 has the right to purchase or, in certain instances, regain the rights to the Territory at no cost. Subject to state law.
p. Death or disability of franchisee	X	Franchise must be assigned by estate to a C12-approved buyer within six months of your involuntary physical departure from the practice to qualify as a transfer.
q. Non-competition covenants during the term of the franchise	I, IV, IX	No involvement in a business of competing or contrary purpose while a franchisee. Subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	I, IV, VIII, XV	For two (2) years after the termination of the Franchise Agreement for any reason, Franchisee shall not directly or indirectly own an interest in or otherwise be employed by or engaged with a Competitive Business within the Territory, within ten (10) miles of the Territory, within the territory of any other C12 franchise, or within ten (10) miles of the territory of any other C12 franchise, subject to state law. For purposes of this Section, a "Competitive Business" is any business that offers peer mentorship and coaching to Christian business leaders. The post-termination non-competition obligations under this Section shall not apply if Franchisee pays Franchisor the Exit Fee described above. The Exit Fee is equal to the average Royalty owed to C12 over the three (3) months preceding termination multiplied by twelve (12). Subject to state law.
s. Modification of agreement	XV, XVI	No modifications generally, and specifically not unless both parties agree in writing, but C12 Chair Training Manual subject to change and updating by C12.
t. Integration/merger clause	XV	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or any other related written agreement is intended to disclaim representations made in the Franchise Disclosure Document.

u. Dispute resolution by arbitration or mediation	XII, Exhibit F	All matters can be appealed up through C12’s defined three-step dispute resolution process which culminates in Christian arbitration pursuant to which the parties engage three Bible-believing Christian arbitrators as follows: one selected by the franchisee, one selected by C12, and one selected by such two arbitrators. The remedy recommended by the arbitration panel will be binding and final with no further recourse by either party. Subject to state law.
v. Choice of forum	XII, Exhibit F	Litigation must be conducted in Texas unless otherwise stated in Exhibit F for certain State Disclosures (subject to applicable state law).
w. Choice of Law	XII	Texas law will govern (subject to applicable state law).

**ITEM 18: PUBLIC FIGURES**

C12 does not currently use any public figures to promote its franchises.

**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) the franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

There were sixty-seven (67) C12 Forum businesses open and operating as of December 31, 2024, all of which were operated by C12 franchisees. During the 2024 calendar year, two (2) franchisees opened for business during the year. These two (2) franchisees have been excluded from the data below. The data below is a historical financial performance representation, reflecting the Total Revenue earned by the remaining sixty-five (65) C12 franchisees that were open and operational from January 1, 2024 to December 31, 2024. There are no material financial or operational differences between these franchisees and the franchise offered under this disclosure document except that, as disclosed in Item 6, some early franchisees are “grandfathered in” at lower Royalty Fee percentages, but the different Royalty Fee percentages do not affect the Total Revenue earned by those franchisees. These figures were reported to us by our franchisees and have not been audited or independently verified.

<b>C12 Franchisees Total Revenue January 1, 2024 to December 31, 2024</b>		
<b>Total Revenue</b>	\$44,250,036	Reported by 65 franchisees.

<b>Average Revenue</b>	\$691,407	17 (27%) franchisees met or exceeded this average.
<b>Median Revenue</b>	\$471,919	
<b>Highest Revenue</b>	\$3,435,065	
<b>Lowest Revenue</b>	\$18,800	

“Total Revenue” is defined as all revenue received from member registration fees and monthly dues with no deductions.

**Some outlets have earned these amounts. Your individual results may differ. There is no assurance will earn as much.**

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the above representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections for your future income, you should report it to our management by contacting Michael Sharrow, The C12 Group, LLC, 777 E. Sontera Blvd., Suite 305, San Antonio, TX 78258, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
for Years 2022 to 2024**

Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Franchised	2022	61	65	+4
	2023	65	65	0
	2024	65	67	+2
Company Owned	2022	1	1	0
	2023	1	0	-1
	2024	0	0	0
Total Outlets	2022	62	66	+4
	2023	66	65	-1
	2024	65	67	+2

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)  
for Years 2022 to 2024**

State	Year	Number of Transfers
Colorado	2022	0
	2023	1
	2024	0
Delaware	2022	0
	2023	0
	2024	1
Virginia	2022	1
	2023	0
	2024	0
Total	2022	1
	2023	1
	2024	2

**Table No. 3**  
**Status of Franchised Outlets**  
**for Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operation Other Reasons	Outlets at End of Year
AL	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
AZ	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
AR	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
CA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
CO	2022	2	0	0	0	0	0	2
	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1
CT	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

DE	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
FL	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
GA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
ID	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IL	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
IN	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
LA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MD	2022	2	0	1	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MI	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
MN	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MO	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
NH	2022	0	1*	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

NC	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
NM	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NJ	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OH	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
OK	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OR	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
PA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
RI	2022	1	0	0	0	0	0	1*
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
SC	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
SD	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
TN	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
TX	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
VA	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3

WA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WI	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Totals	2022	61	5	1	0	0	0	65
	2023	65	1	1	0	0	0	65
	2024	65	2	0	0	0	0	67

\*This franchise was split into two franchises owned by two separate franchisees in 2022

**Table No. 4  
Status of Company-Owned Outlets  
For Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
GA	2022	1	0	0	0	0	1
	2023	1	0	0	0	1	0
	2024	0	0	0	0	0	0
Total	2022	1	0	0	0	0	1
	2023	1	0	0	0	1	0
	2024	0	0	0	0	0	0

**Table No. 5  
Projected Openings as of December 31, 2024**

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
California	0	3	0
Florida	0	1	0
Kansas	0	1	0
New York	0	1	0
Ohio	0	1	0
Oklahoma	0	1	0
Pennsylvania	0	1	0
Washington	0	1	0
TOTALS	0	10	0

**Contact Information for Current Franchisees**

The current franchise information required to be disclosed related to this section is set forth in Exhibit D.

### **Former Franchisee Contact Information**

The former franchisee information required to be disclosed related to this section is set forth in Exhibit D- 1. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

### **Previous Owner Information**

There is no previous owner information required to be disclosed related to this section.

### **Confidentiality Agreement Disclosure**

During the past three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchise in our franchise system.

### **Franchisee Associations**

There are no franchisee associations pertaining to C12 franchises.

## **ITEM 21: FINANCIAL STATEMENTS**

Our fiscal year end is December 31. Attached to this disclosure document, as Exhibit B, are our audited financial statements for the fiscal years ending December 31, 2024, December 31, 2023, and December 31, 2022.

## **ITEM 22: CONTRACTS**

Attached to this disclosure document, as Exhibit A, is our Franchise Agreement. A General Release Agreement can be found in Exhibit A-1. No other agreements are proposed for use by C12 in the franchise described in this disclosure document.

## **ITEM 23: RECEIPTS**

The Receipt is the last page of this document (Exhibit G). There are two copies, one for you to retain (G-1) and one to be forwarded to us (G-2). Please sign and date the copy to be sent to C12 and return it to The C12 Group, LLC home office.



**EXHIBIT A**

**FRANCHISE AGREEMENT**



**The C12 Group, LLC Franchise Agreement**

**SUMMARY PAGE**

- |  |  |
|--|--|
| <b>1. Franchisee</b>                                       | _____                                  |
| <b>2. Effective Date of Franchise Agreement</b>            | _____                                  |
| <b>3. Franchise Fee</b>                                    | \$ _____                               |
| <b>4. Training &amp; Technology Fee</b>                    | \$ _____                               |
| <b>5. Prepaid Marketing Fund</b>                           | \$ _____                               |
| <b>6. Number of Units</b>                                  | _____                                  |
| <b>7. Baseline Target</b>                                  | _____                                  |
| <b>8. Territory(ies)</b>                                   | See Attached Map and List of Zip Codes |
| <b>9. Territory Name</b>                                   | _____                                  |
| <b>10. Principal Executive (If an Entity)</b>              | _____                                  |
| <b>11. Franchisee's Address for Notice</b>                 | _____                                  |
| <b>12. Franchisee's State(s) of Residence</b>              | _____                                  |
| <b>13. State(s) in which the Business will be operated</b> | _____                                  |

**THE C12 GROUP, LLC®**  
**FRANCHISE AGREEMENT**

This Franchise Agreement (the “Agreement”) is made on the Effective Date stated on the Summary Page (the “Effective Date”) by and between The C12 Group, LLC (the “Franchisor”), a Texas Limited Liability Company, and the party or parties, whether one or more individuals or an entity, listed as Franchisee on the Summary Page (the “Franchisee”).

**RECITALS**

**WHEREAS**, Franchisor and Franchisee enter into this Agreement before the Lord, for His purposes, with the expectation of this relationship modeling the attributes of a covenant which is made for mutual benefit and producing great eternal fruit. In doing so, Franchisor and Franchisee promise to fulfill this Agreement in harmony with the highest standards of Christian love and consideration as contained in the Bible and the teachings of Jesus Christ, pledging to honor one another and to work together for the glory of God. Further, Franchisor and Franchisee openly submit all interaction subsequent to the execution of this Agreement to the scrutiny of God and our brothers and sisters in Christ, promising to do all in our power to treat each other and conduct our business affairs in love and honor toward one another and the Body of Christ;

**WHEREAS**, Franchisor holds the rights to effective and valuable trade names, marks, materials, processes, methods, and procedures for operating, training, and serving others in the operation of a C12 Group practice aimed at helping Christian business owners, CEOs, presidents, general managers, and their staffs ‘build great businesses for a greater purpose’ (the “Franchised Business”). The Franchised Business includes conducting monthly CEO Forum meetings, One-on-One consultation sessions (Focus60), and selected specialty support offerings, seminars, and mentoring processes; and

**WHEREAS**, Franchisor offers to franchise these rights to Franchisee and provide other services to Franchisee as specifically established in this Agreement, and Franchisee desires to obtain the benefits, rights, and services offered by Franchisor as specifically established in this Agreement and to operate a C12 Franchised Business under the terms provided in this Agreement.

**TERMS**

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisor and Franchisee hereby agree as follows:

**I. Granted Territory, Trade Names, and Trademarks**

1. Grant of Franchise and Territory. In accordance with the terms of this Agreement, Franchisor grants Franchisee the right to operate a Franchised Business within the Territory described in the map and list of zip codes attached hereto. Franchisee agrees to comply with Franchisor’s rules, regulations, methods, procedures, programs, policies, and standards, as may be modified in Franchisor’s sole discretion from time to time, set forth in Franchisor’s Operations Manual or as otherwise communicated to Franchisee in writing and to adhere to standards of Christian conduct as established in Scripture. Franchisee shall only offer and sell those services and products that Franchisor has approved of in writing or as provided for in Franchisor’s Operations Manual. Franchisor may modify the approved products or services in Franchisor’s sole discretion from time to time, and Franchisee must comply with such modifications.

2. Territorial Restrictions. Franchisee will have the exclusive right to establish a C12 Group business within the Territory and to market C12 Group services, programs, and materials within the Territory.

Franchisee shall not host C12 Group meetings outside of the Territory. Franchisee may provide C12 Group services to members who live or work outside of the Territory but desire to participate in C12 Group meetings within the Territory. Similarly, individuals living within the Territory may engage with C12 Group businesses operated by other franchisees or Franchisor and its affiliates. Franchisee must reside within the Territory unless Franchisor approves otherwise in writing. Franchisee may only establish additional territories with Franchisor's written permission and by meeting Franchisor's then-current requirements for operating a C12 Group business within multiple territories. Franchisee shall not solicit current or prospective members who live and work outside of the Territory. If Franchisee is contacted by any prospective members who live and work outside of the Territory, Franchisee must inform such prospective members that there is another C12 Group business forum option (if applicable) and provide such prospective members with contact information of the C12 franchisee whose Territory the prospective members live and work within.

3. C12 Group Membership. C12 membership is limited to Christian business Owners, CEOs, Presidents, and General Managers (and their team members) who give assent to Franchisor's Doctrine Statement or seek to understand these values and principles as they seriously consider the claims of Christ. Each member agrees to group confidentiality, Christian conflict resolution, and being a part of an 'iron sharpening iron' peer group process that requires both listening and speaking in mutual ministry efforts.

4. Minimum Performance Standards. Franchisee must achieve a minimum level of target market penetration to maintain exclusivity within Territory. Franchisor defines Franchisee's "Baseline Target" using publicly available data, including, without limitation, the relevant Intelligent Direct, Inc (IDI) dba GbBIS business census in the Territory and research data provided by The Barna Group on the percentage of 'practicing Christians' or 'evangelical Christians' by region to establish the market potential in regard to the number of prospective member companies within the Territory. Franchisee must achieve the minimum performance levels set forth in Section IV.8.a. to maintain exclusivity within the Territory. If Franchisee fails to achieve such minimum performance levels, Franchisor may reduce the size of Franchisee's Territory, authorize another franchisee to operate a C12 Group franchise within Franchisee's Territory, or operate a C12 Group business within Franchisee's Territory.

5. Trade Name and Marks. Franchisor owns certain trademarks, service marks, trade names, logotypes, internet domain names, commercial symbols, copyrighted materials, and proprietary processes and materials which Franchisee is licensed to use. This includes The C12 Group® service mark which is registered with the USPTO as a Principal Register federal registration in addition to any other marks C12 may establish from time to time. In addition, Franchisor owns several top-level internet domain names (i.e., .COM, .NET, .ORG) that have been registered with domain name registrars, including Franchisor's primary website. Franchisee agrees to use Franchisor's current and future trademarks, service marks, trade names, logotypes, and domain names only in the ways Franchisor has approved in advance in writing as Franchisor has set forth in its training and operating manuals or in other routine communications to C12 Group franchisees such as semi-annual training workshops and via Franchisor's web-based portal for franchisee materials, resources, and information. Franchisor's branding and marks shall only be used by Franchisee in conjunction with the delivery of approved C12 Group goods and services. Franchisor agrees to indemnify, defend, and hold Franchisee harmless in the event that Franchisee's use of Franchisor's trademarks in accordance with this Agreement infringes upon the intellectual property rights of a third party. Franchisee agrees to notify Franchisor immediately if and when Franchisee learns of an infringement or challenge to Franchisee's use of any of Franchisor's trademarks. Franchisee shall not directly or indirectly contest Franchisor's right to, or use of, the C12 trademarks, trade secrets, or proprietary materials and processes that are part of Franchisor's business format. If this Agreement is terminated, Franchisee agrees to immediately cease using Franchisor's trade name, trademarks, service marks, symbols, or insignia, or any proprietary materials, forms, bulletins, advertising materials, slogans, manuals, or websites which relate to the name and marks listed in this Agreement. Franchisee shall ensure compliance with this by returning

these materials to Franchisor or, if Franchisor directs, destroying them.

## **II. Term and Renewal**

The Term of this Agreement begins upon the execution hereof and continues through December 31<sup>st</sup> of the calendar year following the year in which this Agreement is executed. For example, if this Agreement is executed on May 31, 2024, the Term shall expire on December 31, 2025. Unless sooner terminated, as hereafter provided, the Term of this Agreement is meant to be renewed each calendar year for additional one-year Renewal Terms (with each Renewal Term being one calendar year) so long as (i) both Franchisor and Franchisee agree to such renewal, (ii) Franchisee remains active in operating the Franchised Business, and (iii) Franchisee is in good standing under this Agreement. Being in good standing requires Franchisee to remain in compliance with the terms of this Agreement and Franchisee's agreement to any updates or changes in Franchisor's business model and Operations Manual that have occurred during the prior year. Any changes made in Franchisor's business model will be made at Franchisor's sole discretion and based on Franchisor's belief that the changes will strengthen the overall platform and enhance the C12 Group franchise system's long-term value to both members and franchisees. There is no additional renewal fee associated with these annual renewals. If there are material updates or changes, Franchisor may present Franchisee with a consent letter incorporating such terms, which shall act to renew this Agreement for another calendar year. Franchisor shall notify Franchisee of material changes to Royalty Fees and minimum membership fees (as the basis for calculating Royalty Fees) at least twelve (12) months before the expiration of the Term or any Renewal Term.

Franchisee shall notify Franchisor of Franchisee's intent to not renew the Term of this Agreement no later than ninety (90) days prior to the expiration of the Term, as may be renewed. If Franchisee elects to not renew the Term of this Agreement, Franchisee shall take all reasonable steps necessary to ensure the continuity of the Franchised Business or, if Franchisor decides to wind down the Franchised Business in Franchisor's sole discretion, the winding down of the Franchised Business, which processes may extend for a reasonable period of time beyond the expiration of the Term.

## **III. Franchisor's Duties**

1. New Chair Training. Before Franchisee commences operation, Franchisor will provide Franchisee with a mandatory five-week training program ("New Chair Training"), including four weeks of guided self-study combined with weekly live webinar training with a C12 Chair Trainer, followed by a one-week onsite training at Franchisor's Headquarters in San Antonio, TX ("Training Week"). By the conclusion of Training Week, Franchisor will determine in its sole discretion whether Franchisee has sufficiently demonstrated the ability to launch and successfully operate a C12 Franchised Business. If Franchisor determines that Franchisee has not satisfactorily completed New Chair Training, Franchisor will give Franchisee the option to either (i) complete a Remediation Plan or (ii) terminate the Franchise Agreement. If Franchisee elects to complete a Remediation Plan, Franchisor will specify actions that Franchisee must take and other requirements for Franchisee to meet in order to pass New Chair Training or, at Franchisor's option, Franchisee may attend a subsequent Training Week provided that Franchisee pay the additional cost of \$2,500 plus travel, hotel, and meals. If Franchisee elects to terminate the Franchise Agreement, Franchisor will refund the Franchise Fee and any unspent portions of the Prepaid Marketing Fund, subject to Franchisee's agreement to remain bound by the confidentiality and non-competition obligations Franchisee previously agreed to under this Agreement before attending New Chair Training. Additionally, if Franchisor determines Franchisee is not making sufficient progress on a Remediation Plan, Franchisor reserves the right to give Franchisee written notice of termination of the Franchise Agreement. If Franchisor terminates the Franchise Agreement as provided for in this Section, Franchisor will refund only any unspent portions of the Prepaid Marketing Fund. All other franchise and training fees are non-refundable. Franchisor reserves the right to require Franchisee to re-attend New Chair Training if, in Franchisor's sole discretion, Franchisee

is in need of such additional training.

2. Sales Training Series. Franchisor will host a Sales Training Series, which Franchisee must attend. Currently, the Sales Training Series consists of one-hour telephone coaching sessions once per week for thirteen (13) weeks and will begin in parallel with the four (4) weeks of guided self-study described above in Section III.1.

3. Area Chair Training Kit. Prior to attending Training Week and upon Franchisee's payment of the Training and Technology Fee, Franchisor will send Franchisee the C12 Group Area Chair Training Kit, which consists of the training curriculum, business plan documents, reading and reference materials, and other C12 branded items.

4. New Chair Supply Kit. Before Franchisee commences operation, Franchisor will supply Franchisee with initial start-up materials to aid in prospect development and meeting facilitation, including guest binders, access to the C12 App and website-based resources, and marketing/promotional materials. Franchisee will also receive an annual credit equal to \$500 to use to purchase C12 promotional materials from Franchisor's online store.

5. Introductory Meeting. Before Franchisee commences operation, Franchisor will work with Franchisee to co-plan an initial C12 introductory event, where an experienced C12 leader will travel to Franchisee's Territory at no cost to Franchisee to provide a C12 overview presentation and introductory C12 materials to Franchisee's local prospects and help Franchisee answer questions. Franchisee will incur the cost of locally hosting the event (typically a breakfast or luncheon) which will be scheduled to coincide with the availability of one of Franchisor's leaders. Franchisor will provide Franchisee with a turnkey C12 direct mail campaign and/or email campaign to assist in generating prospects for this initial meeting. Moneys available from Franchisee's Prepaid Marketing Fund will directly fund this direct mail or email campaign.

6. Website Directory Content. Before Franchisee commences operation, Franchisor will post and maintain easy-to-search information on Franchisee, Franchisee's Territory, noteworthy local information, and planned area event/meeting dates and locations on Franchisor's website if Franchisee furnishes the necessary information.

7. Ongoing Consultation. After Franchisee commences operation, Franchisor will provide Franchisee with on-going telephone/email consultation regarding Territory development and member/group facilitation upon Franchisee's request.

8. Website Content. After Franchisee commences operation, Franchisor will maintain an online C12 resource/website for Chairs and Members with downloadable resources, standard elements of franchise operation, and a mandatory CRM. Member records will be stored on this resource, and Franchisee shall make payments to Franchisor through this resource unless Franchisor requires otherwise. Unless approved by Franchisor, Franchisee may not use any other website URL or name, except the one Franchisor agrees to and assigns to Franchisee upon granting Franchisee the Territory (see "Territory Name" on the Summary Page).

9. Business Forum Meeting Materials. After Franchisee commences operation, Franchisor will provide an ongoing monthly supply of Business Forum meeting materials (as well as those relating to Key Players) in the form of digital/email copies of all materials (i.e., monthly agendas, curriculum, facilitation notes), and digital audio-video (mixed-media) format and hard copies of member curriculum delivered to Franchisee in advance of each month's meetings.

10. Promotional Materials. After Franchisee commences operation, Franchisor will make available for Franchisee's purchase C12 meeting process forms, cards, stationery items, and promotional materials.

11. Advertising and Publicity Program. Franchisor will maintain a program of C12 brand advertising and publicity to help drive leads through Franchisor's website and home office to franchisees across the C12 franchise System. Leads for Franchisee's Territory will be shared with Franchisee as they are received through Franchisor's website, emails, sponsorships and telephone inquiries. Franchisor will also provide Franchisee with sample formats and artwork to assist with Franchisee's local marketing and advertising efforts via Franchisor's online resources or dedicated outside contractors.

12. Prepaid Marketing Fund. After Franchisee commences operation, Franchisor will support Franchisee's marketing and promotions in Franchisee's Territory by reimbursing amounts from the Prepaid Marketing Fund to Franchisee for initiatives that directly promote the formation of new C12 Forums in Franchisee's Territory. Franchisee shall incur expenses for such initiatives and submit receipts and other evidence as Franchisor may require to Franchisor. Upon Franchisee's submission of written requests with applicable documentation, Franchisor will reimburse Franchisee for Franchisee's out-of-pocket expenditures relating to qualified expenditures or make payments directly to vendors in the case where Franchisor administers a particular marketing initiative. Franchisor's reimbursement is limited to the Prepaid Marketing Fund that Franchisee must pay Franchisor upon executing this Agreement. Prepaid Marketing Fund expenditures that qualify for reimbursement include Direct Mail Campaigns related to C12 introductory events or meetings, procurement of qualifying lists of leads, local advertising, banners, and other displays for exhibiting event sponsorships, and e-marketing including email delivery systems. Franchisee must follow the C12 Brand Standards Guide in all advertising and marketing efforts. Items which do not qualify for reimbursement include software related to contact or customer relationship management, recurring subscriptions (e.g., Constant Contact), food and beverage, catering, organizational membership dues, space rental for events or meetings, audio-visual equipment, and general supplies. Franchisee is not precluded from spending on non-qualifying marketing items, but such expenses will be at Franchisee's own additional cost and not subject to reimbursement. Franchisor will provide Franchisee with a periodic accounting of the amounts expended from and remaining in Franchisee's Prepaid Marketing Fund. For the purpose of promoting the formation of new C12 Forums, Franchisee must spend the full Prepaid Marketing Fund within eighteen (18) months of the execution of this Agreement. Any unspent amounts of the Prepaid Marketing Fund as of such time will be forfeited to Franchisor.

13. C12 Marketing Co-op Expenses. In addition to administering the Prepaid Marketing Fund, Franchisor will pay a share of the cost of certain of Franchisee's marketing expenses (the "C12 Marketing Co-op Expenses") at a rate equal to Franchisee's applicable monthly Royalty Fee (17.5-30%). The C12 Marketing Co-op Expenses are those initiatives specifically approved and administered by Franchisor, which may include C12 Direct Mail Campaigns and Franchisor-endorsed lead lists. Franchisee must submit a request form to Franchisor for C12 Marketing Co-op Expenses. Upon Franchisee's submission of this form with applicable documentation, Franchisor will review, approve, and make payment accordingly.

14. Semi-Annual Chair Training. Franchisor will host semi-annual training workshops for the entire C12 community ("Semi-Annual Chair Training"), which Franchisee must attend. Franchisor will cover the cost of the meeting locations and meals for the Semi-Annual Chair Training, but Franchisee will be responsible for its own costs for travel and lodging. To cover the cost of attending the Semi-Annual Chair Training, Franchisee shall pay Franchisor a monthly fee, which is currently \$110 per month. Franchisor may, in its sole discretion, increase the monthly fee for Semi-Annual Chair Training. Franchisee will also pay Franchisor \$110 per month for each Associate Chair engaged by Franchisee to cover the registration fees for these two events for such Associate Chairs.

15. Local Marketing Event Assistance. Franchisor will, at Franchisee's request, assist Franchisee with

equipping local C12 events, seminars, and awards banquets in the Territory and may provide formats, banners, selected support materials, and possibly a speaker (when mutually scheduled in advance). Franchisee may set pricing as Franchisee deems appropriate for these events. These events are generally delivered in half-day and full-day formats, either with a live speaker or a pre-recorded video. Franchisor may, subject to availability, provide Franchisee with the event speaker. If Franchisor provides the event speaker, Franchisor will pay the cost for the speaker's travel and accommodations and supply Franchisee with the necessary seminar materials. Franchisee will be responsible for reimbursing Franchisor for the cost of the materials. Franchisee will be responsible for the marketing of such event(s), which may be partially subsidized under the C12 Marketing Co-op Expenses, and Franchisee will be responsible for the costs of hosting (i.e., meals, room, etc.) attendees. The net proceeds after subtracting Franchisee's costs from the event shall be shared equally (50/50) between Franchisee and Franchisor, with Franchisor's portion being payable to Franchisor with Franchisee's next monthly Royalty Fee payment.

16. Email. Franchisor will provide Franchisee with a localized C12 website URL that is descriptive of the Franchisee's Franchised Business and Territory (e.g. www.C12 Atlanta.com) and a C12 email address (e.g., Paul.Tarsus@C12forums.com) to help Franchisee establish a unique web face consistent with C12's overall online presence. These standardized elements are owned and hosted by Franchisor at no cost to Franchisee. Additional customizations can be negotiated at cost to Franchisee, and all related digital activities must be in compliance with C12 Brand Standards and approved prior to being live online as set forth in the Operations Manual.

17. Additional Support. During the Term of the Agreement, Franchisor may, but is not required to, provide the following support to Franchisee:

a. Host monthly teleconference calls with all C12 franchisees to discuss each month's meeting materials, Territory development and events, and discuss issues of common interest;

b. Provide periodic digital campaigns to highlight C12's offerings and community events, as a promotional device via email to help Franchisee routinely maintain contact with local prospects;

c. Provide generally helpful C12 member value-added tools, resources or subscriptions as Franchisor determines to be broadly beneficial for Franchisee, Franchisee's C12 members, and the C12 franchise system.

#### **IV. Franchisee's Duties**

1. General Operation of the Franchised Business. Upon completing New Chair Training and being approved by Franchisor to open for business, Franchisee agrees to perform the following in regard to each area of the C12 business for as long as this Agreement is in effect in order to (i) facilitate consistency among C12 franchisees, (ii) provide reliable quality and member value based on proven C12 methods and materials, (iii) promote consistency in advertising, marketing and brand building efforts, and (iv) to remain an integral part of the community of C12 leaders devoted to working together to continually enhance the Franchisor's standardized offering for Franchisor and Franchisee's mutual benefit and the benefit of all those in the C12 network of peer Christian business leaders globally:

a. Full-Time Vocation. Franchisee shall operate the Franchised Business on a full-time basis, dedicating Franchisee's full time and attention to the operation thereof. Franchisee must not have any competing commercial interests.

b. Entity Ownership. If Franchisee is an entity and not an individual, the Franchised Business must be under the daily supervision of someone who is an owner and, if applicable, an officer of the

Franchisee who meets all of Franchisor's ongoing training requirements (a "C12 Area Chair"). If circumstances should ever change, and such person is no longer both an owner and officer of Franchisee and Franchisee does not have a suitable replacement candidate for the role of C12 Area Chair (contingent on Franchisor's approval), then Franchisor may, in its sole discretion, terminate this Agreement or allow the Franchised Business to be transferred or sold to an approved third-party. All owners with a five percent (5%) or greater beneficial interest in Franchisee must, as a condition precedent to the effectiveness of this Agreement, agree to honor the terms of this Agreement in their individual capacities by executing the Owners Guaranty attached hereto as Attachment A. Such individuals' liability under this Agreement shall be joint and several. Franchisor may, in its discretion, permit third-party investors, silent equity positions, and non-operating ownership of Franchisee when all proposed parties and agreements are reviewed and approved by Franchisor. If Franchisee is an entity, Franchisee must designate an owner of Franchisee, having authority to act on behalf of and to bind Franchisee, to operate the Franchised Business and lead teams of C12 Area Chairs.

c. Computer Equipment. Franchisee must possess and use a personal computer in the day-to-day operation of the Franchised Business in order to effectively communicate with both Franchisor and Franchisee's local C12 members. Franchisee's computer must be up to date and be able to interface with Google Workspace. Franchisee must also have the capability to print C12 materials. In order to deliver the required content at monthly forums with mixed media capability, Franchisee agrees to acquire necessary computer devices, projection, audio/video and recording equipment sufficient to project digital video and broadcast audio as Franchisor may require from time to time. Franchisee must purchase and utilize all computer hardware, software, applications, and other means of technology as Franchisor may require from time to time.

d. Certifications, Licenses, and Insurance. Franchisee must obtain and maintain appropriate certifications, licenses, registrations, and insurance coverage as necessary to conduct business locally and based on sound business judgment. Since Franchisee is not an agent, partner, or employee of Franchisor, Franchisee shall not cause Franchisor to incur any liability or undertake any obligations, and Franchisee shall bear the cost of defense of any financial or legal claims made against Franchisee. Franchisee shall be solely responsible for any debts Franchisee incurs in the operation of the Franchised Business.

2. Opening for Business. Franchisee shall not commence operation of the Franchised Business unless and until (i) Franchisee has successfully completed New Chair Training, (ii) Franchisor has approved in writing of Franchisee's business plan, and (iii) Franchisor has notified Franchisee in writing that Franchisee may commence operation.

3. Marketing Obligations. During the first ninety (90) days after the execution of this Agreement, Franchisee must perform the following:

a. Franchisee shall communicate with at least eight (8) new "Contacts" per week on average. A Contact is a new person (whether a prospective member or referral source of prospective members) with whom Franchisee has had two-way communication (i.e., face-to-face, phone, email, business reply card). A Contact includes those who have positively responded to mass direct marketing appeals (e.g., direct mail, broadcast email, or other mass media campaigns) and have expressed interest or requested follow-up information and/or conversation.

b. Franchisee shall attend the Sales Training Series via teleconference and in-person Semi-Annual Chair Training. If the next Semi-Annual Chair Training is outside the aforementioned ninety-day period, Franchisee must attend the next scheduled training. During the first twelve (12) months of Franchisee's operation, Franchisee will also have access to a number of optional topical workshops and training classes.

- c. Franchisee shall launch a direct marketing campaign.
- d. Franchisee shall host an initial C12 introductory event and/or initial CEO Forum meeting in the Territory.
- e. Franchisee must report to Franchisor and make progress regarding the specific Business Plan Goals and Action Plan Goals that Franchisee established as part of Training Week.

If Franchisor determines that Franchisee has not complied with or is not making substantial progress toward complying with (a) through (e) above Franchisor may require Franchisee to perform a Remediation Plan that Franchisor may, in its own discretion, establish. If Franchisee is unable or unwilling to perform such Remediation Plan, Franchisor may terminate this Agreement.

4. Meeting Attendance. Following New Chair Training, Franchisee must participate in Franchisor's monthly conference calls/webinars and Semi-Annual Chair Training. Franchisee may only miss attending any of these meetings with Franchisor's prior written approval, which will not relieve Franchisee from its responsibility to pay the applicable attendance fee(s).

5. Conduct. Franchisee shall conduct the Franchised Business according to the standard elements of the C12 business model and web platform/App to enable maximum mutual benefit for Area Chairs and C12 members across the franchise system. This shared commitment, trust, and transparency are critical to maintain a consistent high-quality expression of C12 while encouraging and inspiring C12 members as peers engaged in a holy calling from all geographic corners, industries, and business sizes and types.

6. Operations Manual and System Standards. Franchisee shall operate the Franchised Business at all times in accordance with Franchisor's System Standards as set forth in the Operations Manual and other sources as Franchisor designates. Franchisor may modify the System Standards at any time and in Franchisor's sole discretion, and Franchisee shall take all steps necessary to comply with changes to Franchisor's System Standards. In accordance with following Franchisor's System Standards, Franchisee shall, without limitation, use the C12 agendas, facilitation standards, materials, segments, forms, logos, websites (both the general C12 website and the specific C12 site for the Territory and any website Franchisee authors for the Territory), and formats, and strictly follow the C12 Brand Standards Guide for paper and colors as directed without any deviation or substitution except as approved ahead of time in writing by Franchisor. Franchisee shall establish fixed meeting dates and locations (e.g., third Tuesday of each month, from 9 AM to 4 PM, at Lord's Country Club) and standard C12 service delivery approaches (e.g., monthly 60-90- minute One-on-One meetings (Focus60) scheduled with C12 members between the monthly CEO Forum meetings). Franchisee shall engage with its members, reliably and according to Franchisor's model, and Franchisee shall serve as a facilitator, and not as a teacher or preacher, in engaging Franchisee's peer group members. Franchisee shall not reproduce the C12 trade name, logo, or copyrighted materials beyond normal, permitted uses in monthly C12 meetings, events, seminars, and marketing efforts, without Franchisor's prior written permission and compliance with the C12 Brand Standards Guide. Franchisee shall not solicit Franchisee's C12 members for the purpose of selling them other products or services. Franchisee shall maintain current information on Franchisor's website(s) regarding Franchisee, Franchisee's local group meeting locations and times, local C12 events and news, and provide every C12 member an opportunity to participate in any global C12 web functionality (e.g., search for other members, benchmarking, bulletin board/blog functions, etc.).

7. Specific Operational Obligations. Franchisee shall adhere to and comply with Franchisor's basic business model and its various standard processes, due dates, and payments, as they may be revised from time to time in Franchisor's sole discretion. Currently, these obligations of Franchisee include the

following:

a. Franchisee shall submit a monthly Area Chair Activity and Payment Report via the reporting system to Franchisor by the fifth (5<sup>th</sup>) business day of each month for the preceding month's activity. Franchisee shall pay Franchisor a late fee of \$100 each time this report is late. Any unpaid Royalty Fees past-due greater than thirty (30) days will be subject to a monthly compounded interest rate of 1.5% or the maximum interest rate allowed by law. Late fees and interest shall be paid in conjunction with Franchisee's payment of Royalty Fees. In addition, if Franchisee requires a change to a monthly Area Chair Activity and Payment Report (not due to Franchisor's system error) after the fifth (5<sup>th</sup>) day of the following month, Franchisee must pay Franchisor a \$99 fee to correct such error(s).

b. Franchisee shall pay Franchisor all fees due under this Agreement via ACH or check (or credit card with Franchisee paying the applicable transaction and processing fees), which must be received by Franchisor by the fifth (5<sup>th</sup>) day of the month.

c. Franchisor reserves the right to modify the due dates and methods of payment for all payments due under this Agreement. Franchisor also reserves the right to have any of its staff, officers or Board Directors visit Franchisee's scheduled C12 meetings, given advanced notice, to support Franchisee in Franchisee's efforts to develop strong C12 forums, effectively apply C12 methods and processes, and to encourage Franchisee and Franchisee's members.

d. Franchisee shall conduct member registration for CEO members and Key Players members by using standard C12 forms and registration payment remittance amounts and methods set forth herein (see fee schedule in Section VI). These standard forms and methods are maintained on the C12 App or via another platform determined by Franchisor for Franchisee's use. Franchisee may set its own registration fees and monthly member fees that Franchisee charges members based on local economics. Such pricing changes must be reviewed in advance with Franchisor, and any modifications to member application/covenant forms must be approved by Franchisor and continue to provide Franchisor with the information necessary to sustain community functionality and value for C12 members. Franchisor must receive both registration form and payment before a New Member Kit or binder will be sent to Franchisee to, in turn, provide to any new C12 member(s). While Franchisee's monthly Royalty Fee is established solely based on each month's membership roster and billings, Franchisee is solely responsible for invoicing and collecting registration fees and membership fees from Franchisee's members and setting collections policies and standards. Franchisee will pay Franchisor Royalty Fees based on Franchisee's membership roster and billings regardless of whether Franchisee actually collects the registration and/or membership fees from its members.

## 8. Performance, Conduct, and Confidentiality

a. Baseline Target Performance. Franchisee shall pursue the business plan developed during Franchisee's New Chair Training and strive to achieve a ten percent (10%) market penetration of the businesses within the Territory that qualify for C12 membership (the "Baseline Target"). Franchisee's Baseline Target is set forth in Section V.1. of this Agreement. Within twenty-four (24) months of opening for business, Franchisee must achieve the greater of (i) thirty-three percent (33%) of the Baseline Target or (ii) at least one (1) CEO Forum with at least ten (10) CEO Members. Franchisee must achieve fifty percent (50%) of the Baseline Target and have at least ten (10) CEO Members within three (3) years of opening for business. If Franchisee fails to achieve either of these performance levels, Franchisee shall have ninety (90) days in which to meet such levels or, if permitted by Franchisor, ninety (90) days in which to make substantial progress in good faith, as determined in Franchisor's sole discretion, toward such levels. If Franchisee fails to achieve these performance levels within ninety (90) days of receiving notice from Franchisor, Franchisor may, in its sole discretion, redefine the Territory or terminate the Franchisee

Agreement.

b. Biblical Conduct. Franchisee acknowledges that being a C12 franchisee and Area Chair represents a unique role and Kingdom responsibility and agrees that Franchisee will work in a manner consistent with biblical principles in order to contribute to the unity, peace, mutual trust, hope, love, and respect of those engaged in C12 at all levels. Franchisee agrees to respect the uniqueness of this Agreement, made before God, and adhering to a higher standard than even our society's legal ethics, which is intended for the mutual benefit of brothers and sisters in the Lord and for the extending of the Kingdom of God and the Gospel of Jesus Christ on the earth. Franchisee agrees to exercise best efforts to ensure that C12 members abide by Franchisor's code of conduct and support sound biblical doctrine. Franchisee further agrees that, as leaders of leaders, C12 Area Chairs are required to abide by a covenant of "above reproach" conduct. Behaviors that could be questionable or cause members/customers to stumble are to be avoided by Franchisee with a high degree of wisdom and prudence. Specifically, Franchisee and its Area Chairs shall abstain from the use of all smoking products. Franchisor and Franchisee agree that these are not biblical mandates or evil but rather represent areas of personal sacrifice and restraint that Franchisor expects of all franchisees out of service to C12 members and preservation of Christian witness (see Romans 14:13; 1 Corinthians 8:9, 10:31-32; 2 Corinthians 6:3). Breaches of this "above reproach" conduct, including moral turpitude, legal or illegal, are material grounds for immediate termination of this agreement.

c. Confidentiality and Conduct Upon Termination. Franchisee shall hold all materials, practices, customer lists, contact lists, and any other proprietary information concerning Franchisor, the C12 brand, and C12 members confidential, and to return to Franchisor or destroy all such materials if this Agreement is terminated for any reason. Upon the termination of this Agreement, the following shall apply: (a) all members in Franchisee's Territory must be notified of Franchisee's decision to leave C12 and they must be informed of their option to continue participating in CEO Forums and Key Player Forums led by a subsequent Area Chair to be appointed by Franchisor (Franchisor will formally present this option to the members, either collectively or individually); (b) members will be free to either remain C12 members or to make alternative CEO roundtable arrangements once they have been informed of their options; (c) Franchisee shall conduct itself in any such transition so that the best interests of the group members are served and that Kingdom unity and fellowship are preserved; and (d) Franchisee shall cease using all C12 materials, trade names and marks, and implying any association with C12. Franchisee will, upon termination of this Agreement, without limiting any other obligations under this Agreement, return or destroy all unused C12 materials and provide Franchisor with all member contact information.

d. Money-Back Guarantee. Franchisee may, but is not required to, offer a 'money-back guarantee' to new members which offers the following: if they, as a member in good standing (i.e., met C12's attendance, participation, and on-time payment criteria over twelve (12) months, as certified by Franchisee) conclude after a full year as a C12 member that they did not receive value (both temporal and eternal) in excess of their accumulated fees over that same period, then Franchisee will provide them with a full refund of the monthly dues they have paid as they terminate Business Forum membership. If Franchisee offers such a guarantee and keeps necessary records and certifies the applicable member's 'member in good standing' status over the twelve (12) month period, Franchisor will evenly share the cost of reimbursing the member's monthly fees with Franchisee.

e. For-Profit Business. Franchisee shall operate the Franchised Business as a for-profit entity and shall not hold out to the public that the Franchised Business is a nonprofit venture of any kind. Franchisee shall not file for nor obtain any tax-exempt status from the Internal Revenue Service.

f. Contractors. Franchisee shall ensure that all subcontractors and subsidiaries of Franchisee operate in accordance with the standards set forth in this Agreement and engage in operations in compliance with the C12 System Standards as set forth in the Franchise Agreement and the Operations Manual and

Playbooks.

## **V. Initial Franchise Fees**

Franchisee acknowledges that the granting of this Agreement constitutes the sole consideration for the payment of the Initial Franchise Fees, which depend on the number of Territory Units granted to Franchisee. Franchisee's Initial Franchise Fees are comprised of the components below:

1. Franchise Fee. Upon the execution of this Agreement, Franchisee must pay Franchisor a Franchise Fee as set forth below. The Franchise Fee varies based on the target market potential of the designated Territory for the Franchised Business. Franchise Units are \$25,000 (with Franchise Unit otherwise already defined from a calculation basis) per 1.0 unit (Territories comprising between 0.9 and 1.1 units count as one (1) unit). Franchisor will determine the number of units that Franchisee's Territory constitutes. If a defined territory for purchase is less than or more than one (1) unit, the Franchise Fee shall be the number of units multiplied by \$25,000 but no less than \$12,500. For example, a metropolitan market with a defined territory containing an estimated 1.3 units worth of eligible members would result in a \$32,500 Franchise Fee. On the other hand, a rural or less densely populated market representing 0.65 units would result in a \$16,250 Franchise Fee. A Territory of 0.92 units would still consist of a \$25,000 Franchise Fee whereas a market with 0.47 units would consist of a \$12,500 Franchise Fee (\$12,500 being the minimum). Other than as specifically provided for under this Agreement, the Franchise Fee is non-refundable.

Franchisee's Franchise Fee is stated on the Summary Page of this Agreement.

2. Prepaid Marketing Fund. Upon the execution of this Agreement, Franchisee shall pay Franchisor a \$10,000 Prepaid Marketing Fund fee that may be used for marketing expenses deemed necessary by Franchisor according to the provisions set forth above in Section III. Other than as reimbursement may be provided for under this Agreement, the Prepaid Marketing Fund is non-refundable.

3. Training/Technology Fee. Prior to attending New Chair Training, Franchisee shall pay Franchisor a Training and Technology Fee of \$12,000 for Franchisee, if an individual, and, if applicable, \$10,000 for any additional Associate Chair(s) sent to New Chair Training.

## **VI. Continuing Fees**

1. Upon the execution of this Agreement, and continuing through the Term of this Agreement and any renewals thereof, Franchisee shall pay Franchisor the following continuing fees:

a. Royalty Fees. Franchisee shall pay Franchisor a monthly Royalty Fee equal to a percentage of monthly Gross Billings (including CEO Forums and Key Players Forums) based on a sliding scale as defined below, with payment to be received by Franchisor no later than the fifth (5<sup>th</sup>) day of the following month based on each month's total membership billings, even if some billings are not actually collected. "Gross Billings" means the actual total amount that Franchisee charges on a monthly basis for its collective CEO Members' and Key Player Members' membership fees subject to the minimum individual membership fees of \$1,000 for CEO Members and \$475 for Key Player Members. If Franchisee charges its members less than these minimum membership fees, then Franchisee's Gross Billings shall be calculated based on these minimum membership fees multiplied by the respective number of CEO Members and Key Players Members on Franchisee's roster each month. If Franchisee charges more than these minimum membership fees, then Gross Billings shall be based on the higher fees that Franchisee actually charges for

its memberships multiplied by the respective number of CEO Members and Key Players Members on Franchisee's roster.

Franchisor may increase minimum individual membership fees over time. The minimum membership fees for 2025 will be \$1,100 per CEO and \$500 per Key Player. In 2026, these increase to \$1,150 per CEO and \$550 per Key Player.

Franchisee's monthly Gross Billings thresholds and Royalty Fees shall be as follows:

<b>Gross Billings</b>	<b>Royalty Fee (% of Corresponding Gross Billings)</b>
\$0 - \$13,000	30%
\$13,001 - \$26,000	27.5%
\$26,001 - \$40,000	25%
\$40,001 - \$60,000	22.5%
\$60,001 - \$80,000	20%
\$80,001 +	17.5%

Note: While Franchisee is at liberty to set pricing according to local market conditions, it is strongly recommended that Franchisee makes regular price adjustments to remain competitive within the industry and to keep pace with Franchisor's recommended dues schedule.

b. Member Registration Fees. Franchisee shall pay Franchisor its then-current Member Registration Fee for each new member registered with Franchisee's Franchised Business to cover certain start-up costs and materials. These fees are due with the submission of new member registrations to Franchisor and must be received before a personalized New Member Kit will be sent to Franchisee for such member(s). Franchisee may charge members more than the Member Registration Fee Franchisee pays to Franchisor. The Member Registration Fees Franchisee will pay to Franchisor, regardless of what Franchisee actually charges members, are currently \$550 for a CEO Forum member and \$330 for a Key Player Forum member. The recommended 2024 pricing for CEO Peer Advisory Group membership dues is \$1,400 and for Key Players Group membership dues is \$700 (excludes one-on-one sessions). A discount may be offered for members whose annual revenue is below \$10 million. Franchisor recommends establishing pricing within a 10-25% variance of these recommendations, depending on Franchisee's local market conditions.

c. Optional Materials. Franchisee shall pay Franchisor its then-current price for optional supplies, merchandise, and C12 marketing materials beyond Franchisee's annual standard allotment as such items are ordered and (quantities and pricing are maintained on the online store). Franchisee shall receive an annual allotment of \$500 to purchase such C12 promotional materials from the C12 online store.

d. Associate Chair Support Fee. Franchisee must pay Franchisor a monthly Support Fee of \$200 per Associate Chair engaged by Franchisee. This monthly Support Fee will terminate either once the CEO Forum run by any particular Associate Chair has reached ten (10) CEO members or is responsible for \$10,000 in Gross Billings, whichever comes first.

e. Fees Subject to Change. Franchisor's Training and Materials fees are subject to change in the event that the price of materials increases above current costs. In the event that Training and Material fees increase, Franchisee must pay Franchisor the then-current fees.

f. Optional Activities. Franchisee may choose to engage in several other optional activities and services for which Franchisee may incur costs (and also generate revenue). These might include Introductory Events and Annual Member of the Year Banquets, Local C12 Marketing, and Local C12 Seminars. As explained above, Franchisee shall split any profits derived from such optional activities with Franchisor as Franchisee and Franchisor collaborate on such events.

g. Corporate and National Accounts and Enterprise Pricing. Franchisor shall have the right to negotiate “enterprise” relationships with national brands and that Franchisee agrees to honor such enterprise pricing offered by Franchisor. Examples of the enterprise pricing and benefits that Franchisor may offer are (1) a 10% discount on first-year dues (as determined by the franchisee list price for local market) for new Members from certain organizations and (2) corporately discounted new membership kits and other benefits sponsored by Franchisor (e.g., access to digital products, discounts to events).

2. Unless otherwise noted, all fees which are imposed by Franchisor and payable to Franchisor are non-refundable and subject to change as economic conditions change.

## **VII. Associate Chairs and Territory Expansion**

1. Once Franchisee attains the level of activity which includes two (2) CEO Forums of ten (10) or more members, Franchisee may seek Franchisor’s permission to add Associate Chair(s) who will operate CEO Forums within the Territory under Franchisee’s Franchised Business. Franchisor shall have the right, in its sole discretion, to approve of Franchisee’s proposed Area Chairs. Franchisee’s proposed Area Chairs must successfully complete Franchisor’s New Chair Training.

2. Franchisee may also request to expand Franchisee’s Territory to encompass contiguous or nearby geographical area(s) that would add additional market potential to the Franchised Business. Franchisor may, in its sole discretion, grant a request to add additional geographic area(s) to the Territory subject to Franchisor’s approval of a specific business plan and Franchisee’s payment of an additional Franchise Fee and acceptance of an increased Baseline Target commensurate with the market potential of the additional geographic area.

3. If Franchisee has a Territory of sufficient market potential to support special affinity Business Affinity Forums or Industry Forums, which are more specific in nature than the CEO and Key Players Forums, and Franchisee chooses not to specifically address this demand after Franchisor’s request, Franchisor may appoint and train others to address such a need, granting them restrictive franchise rights within Franchisee’s Territory, limiting their activity to this narrow offering. Prior to authorizing another to operate within Franchisee’s Territory as described herein, Franchisee shall have the opportunity to consider engaging such a specialty program Area Chair as an Associate Chair of Franchisee’s Franchised Business.

## **VIII. Termination**

1. Termination by Franchisee. Franchisee may terminate this Agreement by ninety (90) days’ written notice to Franchisor subject to the process described below. In keeping with the principles of transparency and walking mutually “in the light” of Scripture together that has led Franchisor and Franchisee to enter into this Agreement, prior to giving Franchisor written notice of termination, Franchisee must attend the next available Semi-Annual Chair Training and communicate Franchisee’s reasons for termination to the other franchisees and Area Chairs in attendance. After receiving feedback from other franchisees and Area Chairs, Franchisee may thereafter terminate this Agreement without cause. If Franchisee terminates this

Agreement due to no fault of Franchisor and Franchisee engages in or intends to engage in a competitive business serving the same customers who were otherwise engaged as members in Franchisee's C12 Franchised Business, Franchisee shall pay Franchisor an exit fee equal to (a) the average Royalty Fees paid to Franchisor over the three (3) months preceding Franchisee's notice of termination (b) multiplied by twelve (12) ("Exit Fee").

2. Default With Opportunity to Cure. Unless stated otherwise in this Agreement, and subject to state law, Franchisee shall have thirty (30) days after receiving notice of default from Franchisor in which to cure any default arising from Franchisee's failure to perform its obligations under this Agreement. If Franchisee fails to cure any default within thirty (30) days after receiving notice from Franchisor, Franchisor may terminate this Agreement upon notice to Franchisee.

3. Termination by Franchisor Without Opportunity to Cure. Franchisor may terminate this Agreement immediately, upon written notice to Franchisee, should any of the following occur: (i) Franchisee or any member or owner of Franchisee receiving a criminal conviction, entering a guilty plea, or entering a plea of nolo contendere with respect to any felony or crime of moral turpitude; (ii) the abandonment of the Franchised Business or sustained inability of Franchisee to productively engage in the Franchised Business; (iii) an unapproved transfer of Franchise responsibility or any ownership interest(s) in Franchisee if Franchisee is an entity; (iv) Franchisee's filing of bankruptcy or making of an assignment for the benefit of creditors; and/or (v) unrepentant behavior by Franchisee or any member or owner of Franchisee that strikes at the unity of those engaged in C12 as Area Chairs and members. In the event that the franchisee is an entity, Franchisor may also exercise its termination rights pursuant to this section in the event that any of the foregoing shall occur with respect to any owner of such entity. The provisions under this Section are subject to state and federal law.

4. Alternatives to Termination by Franchisor. Franchisor may address by other means any breach of this Agreement that has not been satisfactorily cured by Franchisee within the applicable cure period. These alternative measures include, without limitation and at Franchisor's sole discretion, the redefining of the franchise scope or Territory and/or the termination of this Agreement.

5. Franchisor's Step-in Rights and Resale. If this Agreement is terminated by Franchisor for cause, Franchisor may, in its sole discretion, choose to continue to operate the Franchised Business with a Chair or other representative designated by Franchisor, which may involve another C12 franchisee. In the event that Franchisor assumes the operation of the Franchised Business as described herein, Franchisor shall pay Franchisee fifty percent (50%) of the Net Operating Income of the Franchised Business for three (3) months (the "Step-In Payment"). The "Net Operating Income" means the Gross Revenue of the Franchised Business less (i) payment of the Royalty Fees to Franchisor that Franchisee would have paid but for the termination of this Agreement and (ii) all other expenses incurred by Franchisor while operating the Franchised Business. Franchisor may, in its sole discretion, attempt to sell the Franchised Business, but Franchisor shall have no obligation to do so. If Franchisor does not sell or otherwise decides to close the Franchised Business, there will be no compensation to Franchisee. If Franchisor sells the Franchised Business within three (3) months of termination of this Agreement, Franchisor will pay Franchisee the amount that Franchisor receives for the Franchised Business less the Step-In Payment that Franchisor has already paid to Franchisee.

6. Failure to Launch Termination. Franchisor may terminate this Agreement or revise the territorial size and exclusivity under this Agreement in its sole discretion if, by the conclusion of the first ninety (90) days after executing this Agreement, Franchisee has not started building a CEO Forum as is demonstrated by Franchisee's diligence in performing the following duties: (i) making eight (8) Contacts per week on average; (ii) attending the mandatory Semi-Annual Chair Training sessions that occur during that period as well as the Sales Training Series; (iii) launching a direct marketing campaign; (iv) having a specific plan

for the first C12 introductory event and/or initial CEO Forum in the Territory, and (v) reporting to Franchisor and making progress regarding the specific Business Plan Goals and Action Plan Goals that Franchisee established with Franchisor during Training Week.

7. Obligations Upon Termination. Upon termination of this Agreement for any reason, Franchisee shall perform the following:

a. Franchisee shall immediately cease using all programs, process formats, materials, forms, manuals, systems, slogans, signs, marks, symbols, websites, or designs used with the C12 Franchised Business and return all manuals and member information to Franchisor.

b. Franchisee shall pay Franchisor all past-due amounts plus late fees and interest as applicable.

c. Franchisee shall maintain the confidentiality of all C12 proprietary material or confidential business process or member information related to Franchisee's prior C12 Franchised Business as required by Section IV.8.c. of this Agreement.

d. Franchisee shall follow the post-termination process for communicating the termination of this Agreement with Franchisee's C12 members as outlined in Section IV.8.c. of this Agreement.

## **IX. Covenants**

1. During the Term. Franchisee agrees to not own an interest or participate in any business viewed as competitive, injurious, or incompatible with Franchisor and the C12 Franchised Business. Franchisee agrees to engage in the C12 Franchised Business as Franchisee's primary vocation with no other vocational interests that may materially adversely impair Franchisee's ability to perform Franchisee's obligations hereunder.

2. Post-Termination Non-Competition. For two (2) years after the termination of this Agreement for any reason, Franchisee shall not directly or indirectly own an interest in or otherwise be employed by or engaged with a Competitive Business within the Territory, within ten (10) miles of the Territory, within the territory of any other C12 franchise, or within ten (10) miles of the territory of any other C12 franchise. For purposes of this Section, a "Competitive Business" is any business that offers peer mentorship and coaching to Christian business leaders. The post-termination non-competition obligations under this Section shall not apply if Franchisee pays Franchisor the Exit Fee described above.

3. Non-Solicitation of Members. Franchisee agrees to not purposely solicit (either directly or indirectly) any prospective C12 member who lives and works in the territory of another C12 franchisee. Such 'poaching' is deemed by C12 to be a material breach of this Agreement that strikes at the unity of the C12 franchise system and is grounds for termination upon notice to Franchisee. If one of Franchisee's C12 members desires, for any reason, to consider becoming a member of a Business Forum in another C12 franchisee's territory and personally initiates a request to transfer their membership to another group, Franchisee shall enable the member to attend a full meeting in the other group (presuming room exists for their potential membership) before they reach a final decision. This C12 policy is aimed at serving the best

interests of each member and is ultimately deemed as the best policy for C12 franchisees. In such a scenario, Franchisee agrees that there will be no compensation to either Franchisee or the other C12 franchisee as a result of a member choosing to make such a transfer.

## **X. Transfer, Sale, or Assignment**

1. Recognizing the value of consistency and standardization across franchisees in fostering the goodwill and reputation of the C12 franchise system and Franchisor and the desire for service continuity to C12 members within Franchisee's Territory, Franchisor and Franchisee agree as follows:

1. Franchisor shall have the right to approve all sales and transfers of the Franchised Business or any interest in Franchisee if Franchisee is an entity. A transfer shall be deemed to occur when more than fifty percent (50%) of the equity ownership of Franchisee, as of the date this Franchise Agreement, is sold or transferred to a third-party. Such a sale or transfer will result in Franchisee and/or the transferee, as applicable, executing Franchisor's then-current form of franchise agreement, which may contain terms materially different than the Franchise Agreement. Franchisor may condition its consent to any transfer based on the evaluation of successor or transferee qualifications, business plan viability (including recognition of Franchise purchase terms), the transferee's successful completion of New Chair Training and payment of a \$6,000 transfer fee. In addition, if the transferee acquiring the entire Franchised Business is not an existing C12 franchisee, they must pay Franchisor a training fee. The transfer is deemed approved only after the transferee has been deemed qualified to serve by Franchisor in its sole discretion, the transfer fee of \$6,000 has been paid to Franchisor, all outstanding amounts owed by Franchisee to Franchisor have been paid in full, Franchisee (and its owners, if applicable) has executed a general release of Franchisor and a new franchise agreement has been signed with the transferee if more than fifty percent (50%) of the Franchised Business is transferred.

a. If Franchisee suspends, for temporary reasons out of Franchisee's control (e.g., health, disability or death), normal operations of the Franchised Business for a period of sixty (60) days or more, Franchisor will attempt to assist in overseeing the continuation of the Franchised Business through a transition period not to exceed six (6) months. No person will be permitted to hold the Franchise who is not a qualified Principal Chair. If Franchisee is not restored to full operating capacity or no qualified transferee can be found during this period, Franchisor may terminate this Agreement.

2. There are no restrictions on Franchisor's right to assign or transfer its rights and obligations under this Agreement.

## **XI. (Omitted)**

## **XII. Dispute Resolution Process**

Consistent with scriptural commands for those in the body of Christ to resolve such disputes with a commitment toward mutual love, truth, unity, and God's eternal purposes, Franchisor has defined a process which incorporates these principles (see Matthew 5:23-26, 18:15-17 and 1 Corinthians 6:1-7). Specifically, Franchisee agrees to not pursue public legal action, which serves to generate great expense, compromises the parties' joint stewardship responsibilities before the Lord, and negatively impacts the parties' joint

ability to cost-effectively resolve disagreements biblically. Franchisee agrees to submit disputes, conflicts or disagreements relating to Franchisee's role as franchisee to Franchisor's three-step dispute resolution process, as follows:

1. Step One: Address Franchisee's concern directly to the individual(s) with whom Franchisee has the disagreement, approaching him/her in a spirit of humility and reconciliation (see Matthew 18:15). If the disagreement involves a peer or Franchisor's office staff member, the next step would involve engaging Franchisor's President or Chairman. If the disagreement involves Franchisor's President or Chairman, the next step would include engaging in an expanded discussion with the one which is not involved, much as one would in bringing the matter before an elder in the church. Franchisor has established a Chair Advisory council comprised of regional peer representatives selected for rotating terms to serve as advisors and advocates of franchisees to Franchisor. Any franchisee may also appeal via their Regional Representative to bring matters of concern or dispute to the Chair Advisory Council which includes a delegate of the Franchisor's Board of Directors in addition to Franchisor's Officers.

2. Step Two: If the dispute remains unresolved, either Franchisor or Franchisee may bring the dispute to a panel of three of C12's Board Members, whom You will mutually select, that are not members of the Franchisor's senior staff.

3. Step Three: If Franchisee is still unwilling to abide by the decision of the panel of the three C12 non-executive Board Members, then Franchisee shall have the right to request binding Christian arbitration. The parties agree for the arbitration process to be conducted in accordance with the Christian Conciliation Rules of Procedure contained in the ICC booklet Guidelines for Christian Conciliation. In accordance with the Rules of Procedure for Christian Conciliation of the Institute for Christian Conciliation (complete text of the Rules is available at [www.iccpeace.com/rules](http://www.iccpeace.com/rules) or by contacting ICC PEACE at [info@iccpeace.com](mailto:info@iccpeace.com) or calling 844-707-3223). Consistent with these rules, each party to the agreement shall agree to the selection of the arbitrator. The parties agree that if there is an impasse in the selection of the arbitrator, the Institute for Christian Conciliation (hereafter ICC), shall be asked to provide the name of a qualified person who will serve in that capacity. Consistent with the Rules of Procedure, the arbitrator shall issue a written opinion within a reasonable time. The parties acknowledge that the resolving of conflicts requires time and financial resources. In an effort to fully encourage and implement a biblically faithful process, Franchisor agrees to pay all fees and expenses, which may be required by the mediator, case administrator, and/or arbitrator.

In any and all disputes arising with respect to the Agreement, if the laws of any state are to be applied thereto such laws shall be exclusively the laws of the State of Texas, without giving effect to provisions or procedures regarding conflicts of laws. Further, in the event that any dispute arising with respect to this Agreement is to be litigated, all parties hereby consent to the exclusive jurisdiction of the state court of Texas sitting in Bexar County, Texas.

### **XIII. Waivers**

Franchisor is committed to operating with grace and transparency and with a commitment to dealing with all C12 community matters in truth and love (Ephesians 4:15), consistent with the Dispute Resolution Process defined in XII above. With this in mind, the parties agree explicitly to the following:

a. Implied Waivers: failure of either party at any time to require performance of any provision of this Agreement shall not affect the right of such party to require full performance at any later time, and the waiver by either party of a breach of any provision shall not be taken or held to be a waiver by such party of any later breach or as nullifying the effectiveness of any other provision of this Agreement.

b. Jury Trial Waiver: the parties irrevocably waive trial by jury in any action, proceeding, or counterclaim, wither at law or in equity, brought by either of them.

c. Punitive Damages Waiver: the parties waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that in any dispute between them each shall be limited to the recovery of any actual damages sustained by it or, if applicable, injunctive relief.

#### **XIV. Procedure for Notice**

Any notice required to be given under this Agreement shall be in writing and shall be delivered by personal service or by USPS registered or certified mail, return receipt requested, postage prepaid or by UPS or FedEx. Notices to C12 shall be addressed to our home office, 777 E. Sontera Blvd., Suite 305, San Antonio, TX 78258 or other address as We may designate in writing. Notices to Franchisee shall be addressed to Franchisee at the address set forth in the preamble of this Agreement, or other address as Franchisee may designate in writing by notice delivered in accordance with this section.

#### **XV. Entire Agreement**

This Agreement constitutes the entire agreement between Franchisee and Franchisor with respect to the subject matter hereof and supersedes any and all prior agreements and understandings with respect to the subject matter hereof verbal and/or written and shall not be modified or amended unless in writing and signed by both parties. This Agreement shall be binding upon Franchisee and Franchisor and their respective heirs, administrators, executors, survivors, and/or successors and assigns. The Summary Page is a part of this Agreement and all terms contained therein are incorporated herein. Notwithstanding the foregoing, nothing in this Agreement or in any document or agreement related to this Agreement is intended to disclaim the representations made by Franchisor in its Franchise Disclosure Document.

#### **XVI. Invalidity**

If any provision of this Agreement shall be deemed invalid and unenforceable, that provision's invalidity or unenforceability shall not affect the validity or enforceability of this Agreement as a whole, or any portion.

#### **XVII. Survival**

All provisions of this Agreement which impose an obligation after termination of this Agreement shall survive termination of this Agreement and be binding on the parties.

*[Signatures on following page]*

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

**FRANCHISOR:** THE C12 GROUP, LLC

By \_\_\_\_\_

Michael Sharrow, CEO & President

**FRANCHISEE:**

INDIVIDUAL OR PARTNERSHIP FRANCHISEES SIGN BELOW (ALL MUST SIGN)

\_\_\_\_\_  
FRANCHISEE            %OWNERSHIP            FRANCHISEE            %OWNERSHIP

\_\_\_\_\_  
FRANCHISEE            %OWNERSHIP            FRANCHISEE            %OWNERSHIP

CORPORATE/LLC COMPANY FRANCHISEES SIGN BELDOW and on following OWNER'S  
GUARANTY:

\_\_\_\_\_  
ATTEST            (Name of corporate franchisee)

By \_\_\_\_\_

Secretary

\_\_\_\_\_

President

**Attachment A**  
**Owner's Guaranty**

Each of the undersigned individuals represents and warrants that he/she owns at least five percent (5%) of the equity interests of the above-referenced entity.

Accordingly, to induce Franchisor to enter into this Agreement, each of the undersigned individuals, jointly and severally, hereby guarantees the prompt and complete performance of each and every obligation of the Franchisee with respect to the foregoing Agreement and the prompt and complete payment of each and every financial obligation of the Franchisee with respect to the foregoing Agreement.

The undersigned individuals agree that Franchisor does not have to pursue any remedies Franchisor may have against the Franchisee, but rather, Franchisor may, in its sole discretion, proceed directly and primarily against any one or more of the undersigned individuals with or without joining the above-named Franchisee as principal or as a named party in any proceeding.

\_\_\_\_\_  
Stockholder/Member

\_\_\_\_\_  
Stockholder/Member

\_\_\_\_\_  
Stockholder/Member

\_\_\_\_\_  
Stockholder/Member

\_\_\_\_\_  
Stockholder/Member

\_\_\_\_\_  
Stockholder/Member

## **STATE ADDENDA TO FRANCHISE AGREEMENT**

Certain states have laws that prohibit or amend certain provisions of the foregoing Franchise Agreement under circumstances, as follows:

*[Beginning on next page]*

**ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT**

Illinois law shall apply to and govern the Franchise Agreement.

In Conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees’ rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Franchisor:

Franchisee:

**The C12 Group, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

## MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT

Any 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.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

All representations requiring Franchisee to assent to a release, estoppel, or waiver of liability are not intended nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Franchisor:

Franchisee:

**The C12 Group, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

## MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state "No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues."
- NSF checks are governed by Minnesota Statute 60A.113, which puts a cap of \$30 on service charges.
- No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchisee.

Franchisor:

Franchisee:

**The C12 Group, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

Its: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

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

## NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

With respect to Item 17(u) of the Disclosure Document and Section XII of the Franchise Agreement, in regard to Section 51-19-09 of the North Dakota Franchise Investment Law, all arbitration or mediation must take place at a location agreeable to all parties involved and may not be remote from the franchisee's place of business.

With respect to Item 17(v) of the Disclosure Document and Section XII of the Franchise Agreement, in regard to Section 51-19-09 of the North Dakota Franchise Investment Law, franchisees are not required to consent to the jurisdiction of the courts in Texas and may fall under the jurisdiction of the courts in North Dakota.

With respect to Item 17(w) of the Disclosure Document and Section XII of the Franchise Agreement, in regard to Section 51-19-09 of the North Dakota Franchise Investment Law, the agreement shall be governed according to the laws of the State of North Dakota or a non-specified State agreed to by all parties.

North Dakota Franchise Investment Law, Section 51-19-10 prohibits a franchisee from waiving his rights to a jury trial. To the extent that this Franchise Agreement is governed by North Dakota law, any provisions to the contrary in the Franchise Agreement are hereby deemed to be deleted.

Franchisor:

Franchisee:

**The C12 Group, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT, AND RELATED AGREEMENTS**

[See the Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, and Other Agreements in Exhibit F to the Franchise Disclosure Document]

**EXHIBIT A-1**

**GENERAL RELEASE FORM**

THE UNDERSIGNED (“Franchisee”), effective as of \_\_\_\_\_, 2\_\_\_\_\_, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, on behalf of itself, its successors, assigns, heirs, and affiliates, hereby forever and irrevocably releases The C12 Group, LLC (“Franchisor”), its members, managers, officers, employees, and agents, and their respective successors, assigns, heirs, and affiliates, from any and all liabilities and obligations, known and unknown, contingent and non-contingent, and liquidated and non-liquidated, arising at any time with respect to that certain Franchise Agreement between the undersigned and Franchisor dated on or about \_\_\_\_\_, 2\_\_\_\_\_, as amended (the “Franchise Agreement”).

The provisions hereof shall not apply to any liability arising with respect to the franchise laws under the Maryland Franchise Registration and Disclosure Law.

This Release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

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[Signature of Franchisee]

**EXHIBIT B**  
**FINANCIAL STATEMENTS**

# THE C12 GROUP, LLC

Audited Financial Statements

December 31, 2024



**ADKF**

CERTIFIED PUBLIC ACCOUNTANTS

**THE C12 GROUP, LLC**  
**Table of Contents**  
**December 31, 2024 and 2023**

	<u>Page</u>
<b>Audited Financial Statements</b>	
Independent Auditor's Report	1
Balance Sheets	3
Statements of Operations	5
Statements of Changes in Members' Equity	6
Statements of Cash Flows	7
Notes to Audited Financial Statements	8



# ADKF

with you  
all the way

Member of the AICPA & TXCPA.  
Registered with Public Company  
Accounting Oversight Board.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The C12 Group, LLC  
San Antonio, Texas

### Opinion

We have audited the accompanying financial statements of The C12 Group, LLC (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The C12 Group, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

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

### Responsibilities of Management for the Financial Statements

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

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

- 1 -

#### MAIN OFFICE:

9601 McAllister FWY, STE 800  
San Antonio, Texas 78216

Phone: 210.829.1300  
Fax: 210.829.4080

672 Ridge Hill Dr., STE A  
New Braunfels, TX 78130

Phone: 830.387.4441

616 E. Blanco, STE 300e  
Boerne, TX 78006

Phone: 830.815.1100



[WWW.ADKF.COM](http://WWW.ADKF.COM)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

*ADKF, PC*

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ADKF, P.C.  
San Antonio, Texas  
March 21, 2025

**THE C12 GROUP, LLC**  
**Balance Sheets**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,641,633	\$ 1,601,398
Restricted cash	1,387,034	239,964
Total cash	<u>3,028,667</u>	<u>1,841,362</u>
Accounts receivable	865,442	592,343
Notes receivable, current portion	-	111,967
Supply inventory	184,109	209,905
Prepaid expenses	691,068	50,538
Total current assets	<u>4,769,286</u>	<u>2,806,115</u>
Property and Equipment:		
Office furniture, fixtures and equipment	76,140	76,140
Less accumulated depreciation	<u>(53,480)</u>	<u>(42,603)</u>
Net property and equipment	22,660	33,537
Other Assets:		
Goodwill, net of accumulated amortization	71,971	83,966
Website and applications, net of accumulated amortization	364,493	383,284
Right-of-use operating lease assets	56,362	163,479
Notes receivable, less current portion	-	13,356
Deposits	161,353	17,653
Total other assets	<u>654,179</u>	<u>661,738</u>
<b>Total Assets</b>	<u><u>\$ 5,446,125</u></u>	<u><u>\$ 3,501,390</u></u>

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Balance Sheets**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 362,289	\$ 259,919
Accrued liabilities	222,289	147,458
Unearned revenue	1,899,383	238,717
Operating lease liabilities, current portion	38,158	132,737
Total current liabilities	<u>2,522,119</u>	<u>778,831</u>
Long-Term Liabilities:		
Long-term incentive plan	222,769	-
Operating lease liabilities, less current portion	18,784	33,449
Total long-term liabilities	<u>241,553</u>	<u>33,449</u>
Members' Equity	<u>2,682,453</u>	<u>2,689,110</u>
<b>Total Liabilities and Members' Equity</b>	<u><u>\$ 5,446,125</u></u>	<u><u>\$ 3,501,390</u></u>

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Statements of Operations**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Revenues:		
Franchise fees:		
Continuing fees	\$ 6,812,735	\$ 5,935,902
Initial fees	424,292	379,430
International license fees	302,381	196,251
New member registration fees	458,500	465,175
Training fees	208,676	150,266
Merchandise and promotion	94,810	169,815
Dues, Atlanta	-	37,890
Total revenues	<u>8,301,394</u>	<u>7,334,729</u>
Operating Expenses:		
Salaries and benefits	3,999,631	3,206,864
Contract labor	619,592	693,362
Curriculum and kits	530,221	513,885
Staff development and training	187,798	127,432
Chair development and training	481,081	402,591
Recruiting expenses	106,230	229,383
Chair services	80,855	64,356
New chair training	111,210	113,517
International markets	98,908	111,041
Business travel	220,151	176,139
Technology	176,936	162,582
Merchandise	27,385	91,142
Content production	68,526	46,121
Office expenses	279,219	235,988
Advertising	261,415	185,953
Depreciation and amortization	145,909	115,318
Charitable contributions	109,616	124,198
Other operating expenses	123,305	125,337
Total operating expenses	<u>7,627,988</u>	<u>6,725,209</u>
Income from Operations	673,406	609,520
Other income (expenses):		
Conference revenue, net of expenses of \$0 and \$1,218,944	-	285,555
Interest income	109,126	32,477
Gain on sale of subsidiary	-	276,066
Other	(105,888)	1,059
Other income (expenses), net	<u>3,238</u>	<u>595,157</u>
Income before state income taxes	676,644	1,204,677
State income taxes	<u>26,630</u>	<u>79,231</u>
<b>Net Income</b>	<u>\$ 650,014</u>	<u>\$ 1,125,446</u>

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Statements of Changes in Members' Equity**  
**Years Ended December 31, 2024 and 2023**

Balance at December 31, 2022	\$ 1,843,880
Net income	1,125,446
Distributions	<u>(280,216)</u>
Balance at December 31, 2023	2,689,110
Net income	650,014
Distributions	<u>(656,671)</u>
Balance at December 31, 2024	<u><u>\$ 2,682,453</u></u>

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Net income	\$ 650,014	\$ 1,125,446
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,877	10,877
Amortization	135,032	104,441
Non cash operating lease expense	107,117	139,987
Gain from sale of subsidiary	-	(276,066)
Changes in operating assets and liabilities:		
Accounts receivable	(273,099)	(56,496)
Supplies inventory	25,796	(40,497)
Prepaid expenses	(640,530)	(386)
Accounts payable	102,370	(32,396)
Accrued expenses	74,831	(40,024)
Long-term incentive plan	222,769	-
Operating lease liability	(109,244)	(129,948)
Deposits	(143,700)	(3,669)
Unearned revenue	1,660,666	(675,786)
Net cash provided by operating activities	<u>1,822,899</u>	<u>125,483</u>
<b>Investing Activities</b>		
Purchases of property and equipment	(104,246)	(168,879)
Repayments on note receivable	125,323	231,605
Net cash provided by investing activities	<u>21,077</u>	<u>62,726</u>
<b>Financing Activities</b>		
Distributions	(656,671)	(280,216)
Net cash (used) by financing activities	<u>(656,671)</u>	<u>(280,216)</u>
Change in cash and cash equivalents	1,187,305	(92,007)
Cash and cash equivalents at beginning of year	<u>1,841,362</u>	<u>1,933,369</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 3,028,667</u></u>	<u><u>\$ 1,841,362</u></u>
<b>Supplemental Disclosures</b>		
Issuance of note receivable	\$ -	\$ 400,000
Income taxes (Texas margin tax) paid in cash	54,750	24,722
Right-of-use assets obtained	26,514	-

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Operations:* The C12 Group, LLC was organized in 2005, and was converted to a Texas limited liability company in 2016 and relocated to San Antonio, Texas from North Carolina.

The Company is a resource for Christian business owners, chief executive officers and presidents who are called to lead with excellence, integrity, and balance according to Biblical standards. The Company sells franchises to Principal Chairs, who then build a C12 practice by recruiting Associate Chairs who work with them to recruit group members from among local business leaders. At year end, the company had 193 chairs including Principal and Associate Chairs. It has over 4,000 group members across its various offerings: CEO Groups and Key Player Groups.

The Company acquired 100% of C12 Atlanta LLC in March 2017. C12 Atlanta was a franchisee of the Company prior to the acquisition and operated as a wholly owned subsidiary. Effective January 31, 2023, C12 Atlanta, LLC was sold to a third party.

The Company has licensing agreements to provide services in Taiwan, South Africa, Malaysia, Singapore, Ukraine and Brazil.

*Basis of Presentation:* The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The financial statements were presented on a consolidated basis and all significant intercompany accounts and transactions eliminated.

*Revenue Recognition:* A majority of the Company's revenues are derived from franchise fees. Franchise agreements generally require the franchisee to pay 1) an initial non-refundable territory fee of \$25,000 per franchise unit, 2) a prepaid marketing deposit of \$10,000, 3) a training and support fee of \$10,000 to \$12,500, which is refundable prior to the start of training, 4) continuing fees based upon a percentage of monthly member billings ranging from 12% to 30%, and 5) a new member registration fee ranging from \$300-500. Franchise agreements are renewed annually with no additional charges.

When a franchise is sold, the Company agrees to provide certain services to the franchisee, including assisting with site selection, training, reference and promotional materials and assistance with local C12 events. Initial territory fees are recognized as revenue when substantially all initial services under the franchise agreement are completed. Continuing fees are recognized as earned.

The Company also has license agreements in certain international markets. The Company receives revenue based upon sales generated utilizing the intellectual property it provides and is recognized at that point in time.

Sales taxes billed are reported directly as a liability to the taxing authority.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of demand deposits held by financial institutions as well as cash on hand.

*Restricted Cash:* Restricted Cash consists of prepaid funds for new territory marketing, cash accrued for the long-term incentive program, and unearned revenues from presale of tickets to the Company's bi-annual conference.

**THE C12 GROUP, LLC**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Accounts Receivable:* Accounts receivables are reported at outstanding principal. The Company does not have an allowance for credit losses at December 31, 2024 and 2023. The Company normally does not charge interest on accounts receivable. Accounts receivable totaled \$535,847 at January 1, 2023, the beginning of the earliest year presented.

*Allowance for Expected Credit Losses:* The Company recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Company assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible.

*Supply Inventory:* Supply inventory is stated at the lower of cost or market (net realizable value), and consists primarily of promotional, educational and office supplies.

*Property and Equipment:* Property and equipment are stated at cost, net of depreciation. Major renewals and betterments are capitalized, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed. Depreciation is provided at amounts calculated to amortize the cost of the assets over their estimated useful economic lives using straight line, generally with lives ranging from three to seven years.

*Goodwill:* Goodwill represents the cost of assets acquired in excess of fair value. Goodwill is amortized over a 10 year period. Amortization is expected to be \$11,995 annually through 2031. Accumulated amortization totaled \$47,981 at December 31, 2024 and \$35,986 at December 31, 2023. As a result of the sale of C12 Atlanta in 2023, the Company wrote off \$80,862 in goodwill related to that subsidiary.

*Website and Applications:* The Company has capitalized costs for the development and implementation of their website and application for the use by Chairs and members. Additional functionalities have been added and capitalized. These intangible assets are amortized using the straight-line method over a five-year life. Accumulated amortization totaled \$308,762 at December 31, 2024 and \$185,725 at December 31, 2023.

*Unearned Revenue:* The Company receives prepayments for sponsorship and ticket sales to its bi-annual conference. The revenue is recognized when the revenue cycle is completed. Customer deposits totaled \$914,503, the beginning of the earliest year presented.

*Leases:* Operating leases with terms of greater than 12 months are recognized as lease assets and obligations at the lease commencement date based on the present value of lease payments over the term of the lease. The Company has elected to not separate lease and non-lease components. The Company utilizes the risk-free discount rate, according to the Company's elected policy for this class of assets. Operating lease expense is recognized in operating expenses on a straight-line basis over the lease term. In determining lease asset values, the Company considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised.

*Income Taxes:* The Company, as an LLC, is not a taxpaying entity for federal income tax purposes. Accordingly, income and loss are passed directly to its members and taxed at their individual level. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination. The Company is subject to the Texas margin tax.

**THE C12 GROUP, LLC**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Advertising:* Advertising costs are expensed as incurred and amounts are insignificant.

*Concentrations of Risk:* Financial instruments that potentially expose the Company to credit risk consist principally of cash and trade accounts receivables. The Company occasionally maintains cash balances in financial institutions that exceed the amounts insured by the FDIC. The Company periodically assesses the financial condition of the institutions and believes that the risk of loss is minimal. Cash balances in excess of the insured limit totaled approximately \$718,000 at December 31, 2024. The Company performs on-going credit evaluations and generally requires no collateral from customers.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

*Reclassification:* Certain prior year amounts, none of which were significant, were reclassified to conform with current year presentation.

**NOTE B – NOTE RECEIVABLE**

The Company was carrying a note receivable for the remaining amount to be collected from the sale of the C12 Atlanta entity to a franchisee in January 2023. The note balance was \$125,323 at December 31, 2023. The note was paid in full and has a balance of \$0 at December 31, 2024.

**NOTE C – LONG-TERM INCENTIVE PLAN**

In 2024, the Company established a Long-Term Incentive Plan (LTIP) for the executive leadership team. Under the LTIP, eligible executives are entitled to receive an incentive equivalent to 16% of the annual appreciation of the Company, as determined yearly by a third-party. This incentive is distributed amongst the executives at the discretion of the board of directors. The LTIP has a 5-year cliff vesting period. Should an executive exit the Company before the completion of the vesting period, any accrued incentive is forfeited.

The accrual for the LTIP is updated annually based on the Company's valuation. As of December 31, 2024, the balance accrued under the LTIP was \$222,768.

**THE C12 GROUP, LLC**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE D – OPERATING LEASES**

The Company has operating leases for certain office space and equipment expiring in 2025 and 2029. The leases do not contain options to renew. Operating lease expense is recognized in operating expenses, office expenses. Rent expense under such leases totaled approximately \$138,000 in 2024 and \$134,000 in 2023 under such leases.

The weighted-average remaining lease term was 2.15 years in 2024 and 1.16 years in 2023. The weighted-average discount rate was 2.62% in 2024 and 1.08% in 2023.

Future commitments relating to these lease agreements are as follows at December 31, 2024:

Fiscal Year:		
	2025	\$ 39,207
	2026	5,700
	2027	5,700
	2028	5,700
	2029	<u>3,325</u>
	Total minimum Future Payments	59,632
	Less Imputed Interest	<u>2,690</u>
	Present value of lease liability	<u><u>\$ 56,942</u></u>

**NOTE E – OTHER OPERATING EXPENSES**

Other operating expenses include the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Franchise administration	\$ 2,418	\$ 9,418
Board of Directors expense	22,042	29,442
Professional fees	90,621	78,539
Merchant fees and service charges	<u>8,224</u>	<u>7,938</u>
Total other operating expenses	<u><u>\$ 123,305</u></u>	<u><u>\$ 125,337</u></u>

# The C12 Group, LLC

AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2023



**ADKF**

CERTIFIED PUBLIC ACCOUNTANTS

**THE C12 GROUP, LLC**  
**Table of Contents**  
**December 31, 2023 and 2022**

	<u>Page</u>
<b>Audited Financial Statements</b>	
Independent Auditor's Report	1
Balance Sheets	3
Statements of Operations	5
Statements of Changes in Members' Equity	6
Statements of Cash Flows	7
Notes to Audited Financial Statements	8



# ADKF

with you  
all the way

Member of the AICPA & TXCPA.  
Registered with Public Company  
Accounting Oversight Board.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The C12 Group, LLC  
San Antonio, Texas

### Opinion

We have audited the accompanying financial statements of The C12 Group, LLC (the Company), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The C12 Group, LLC as of December 31, 2023, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

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

### Prior Period Financial Statements

The financial statements of The C12 Group, LLC, as of and for the year ended December 31, 2022 were audited by other auditors, whose report dated March 15, 2023, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Consolidated Financial Statements

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

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

- 1 -

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

ADKF, PC  
ADKF, P.C.  
San Antonio, Texas  
March 25, 2024

**THE C12 GROUP, LLC**  
**Balance Sheets**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,601,398	\$ 1,015,305
Restricted cash	239,964	918,064
Total cash	<u>1,841,362</u>	<u>1,933,369</u>
Accounts receivable	592,343	535,847
Notes receivable, current portion	111,967	-
Supply inventory	209,905	169,408
Prepaid expenses	50,538	50,152
Total current assets	<u>2,806,115</u>	<u>2,688,776</u>
Property and Equipment:		
Office furniture, fixtures and equipment	76,140	76,140
Less accumulated depreciation	<u>(42,603)</u>	<u>(31,726)</u>
Net property and equipment	33,537	44,414
Other Assets:		
Goodwill, net of accumulated amortization	83,966	176,823
Website and applications, net of accumulated amortization	383,284	306,851
Right-of-use operating lease assets	163,479	303,466
Notes receivable, less current portion	13,356	-
Other assets	<u>17,653</u>	<u>13,984</u>
Total other assets	<u>661,738</u>	<u>801,124</u>
<b>Total Assets</b>	<u><u>\$ 3,501,390</u></u>	<u><u>\$ 3,534,314</u></u>

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Balance Sheets**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 259,919	\$ 292,315
Accrued liabilities	147,458	187,482
Unearned revenue	238,717	914,503
Right-of-use operating lease liabilities, current portion	<u>132,737</u>	<u>131,566</u>
Total current liabilities	778,831	1,525,866
Long-Term Liabilities:		
Right-of-use operating lease liabilities, less current portion	<u>33,449</u>	<u>164,568</u>
Total long-term liabilities	33,449	164,568
Members' Equity	<u>2,689,110</u>	<u>1,843,880</u>
<b>Total Liabilities and Members' Equity</b>	<u>\$ 3,501,390</u>	<u>\$ 3,534,314</u>

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Statements of Operations**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Revenues:		
Franchise fees:		
Continuing fees	\$ 5,935,902	\$ 4,888,637
Initial fees	379,430	473,488
Dues, Atlanta	37,890	429,500
International license fees	196,251	115,917
New member registration fees	465,175	396,775
Merchandise and promotion	169,815	134,973
Total revenues	<u>7,184,463</u>	<u>6,439,290</u>
Operating Expenses:		
Salaries and benefits	3,206,864	2,900,324
Contract labor	693,362	694,667
Curriculum and kits	513,885	489,001
Staff development and training	127,432	122,157
Chair development and training	252,325	159,812
Recruiting expenses	229,383	12,049
Chair services	64,356	90,966
New chair training	113,517	98,722
International markets	111,041	-
Business travel	176,139	201,216
Technology	162,582	141,517
Merchandise	91,142	103,167
Content production	46,121	94,610
Office expenses	235,988	215,986
Advertising	185,953	157,887
Depreciation and amortization	115,318	101,472
Charitable contributions	124,198	76,020
Other operating expenses	125,337	99,560
Total operating expenses	<u>6,574,943</u>	<u>5,759,133</u>
Income from Operations	609,520	680,157
Other income (expenses):		
Conference revenue, net of expenses of \$1,218,944	285,555	-
Other expenses	1,059	(25,214)
Gain on sale of subsidiary	276,066	-
Other income	32,477	7,364
Other income (expenses), net	<u>595,157</u>	<u>(17,850)</u>
Income before state income taxes	1,204,677	662,307
State income taxes	<u>79,231</u>	<u>21,440</u>
<b>Net Income</b>	<u>\$ 1,125,446</u>	<u>\$ 640,867</u>

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Statements of Changes in Members' Equity**  
**Years Ended December 31, 2023 and 2022**

Balance at December 31, 2021	\$ 1,312,531
Net income	640,867
Distributions	<u>(109,518)</u>
Balance at December 31, 2022	1,843,880
Net income	1,125,446
Distributions	<u>(280,216)</u>
Balance at December 31, 2023	<u><u>\$ 2,689,110</u></u>

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Activities</b>		
Net income	\$ 1,125,446	\$ 640,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,877	79,368
Amortization	104,441	22,103
Gain from sale of subsidiary	(276,066)	-
Changes in operating assets and liabilities:		
Accounts receivable	(56,496)	(84,865)
Supplies inventory	(40,497)	(63,920)
Prepaid expenses	(386)	12,669
Operating lease right-of-use asset	139,987	124,177
Accounts payable	(32,396)	51,858
Accrued expenses	(40,024)	(1,643)
Operating lease right-of-use liability	(129,948)	(131,509)
Other assets	(3,669)	-
Unearned revenue	(675,786)	815,784
Net cash provided by operating activities	<u>125,483</u>	<u>1,464,889</u>
<b>Investing Activities</b>		
Purchases of property and equipment	(168,879)	(102,668)
Repayments on related party note receivable	231,605	-
Net cash provided (used) by investing activities	<u>62,726</u>	<u>(102,668)</u>
<b>Financing Activities</b>		
Distributions	(280,216)	(109,518)
Net cash (used) by financing activities	<u>(280,216)</u>	<u>(109,518)</u>
Change in cash and cash equivalents	(92,007)	1,252,703
Cash and cash equivalents at beginning of year	<u>1,933,369</u>	<u>680,666</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 1,841,362</u></u>	<u><u>\$ 1,933,369</u></u>
<b>Supplemental Disclosures</b>		
Issuance of note receivable	\$ 400,000	\$ -
Income taxes (Texas margin tax) paid in cash	24,722	3,393

*See notes to audited financial statements.*

**THE C12 GROUP, LLC**  
**Notes to Audited Financial Statements**  
**December 31, 2023 and 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Operations:* The C12 Group, LLC was organized in 2005, and was converted to a Texas limited liability company in 2016 and relocated to San Antonio, Texas from North Carolina.

The Company is a resource for Christian business owners, chief executive officers and presidents who are called to lead with excellence, integrity, and balance according to Biblical standards. The Company sells franchises to Area Chairs, who then build a C12 practice by recruiting group members from among local business leaders. At year end, the Company had 193 Area Chairs, including Associate Chairs. It has over 4,000 group members across its various offerings: C12 Groups and Key Players.

The Company acquired 100% of C12 Atlanta LLC in March 2017. C12 Atlanta was a franchisee of the Company prior to the acquisition and operated as a wholly owned subsidiary. Effective January 31, 2023, C12 Atlanta, LLC was sold to a third party.

The Company has licensing agreements to provide services in Taiwan, South Africa, Malaysia, Singapore and Brazil.

*Basis of Presentation:* The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The financial statements were presented on a consolidated basis and all significant intercompany accounts and transactions eliminated.

*Revenue Recognition:* A majority of the Company's revenues are derived from franchise fees. Franchise agreements generally require the franchisee to pay 1) an initial non-refundable territory fee of \$25,000 per franchise unit, 2) a prepaid marketing deposit of \$10,000, 3) a training and support fee of \$10,000 to \$12,500, which is refundable prior to the start of training, 4) continuing fees based upon a percentage of monthly member billings ranging from 12% to 30%, and 5) a new member registration fee ranging from \$250 to \$425, which increased to \$300 to \$500 in July 2023. Franchise agreements are renewed annually with no additional charges.

When a franchise is sold, the Company agrees to provide certain services to the franchisee, including assisting with site selection, training, reference and promotional materials and assistance with local C12 events. Initial territory fees are recognized as revenue when substantially all initial services under the franchise agreement are completed. Continuing fees are recognized as earned.

The Company also has license agreements in certain international markets. The Company receives revenue based upon sales generated utilizing the intellectual property it provides and is recognized at that point in time.

Sales taxes billed are reported directly as a liability to the taxing authority.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of demand deposits held by financial institutions as well as cash on hand.

*Restricted Cash:* Restricted cash consists of unearned revenues, including prepaid marketing deposits, training and support fees, as well as prepayment of bookings for the Company's bi-annual conference.

**THE C12 GROUP, LLC**  
**Notes to Audited Financial Statements**  
**December 31, 2023 and 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Accounts Receivable:* Accounts receivables are reported at outstanding principal. The Company does not have an allowance for credit losses at December 31, 2023 and 2022. The Company normally does not charge interest on accounts receivable. Accounts receivable totaled \$450,982 at January 1, 2022, the beginning of the earliest year presented.

*Allowance for Expected Credit Losses:* The Company recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Company assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible.

*Supply Inventory:* Supply inventory is stated at the lower or cost or market (net realizable value), and consists primarily of promotional, educational and office supplies.

*Property and Equipment:* Property and equipment are stated at cost. Major renewals and betterments are capitalized, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed. Depreciation is provided at amounts calculated to amortize the cost of the assets over their estimated useful economic lives using straight line and accelerated methods, generally with lives ranging from three to seven years.

*Goodwill:* Goodwill represents the cost of assets acquired in excess of fair value. Goodwill is amortized over a 10 year period. Amortization is expected to be \$11,995 annually through 2031. Accumulated amortization totaled \$35,986 at December 31, 2023 and \$23,990 at December 31, 2022. As a result of the sale of C12 Atlanta in 2023, the Company wrote off \$80,862 in goodwill related to that subsidiary.

*Website and Applications:* The Company has capitalized costs for the development and implementation of their website and application for the use of its members. Additional functionalities have been added and also capitalized. These intangible assets are amortized using the straight-line method over a five year life. Accumulated amortization totaled \$185,725 at December 31, 2023 and \$152,530 at December 31, 2022.

*Leases:* The Company determines if an arrangement is an operating or financing lease at commencement. The Company has determined that it has no finance lease arrangements at December 31, 2023 or 2022. For all other leases, lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Company utilizes the risk-free discount rate, according to the Company's elected policy.

*Income Taxes:* The Company, as an LLC, is not a taxpaying entity for federal income tax purposes. Accordingly, income and loss are passed directly to its members and taxed at their individual level. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination. The Company is subject to the Texas margin tax.

*Advertising:* Advertising costs are expensed as incurred.

**THE C12 GROUP, LLC**  
**Notes to Audited Financial Statements**  
**December 31, 2023 and 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Concentrations of Risk:* Financial instruments that potentially expose the Company to credit risk consist principally of cash and trade accounts receivables. The Company occasionally maintains cash balances in financial institutions that exceed the amounts insured by the FDIC. The Company periodically assesses the financial condition of the institutions and believes that the risk of loss is minimal. Cash balances in excess of the insured limit totaled approximately \$139,000 at December 31, 2023. The Company performs on-going credit evaluations and generally requires no collateral from customers.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

*Reclassification:* Certain prior year amounts, none of which were significant, were reclassified to conform with current year presentation.

**NOTE B – NOTE RECEIVABLE**

The Company is carrying a note receivable for the remaining amount to be collected from the sale of the C12 Atlanta entity to a franchisee in January 2023. The note is due to be collected through monthly principal payments of \$9,640 through January 2025. The note has a balance of \$133,107 at December 31, 2023.

**NOTE C – OPERATING LEASES**

The Company has operating leases for certain office space and equipment. Rent expense under such leases totaled approximately \$134,000 in 2023 and \$124,000 in 2022 under such leases.

The weighted-average remaining lease term was 1.16 years and the weighted-average discount rate was 1.08% at year end. Future commitments relating to these lease agreements are as follows at December 31, 2023:

	2024	\$ 133,835
	2025	<u>33,507</u>
Total minimum lease payments		167,342
Less imputed interest		<u>(1,156)</u>
Present value of lease liability		<u><u>\$ 166,186</u></u>

**THE C12 GROUP, LLC**  
**Notes to Audited Financial Statements**  
**December 31, 2023 and 2022**

**NOTE D – OTHER OPERATING EXPENSES**

Other operating expenses include the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Franchise administration	9,418	11,708
Board of Directors expense	29,442	12,141
Professional fees	78,539	59,883
Merchant fees and service charges	<u>7,938</u>	<u>15,828</u>
Total other operating expenses	<u>\$ 125,337</u>	<u>\$ 99,560</u>

**NOTE E – CURRENT ECONOMIC CONDITIONS**

The impact of current economic events, including increasing inflation and interest rates, supply chain constraints, availability of capital and labor, and geopolitical events, remains uncertain. Any related financial impact cannot be reasonably estimated at this time.

The C12 Group, LLC  
Consolidated Financial Statements  
December 31, 2022 and 2021



## The C12 Group, LLC

### Table of Contents

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	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Members' Capital	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
<b>Supplementary Information</b>	
Consolidating Balance Sheet	11
Consolidating Statement of Operations and Members' Capital	12
Condensed Consolidated Statements of Operations and Members' Capital	13

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## **Independent Auditor's Report**

To the Board of Directors of  
The C12 Group, LLC

### ***Opinion***

We have audited the accompanying financial statements of The C12 Group, LLC (a Texas limited liability company) and subsidiary which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and members' capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The C12 Group, LLC and subsidiary as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The C12 Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The C12 Group, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

## **Independent Auditor's Report (Continued)**

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The C12 Group, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The C12 Group LLC's ability to continue as a going concern for a reasonable period of time.

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

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating balance sheet, consolidating statement of operations and members' capital, and the condensed consolidated statements of operations and members' capital on pages 11 through 13, respectively, are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information for the year ended December 31, 2022 has been subjected to the auditing procedures applied in the audit of the 2021 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the year ended December 31, 2022 is fairly stated in all material respects in relation to the 2022 consolidated financial statements as a whole. The comparative information for the years ended December 31, 2018 through 2021 has been derived from The C12 Group, LLC's 2018 through 2021 financial statements of which an unmodified opinion was expressed on those financial statements.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

March 15, 2023

## The C12 Group, LLC

Consolidated Balance Sheets  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,015,305	\$ 557,712
Restricted Cash	918,064	122,954
Accounts Receivable	535,847	450,982
Supplies Inventory and Other Assets	<u>219,560</u>	<u>155,640</u>
<b>Total Current Assets</b>	<b>2,688,776</b>	1,287,288
Website and Computer Equipment	459,381	356,713
Office Furniture and Equipment	76,140	76,140
Less: Accumulated Depreciation	<u>(184,256)</u>	<u>(104,887)</u>
Property and Equipment, Net of Accumulated Depreciation	351,265	327,966
<b>Other Assets:</b>		
Goodwill, Net	176,823	198,925
Other	<u>13,984</u>	<u>26,653</u>
<b>Total Other Assets</b>	<b>190,807</b>	225,578
Operating Lease Right-of-Use Assets	<u>303,466</u>	-
<b>Total Assets</b>	<b>\$ 3,534,314</b>	<b>\$ 1,840,832</b>
<b>Liabilities and Members' Capital</b>		
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 292,315	\$ 240,457
Accrued Liabilities	187,482	189,125
Unearned Revenue	914,503	98,719
Current Portion of Operating Lease Liabilities	<u>131,566</u>	-
<b>Total Current Liabilities</b>	<b>1,525,866</b>	528,301
Operating Lease Liabilities, less Current Portion	<u>164,568</u>	-
<b>Total Liabilities</b>	<b>1,690,434</b>	528,301
<b>Members' Capital</b>	<u>1,843,880</u>	<u>1,312,531</u>
<b>Total Liabilities and Members' Capital</b>	<b>\$ 3,534,314</b>	<b>\$ 1,840,832</b>

The accompanying notes are an integral part of these consolidated financial statements.

## The C12 Group, LLC

### Consolidated Statements of Operations and Members' Capital Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>		
Franchise Fees	\$ 5,362,125	\$ 4,232,334
Dues - C12 Atlanta	429,500	341,900
International License Fees	115,917	76,750
New Member Registration Fees	396,775	291,525
Merchandise and Promotion	134,973	158,393
<b>Total Revenues</b>	<b>6,439,290</b>	<b>5,100,902</b>
<b>Operating Expenses:</b>		
Curriculum and Kits	489,001	332,582
Contract Labor	694,667	499,758
Bad Debt Expense	3,000	-
Merchandise	103,167	215,886
Content Production	94,610	34,058
Advertising	65,169	134,466
Service Fees	73,375	58,555
Co-op Marketing	42,879	64,452
Travel and Entertainment	194,270	83,225
Franchise Marketing and Administration	11,708	10,763
New Chair Training	98,722	70,974
Technology	124,927	74,756
Chair Development and Training	141,774	143,041
Miscellaneous Projects	15,038	13
Administration	-	-
Chair Services	90,966	103,260
Office and Equipment	215,986	221,670
Staff Development and Training	134,206	97,615
Board of Directors Expense	12,141	10,377
Professional Fees and Services	59,883	48,140
Merchant Fees and Bank Charges	15,828	18,063
Salaries and Benefits	2,900,324	2,459,216
Depreciation and Amortization	101,472	57,769
Charitable Contributions	76,020	80,000
<b>Total Operating Expenses</b>	<b>5,759,133</b>	<b>4,818,639</b>
<b>Net Income From Operations</b>	<b>680,157</b>	<b>282,263</b>
<b>Other Income (Expenses)</b>		
Other Income	7,364	763,086
Other Expense	(25,214)	(731,936)
<b>Total Other Income (Expenses)</b>	<b>(17,850)</b>	<b>31,150</b>
<b>Net Income Before State Income Taxes</b>	<b>662,307</b>	<b>313,413</b>
State Income Taxes	21,440	17,113
<b>Net Income</b>	<b>640,867</b>	<b>296,300</b>
Members' Capital - Beginning of Year	1,312,531	1,285,910
Contributions	-	-
Distributions	(109,518)	(269,679)
<b>Members' Capital - End of Year</b>	<b>\$ 1,843,880</b>	<b>\$ 1,312,531</b>

The accompanying notes are an integral part of these consolidated financial statements.

## The C12 Group, LLC

### Consolidated Statements of Cash Flows Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$ 640,867	\$ 296,300
Adjustments to Reconcile Net Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	101,471	57,769
(Increase) Decrease in:		
Accounts Receivable	(84,865)	(37,300)
Supplies Inventory and Other Assets	(63,920)	32,237
Other	12,669	(35,816)
Operating Lease Right-of-Use Assets	124,177	-
Increase (Decrease) in:		
Accounts Payable	51,858	135,405
Accrued Liabilities	(1,643)	57,238
Unearned Revenue	815,784	(266,018)
Operating Lease Liabilities	(131,509)	-
<b>Net Cash Provided by Operating Activities</b>	<u>1,464,889</u>	<u>239,815</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of Property and Equipment	(102,668)	(297,463)
Proceeds from Sale of Fixed Assets	-	-
<b>Net Cash Used by Investing Activities</b>	<u>(102,668)</u>	<u>(297,463)</u>
<b>Cash Flows From Financing Activities:</b>		
Distributions	(109,518)	(269,679)
<b>Net Cash Used by Financing Activities</b>	<u>(109,518)</u>	<u>(269,679)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,252,703</b>	<b>(327,327)</b>
Cash and Cash Equivalents, Beginning of Year	<u>680,666</u>	<u>1,007,993</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,933,369</b>	<b>\$ 680,666</b>
<b>Supplemental Disclosures:</b>		
State Income Taxes Paid	<u>\$ 3,393</u>	<u>\$ 33,419</u>

The accompanying notes are an integral part of these consolidated financial statements.

## **The C12 Group, LLC**

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

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### **1. Nature of Operations**

The C12 Group, LLC ("Company"), was organized on January 21, 2005. Effective September 1, 2016, the Company was converted to a Texas limited liability company from a North Carolina limited liability company.

The Company is a resource for Christian business owners, chief executive officers and presidents who are called to lead with excellence, integrity, and balance according to Biblical standards. The Company sells franchises to Area Chairs, who then build a C12 practice by recruiting group members from among local business leaders. At December 31, 2022, the Company had 157 Area Chairs, including Associate Chairs, serving over 174 metro areas located throughout the United States and approximately 3,600 group members across its various offerings: C12 Groups, Key Players and Mentors. The Company's business office is located in San Antonio, Texas.

In March 2017, the Company acquired 100% of C12 Atlanta LLC (C12 Atlanta), a franchisee of the Company.

In 2018, the Company entered into agreements to provide services in international markets via a licensing agreement and had functional licenses in Singapore, Malaysia and Brazil as of December 31, 2020.

### **2. Basis of Consolidation**

The consolidated financial statements include the accounts of The C12 Group, LLC and C12 Atlanta, LLC. All significant inter-company account balances and transactions have been eliminated in the accompanying consolidated financial statements.

### **3. Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The consolidated financial statements are prepared in conformity with United States generally accepted accounting principles (GAAP).

#### ***Cash and Cash Equivalents***

For purposes of reporting cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

#### ***Accounts Receivable***

Accounts receivable are financial instruments which potentially subject the Company to credit risk. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded. When amounts become uncollectible, the Company aims to pursue reconciliation Biblically, and after periodic review, they will be charged to operations when that determination is made. Management's policy is to grant unsecured credit to its customers.

#### ***Supplies Inventory***

Supplies inventory is valued at the lower of cost (first-in, first-out) or net realizable value and consists of promotional, educational and office supplies.

#### ***Property and Equipment***

Property is recorded at cost. Impairments are recognized when property net carrying costs are determined to be in excess of their fair value and are not recoverable.

## The C12 Group, LLC

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

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### 3. Summary of Significant Accounting Policies (Continued)

#### *Property and Equipment (Continued)*

Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives as follow:

Website and Computer Equipment	5 years
Office Furniture and Equipment	5 - 7 years
Leasehold Improvements	3 years

#### *Goodwill*

The Company accounts for intangible assets pursuant to FASB ASC 350. Intangible assets with an indefinite life are not amortized but are assessed at least annually for impairment. Impairment exists when the carrying amount of the intangible assets exceeds the implied fair value. If impairment has occurred, the Company would recognize a current period charge against earnings at the time of impairment. In management's opinion, there has been no impairment to the value of the recorded goodwill at December 31, 2022.

#### *Revenue Recognition*

The Company has adopted the provisions of ASC 2014-09 (Topic 606). Currently, there are no significant effects to the consolidated financial statements and related disclosures due to implementation of these provisions. See Note 6 for recognition of Franchise Fees.

#### *Advertising*

The Company expenses advertising costs as they are incurred. Advertising expense totaled **\$71,757** and \$132,308 for the years ended December 31, 2022 and 2021, respectively.

#### *Income Taxes*

Under current income tax laws, taxable income or loss of the Company is reported in the income tax returns of its members. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements. The tax returns of the Company are subject to examination by federal and state taxing authorities. If such examinations occur and result in changes in the Company's tax status or in changes to Company income or loss, the tax liabilities of the members could be changed accordingly. Generally, the Company's income tax returns are subject to examination by taxing authorities for up to three years after they are filed.

#### *Management Estimates*

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

#### *Fair Value of Financial Instruments*

The Company's financial instruments include cash and cash equivalents, receivables, and payables. The carrying amount of these financial instruments as reflected in the Consolidated Balance Sheets approximates fair value.

## The C12 Group, LLC

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

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### 3. Summary of Significant Accounting Policies (Continued)

#### *Recently Issued Accounting Standards*

##### Adopted During 2022

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. In 2022, the Company adopted this pronouncement. Under this pronouncement, generally, leases with terms of more than 12 months will be recognized in the Consolidated Balance Sheets as an asset (right to use asset) and a liability (lease liability) (See Note 8).

### 4. Risk and Uncertainty

#### *Current Economic Events*

Certain current economic events have arisen which could impact the Company's ongoing operations. As a result of the COVID-19 pandemic, mandated and voluntary closings have caused various business and supply chain disruptions which have an indeterminate duration. Additionally, the effects of economic stimulus programs and U.S. Federal Reserve actions remain uncertain. These matters could impact numerous facets of the business environment including interest rates, inflation, and the availability of goods, capital and labor. Any related financial impact cannot be reasonably estimated at this time.

### 5. Reclassification

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the 2022 presentation.

### 6. Franchise Fees

The Company executes franchise agreements that set the terms of its arrangement with each franchisee, or Area Chair. The franchise agreements require the franchisee to pay (1) an initial, non-refundable territory fee of \$20,000 per franchise unit; (2) a prepaid marketing deposit of \$10,000; (3) a training and support fee of \$10,000 (\$7,500 for Associate Chairs), which is refundable prior to the start of training; (4) continuing fees based upon a percentage of monthly member billings ranging from 17.5% to 30%; and (5) a new member registration fee ranging from \$250 to \$425 depending on membership type. Franchise agreements are renewed annually if both the Company and franchisee agree and the franchisee is in good standing. There are no additional fees associated with the annual renewals. Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred. Associate Chairs only pay training and support fees.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection, training, reference and promotional materials, and assistance with local C12 events. The Company recognizes initial fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon signing of the franchise agreement. Continuing fees are recognized as earned, with uncollectible amounts charged to operations.

## The C12 Group, LLC

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

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### 6. Franchise Fees (Continued)

Franchise fees recorded for the years ended December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Initial Fees, including Associate	\$ 473,488	\$ 340,212
Continuing Fees	<u>4,888,637</u>	<u>3,892,122</u>
Total Franchise Fees	<u>\$ 5,362,125</u>	<u>\$ 4,232,334</u>

If a state requires franchise registration, once the franchise registration is completed, the Area Chair, if an independent contractor previously, becomes a franchisee as well, upon executing a franchise agreement. During 2022, four franchise agreements were signed for a total of 65 franchise agreements in place at December 31, 2022.

### 7. International License Fees

The Company has license agreements to provide services in international markets. The Company receives revenue based upon sales generated utilizing the intellectual property provided by the Company and is recognized at that point in time.

### 8. Leases

The Company has operating leases for office space and office equipment through March 2025. The lease for office space includes an option to extend the lease for up to 10 years. The exercise of lease renewal options is at the Company's sole discretion. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following summarizes the line items in the consolidated balance sheet which include amounts for right-to-use assets and lease liabilities as of December 31, 2022:

Operating Lease Right-of-Use Asset	\$ <u>303,466</u>
Current Portion of Operating Lease Liability	131,566
Operating Lease Liability, less Current Portion	<u>164,568</u>
Total Lease Liability	\$ <u>296,134</u>

The following summarizes the line items in the income statement which include the components of lease expense for the year ended December 31, 2022:

Operating lease expense included in Office and Equipment	\$ 121,480
Operating lease expense included in Technology	<u>2,896</u>
Total operating lease costs	<u>\$ 124,376</u>

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 129,194
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 427,643

## The C12 Group, LLC

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

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### 8. Leases (Continued)

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

<b>Weighted Average Remaining Lease Term (years)</b>	
Operating leases	2.25
<b>Weighted Average Discount Rate</b>	
Operating leases	0.06%

The maturities of lease liabilities as of December 31, 2022 were as follows:

2023	\$	131,708
2024		131,708
2025		32,926
2026		-
Thereafter		-
Total lease payments		<u>296,342</u>
Less: interest		<u>(208)</u>
Present value of lease liabilities	\$	<u>296,134</u>

### 9. Concentration of Credit Risk of Financial Instruments

Financial instruments that potentially subject the Company to concentrations of credit risk consist of its cash balances at the banks if such balances exceed the amount insured by Federal Deposit Insurance Corporation (FDIC). Accounts at the institutions are insured by the FDIC up to \$250,000. At December 31, 2022 and 2021, the cash balance at the Company's financial institution did exceed the FDIC limit by **\$1,695,701** and \$425,733 respectively. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on its cash and cash equivalents.

### 10. Subsequent Events

Subsequent events have been evaluated through March 15, 2023, which is the date the financial statements were available to be issued.

#### **Sell of C12 Atlanta**

Prior to December 31, 2022, The Company entered into a Letter of Intent (LOI) to sell C12 Atlanta, LLC. The sell was executed and closed on January 31, 2023.

## **EXHIBIT C**

### **AGENTS FOR SERVICE OF PROCESS; STATE ADMINISTRATORS**

STATE OF CALIFORNIA, California Commissioner of Financial Protection and Innovation, Department of Financial Protection and Innovation, 651 Bannan Street, Suite 300, Sacramento, CA 95811, Telephone: (866) 275-2677.

STATE OF CONNECTICUT, Banking Commissioner, 44 Capitol Avenue, Hartford, Connecticut 06106; Telephone: (203) 566-4560.

STATE OF HAWAII Commissioner of Securities, 1010 Richards Street, Honolulu, Hawaii; Telephone: (808) 586-2722; State of Hawaii, Department of Commerce and Consumer Affairs, Business Regulation Division, 335 Merchant Street, Room 203, Honolulu, HI 96813.

STATE OF ILLINOIS, Illinois Attorney General, 500 South Second Street, Springfield, Illinois 62706; Telephone: (217) 782-4465.

STATE OF INDIANA, Securities Commissioner, Indiana Securities Division, Room E 111, 302 West Washington Street, Indianapolis, Indiana 46204; Telephone: (317) 232-6681.

STATE OF MARYLAND Registered Agent Authorized to Receive Process: Maryland Securities Commissioner, 200 St. Paul Place, Baltimore, Maryland 21202; State Administrator: Office of Attorney General, Securities Division, 200 St. Paul Place, Baltimore, Maryland 21202-2020, (410) 576-6360.

STATE OF MICHIGAN, Franchise Administrator, 670 Law Building, Lansing, Michigan 48913; Telephone: (517) 373-7177.

STATE OF MINNESOTA, Commissioner of Commerce, Minnesota Department of Commerce, 85 7<sup>th</sup> Place East, Suite 500, St. Paul, Minnesota 55101; Telephone: (651) 539-1600

STATE OF NEW YORK, NYS Department of Law, Investor Protection Bureau, 28 Liberty St. 21<sup>st</sup> Floor, New York, NY 10005; Telephone: (212) 416-8222. Agent of Service of Process: Secretary of State, 99 Washington Ave., Albany, NY 12231.

STATE OF NORTH DAKOTA, Franchise Examiner, 600 East Boulevard, 5<sup>th</sup> Floor, Bismarck, North Dakota 58505; Telephone: (701) 328-4712.

STATE OF RHODE ISLAND, Division of Securities, Associate Director and Superintendent of Securities, 233 Richmond Street, Suite 232, Providence, Rhode Island 02903-1232; Telephone: (401) 277-3048.

STATE OF SOUTH DAKOTA, Division of Insurance, Securities Regulation, 124 South Euclid, Suite 104, Pierre, DS 57501, (605) 773-3563.

STATE OF TEXAS, Secretary of State, 1019 Brazos, Austin, Texas 78701; Telephone: (512) 463-5701.

STATE OF VIRGINIA, State administrator - State Corporation Commission, Division of Securities and Retail Financing, 1300 E. Main Street, 9<sup>th</sup> Floor, Richmond, Virginia 23219; Telephone: (804) 371-9051; Agent for service of process - Clerk of the State Corporation Commission, 1300 East Main Street, 1<sup>st</sup> Floor, Richmond, Virginia; Telephone: (804) 371-9733.

STATE OF WASHINGTON, Department of Financial Institutions, Securities Division, 150 Israel Rd. SW, Tumwater, WA 98501. Department of Financial Institutions, Securities Division, P.O. Box 41200, Olympia, WA 98504-1200; Telephone: (360) 902-8760.

STATE OF WISCONSIN, Commissioner of Securities, Franchise Administrator, 101 E. Wilson Street, 4<sup>th</sup> Floor, Madison

## EXHIBIT D

### CURRENT FRANCHISEES

(as of December 31, 2024)

Each of the C12 Area Chairs (Franchisees) listed below may also be contacted via email through the C12forums.com website.

State	First Name	Last Name	Role/Territory	Street Address	City	Zip	Phone #
AL	Murray	Wilton	Area Chair North Alabama	8611 Esslinger Ct.	Huntsville	35802	(706) 604-5098
AZ	Tim	Holmes	Area Co-Chair Greater Phoenix	11789 N. Sunset Vista Dr.	Fountain Hills	85268	(480) 489-9114
AZ	Mike	Stanley	Area Co-Chair Greater Phoenix	4726 East Clarendon Ave.	Phoenix	85018	(602) 418-3434
CA	Tom	Munson	Area Chair Orange County	27442 Via Segundo	Mission Viejo	92692	(949) 431-8876
CO	John	Price	Area Chair Colorado South	17620 Leisure Lake Drive	Monument	80132	(808) 781-8505
CO	John	Wiseman	Area Chair Colorado North	5005 Pasadena Way	Broomfield	80023	(403)975- 5102
CT	Bill	Jolly	Area Chair NY/CT Metro North	163 Pinewood Trail	Trumbull	06611	(203) 536-4130
FL	Dan	Chapman	Area Chair East Coast Florida	2805 Fellwood Ln.	West Melbourne	32904	(904) 772-4542
FL	Bob	Shallow	Area Chair Jacksonville	113 Laurel Gate Lane	St. Augustine	32092	(904) 772-4542
FL	Ricky	Harper	Area Chair NW Florida	6329 Loma Farm Ct.	Tallahassee	32309	(850) 510-5771
FL	Don	Light	Area Chair SW Florida	1007 136 <sup>th</sup> St. E.	Bradenton	34212	(941) 650-5966
FL	Kevin	Respress	Area Chair Central Florida	41 Seminole Rd.	Babson Park	33827	(863) 877-4015
FL	Randy	Harrod	Area Chair East Central Florida	2881 Shenandoah	Deland	32720	(386) 479-3850

<b>State</b>	<b>First Name</b>	<b>Last Name</b>	<b>Role/Territory</b>	<b>Street Address</b>	<b>City</b>	<b>Zip</b>	<b>Phone #</b>
FL	Scott	Hitchcock	Area Chair Tampa Bay	745 Whisper Woods Dr.	Tampa	33813	(813) 309-1288
GA	Ben	Comerford	Area Chair West Georgia/ East Alabama	1399 Lower Big Springs Rd.	LaGrange	30241	(706) 604-5098
IA	Brent	Bullock	Area Chair Iowa	8 Black Hawk Dr.	Eldridge	52748	(563) 285-5293
ID	Matthew	Tucker	Area Chair Boise	5794 W. Highway 52	Emmett	83617	(208) 881- 3324
IL	Dave	Lacine	Area Chair Chicago SW	1760 Oxnard Dr.	Downers Grove	60516	(620) 532-4491
IL	Tim	Neff	Area Chair Chicago NW	1135 Willoby Lane	Elgin	60120	(847) 702- 6543
IN	Todd	DeKruyter	Area Chair Indianapolis	1438 E. 151 <sup>st</sup> St.	Carmel	46032	(317) 280- 1211
IN	Ron	Seib	Area Chair Evansville	3090 Sandstone Court	Newburgh	47630	(612) 581-2756
LA	Kirt	Boudreau	Area Chair South Louisiana	2536 I-49 N Service Road	Opelousas	70570	(337) 280-1211
LA	Martin	Rueschen	Area Chair SE Louisiana	338 Chateau Jon	Denham Springs	70726	(225) 333-2428
MD	Dave	Weigelt	Area Chair Central Maryland	20 W. 2 <sup>nd</sup> St.	Frederick	21701	(301) 471-0373
MI	Danielle	Whah	Area Chair West Michigan	1951 Hidden Pines Trail	Stevensville	49127	(269) 876-2357
MI	Roger	Norberg	Area Chair Detroit	2707 North Lake Dr.	Waterford	48329	(248) 467-1999
MN	David	Fergus	Area Chair Twin Cities	19352 Carson Circle NW	Elk River	55330	(612) 387-3515
MO	Greg	Atchison	Area Chair Greater St. Louis	3106 Bear View Court	Wentzville	63385	(636) 735-3002
MO	Paul	Scianna	Area Chair Kansas City	725 West 121 <sup>st</sup> St.	Kansas City	64145	(816) 665-7313
NC	Robert	Beaman	Area Chair East Carolina	4956 Dorothy Ln.	Rocky Mount	27803	(252) 813-7829
NC	Scott	Whitley	Area Chair Western NC	21 Ashmeade Cove Rd.,	Fairview	28804	(828) 231-1430
NC	Steve	Andrews	Area Chair Piedmont Triad	231 Fairfield Rd.	Reidsville	27320	(336) 613-0398

NC	Tony	Tennaro	Area Chair Greater Charlotte	1400 Grayscroft Dr.	Waxhaw	28173	(704) 771-4112
NC	Will	Dixon	Area Chair NC Capital	9704 Koupela Dr.	Raleigh	27614	(919) 280-5512
NJ	Charles	Eapen	Area Chair Northern NJ	330 Mountain Ave	Washington Township	07676	(201) 565-8200
NM	Bill	Jackson	Area Chair New Mexico	6343 Cliffbrush Lane, NE	Albuquerque	87111	(505) 797-0470
OH	Randy	Warwick	Area Chair Cincinnati	4915 Laurel Wood Ct.	Mason	45040	(513) 324-0129
OK	Craig	Johnston	Area Chair Oklahoma City	23 W. Main Street	Edmond	73003	(918) 688-3777
PA	David*	Shoemaker	Area Chair Philadelphia  and  Area Chair Delaware/South Jersey	139 Sawgrass Dr.	Blue Bell	19422	(973) 615-4120
RI	Rick	Ferris	Area Chair Center of New England	157 Daniel Drive	North Kingstown	02852	(401) 263-8811
SC	Grant	Edwards	Area Co-Chair South Carolina	9 Steeple Ridge Ct.	Greer	29650	(864) 884-3711
SC	Joe	Patrick	Area Co-Chair South Carolina	111 W Tallulah Dr.	Greenville	29605	(864) 386-2587
SC	Steve	McCullough	Area Chair Charleston / Savannah	1097 Willoughby Lane	Mount Pleasant	29466	(843) 214-5459
SD	Steve	Ford	Area Chair Sioux Falls	620 Thomas Street	Vermillion	57069	(605) 670-9250
TN	Dewey	Greene	Area Chair Music City	4707 Lascassas Pike	Lancassas	37085	(615) 785-4636
TN	Jon	Carlton	Area Co-Chair East Tennessee	737 Martin Mill Pike	Rockford	37853	(865) 207-0294
TN	Chad	Carter	Area Co-Chair East Tennessee	4189 Barnsley Loop	Ooltewah	37363	(615) 585- 0552
TN	Bob	Phillips	Area Chair Memphis	445 North Walnut Bend Road	Cordova	38018	(901) 283-7777
TX	Kent	Major	Area Chair Houston+	9210 Stratford	Tomball	77375	(713) 817-8995
TX	Tom	O'Dwyer	Area Chair Dallas	9615 Airline Rd.	Dallas	75225	(214) 415-7104
TX	Steve	Van Ooteghem	Area Chair Houston	6102 Verde	Katy	77493	(813) 230-2651

TX	Robert	Vogel	Area Chair Central Texas	106 Forest Ridge	Boerne	78006	(210) 382-0870
TX	Tom	Hawes	Area Chair North Texas	818 Sycamore Creek	Allen	75002	(214) 620-9366
VA	Randy	Case	Area Chair	116 Yorkshire	Williamsburg	23185	(757) 377-7813
VA	Greg	King	Area Chair Virginia Blue Ridge	12787 Booker T Washington Hwy, #242, Ste. 104	Hardy	24101	(540) 532-4491
VA	Ralph	Miller	Area Chair Tidewater VA	2676 Yule Farm	Charlottesville	22901	(757) 423-4521
WA	Mike	Burkesmith	Area Chair Portland / Vancouver	36310 SE 13 <sup>th</sup> St.	Washougal	98671	(503) 481-1610
WA	Tom	Walther	Area Chair Eastern Washington	3128 S. Zimmerman St.	Kennewick	99338	(715) 459-9611
WI	Marc	Martin	Area Chair Central Wisconsin	3360 Derby Ct.	Plover	54467	(715) 345-9955
WI	Chris	Wise	Area Chair NE Wisconsin	2175 Hidden Creek Road	Neenah	54956	(920) 969-8070

\*This franchisee operates two separate franchises: one within the territory of Philadelphia, and the other in the territory of Delaware/South Jersey.

## FORMER FRANCHISEES

(As of December 31, 2024)

State	First Name	Last Name	Role/Territory	Street Address	City	Zip	Phone #
IL	Gary*	Masching	Area Chair Chicago NW	635 Wood Ridge Rd	Elgin	60123	(847) 910-3859
DE	Graham*	Cooper	Area Chair Delaware/ South Jersey	430 Spring Hollow Dr.	Middleton	19709	(302) 362-6188
TN	Bill**	Mancini	Area Co-Chair East Tennessee	1111 Spy Glass	Knoxville	37922	(281) 782-0376

\*These franchisees exited the system through a transfer.

\*\*This franchisee sold his interests in the East Tennessee territory, and the franchise was not subject to a transfer.

**EXHIBIT E**  
**OPERATING MANUAL TABLE OF CONTENTS**

**Total Number of Pages: 16**

## Table of Contents

### 1. ADMINISTRATION

1.1. Systems & Technology Resources	page 5
1.1.1 Devices/Equipment	page 5
1.1.2 C12 App	page 5
1.1.3 Less Annoying CRM (LACRM)	page 5
1.1.4 Dropbox	page 5
1.1.5 Keynote	page 5
1.1.6 LinkedIn	page 5
1.1.7 Email	page 5
1.2. Reporting	page 6
1.2.1 C12 App	page 6
1.2.2 Billing & Payments	page 6
1.2.3 Pricing	page 7

### 2. OPERATIONS

2.1. Meeting Facilitation	page 8
2.1.1 Venue & Member Experience	page 8
2.1.2 Curriculum	page 9
2.1.3 Multi-Media	page 9
2.1.4 Technology	page 9
2.1.5 To-Dos/Accountability	page 9
2.2. FOCUS60/Coaching	page 10
2.3. Business Development	page 10
2.4. Business Forum Assessment	page 10
2.5. Pricipal Chair Responsibilities	page 10
2.5.1 Principal Chair Training	page 10
2.5.2 Required Chair Training	page 10
2.5.3 Forum Audits	page 10
2.5.4 Territory Brand Quality	page 11
2.5.5 New Chair Training Invoices	page 11

## Table of Contents, continued

### 3. MARKETING

3.1. Brand Standards	page 11
3.1.1 For Profit Franchise	page 11
3.1.2 Adherence	page 11
3.1.3 Presentations	page 11
3.1.4 Print Material	page 11
3.1.5 Digital Marketing	page 11
3.1.6 Social Media	page 12
3.1.7 Public Statements	page 12
3.2. Special Projects	page 12
3.2.1 Cooperative Program	page 12
3.2.2 Local Campaigns/Efforts	page 13
3.2.3 Brand Partners	page 13

### 4. COMPLIANCE PROCESS

4.1. Compliance Remediation	page 13
4.2. Baseline Compliance Definition	page 13
4.2.1 Territories that have never achieved 50% of baseline after 36 months	page 13
4.2.2 Territories that have dropped below 50% of baseline after 36 months	page 13
4.2.3 New territories that are not on a trajectory to achieve baseline compliance (33% in 24 months and 50% in 36 months)	page 15
4.3. Guidelines for Re-defining Existing Territories	page 16
4.3.1 Annual Franchise Check-up Diagram	page 16

**EXHIBIT F**

**STATE ADDENDA TO THE DISCLOSURE DOCUMENT**

## CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT

FOR PROSPECTIVE FRANCHISEES IN THE STATE OF CALIFORNIA

**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.**

Spousal liability: Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

The franchise agreement requires binding arbitration. The arbitration will occur in Texas with each party bearing its own respective costs of the arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR AT LEAST 14 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 14 DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST.

Our website ([www.C12forums.com](http://www.C12forums.com)) has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

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

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, (iii) your ability to rely on the franchise disclosure document, including any exhibit thereto, or (iv) any violations of the law.

California Business and Professions Code sections 20000 through 20043 (the Franchise Relations Act) 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. In particular, Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act.

Section 31125 of the California Corporation Code requires us to provide you with a disclosure document

before asking you to agree to a material modification of an existing franchise.

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

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

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

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **HAWAII ADDENDUM TO THE DISCLOSURE DOCUMENT**

### **FOR PROSPECTIVE FRANCHISEES IN THE STATE OF HAWAII**

These franchises will be/have been filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation, or endorsement by the Director of Commerce and Consumer Affairs 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.

The disclosure document contains a summary of only 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.

The registered agent in the State of Hawaii authorized to receive service of process is identified in Exhibit C hereto.

## **ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT**

Illinois law shall apply to and govern the Franchise Agreement.

In Conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

### **FOR PROSPECTIVE FRANCHISEES IN THE STATE OF MARYLAND**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

With regard to Item 17, the following is added:

1. Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within three (3) years after the grant of the franchise.
2. 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.
3. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
4. A franchisee may bring a lawsuit in Maryland for claims arising under Maryland Franchise Registration and Disclosure Law.

## MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

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

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."
- NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.
- No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchisee.

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

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST**

**PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

### FOR PROSPECTIVE PURCHASERS IN THE STATE OF NEW YORK

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. 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 rights conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7.

8. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the Rev. April 2, 2024 time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

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

FOR PROSPECTIVE PURCHASERS IN THE STATE OF RHODE ISLAND

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

## WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND OTHER AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable

price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** 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.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of

franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Pursuant to RCW 19.100.180(2), Section VIII.5. of the Franchise Agreement shall not apply to Washington franchisees.

20. Pursuant to RCW 19.100.180 (2)(g) and RCW 19.100.220(2), the following language in Section XII of the Franchise Agreement shall not apply to Washington franchisees:

“Specifically, Franchisee agrees to not pursue public legal action, which serves to generate great expense, compromises the parties’ joint stewardship responsibilities before the Lord, and negatively impacts the parties’ joint ability to cost-effectively resolve disagreements biblically.”

The undersigned parties do hereby acknowledge receipt of this Addendum.

**FRANCHISOR:**

**The C12 Group, LLC**

By: \_\_\_\_\_  
Mike Sharrow, Chief Executive Officer

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

**FRANCHISEE:**

\_\_\_\_\_

**IF AN INDIVIDUAL:**

By: \_\_\_\_\_

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

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

**IF A PARTNERSHIP, CORPORATION, OR OTHER ENTITY:**

By: \_\_\_\_\_

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

Title: \_\_\_\_\_

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

**EXHIBIT G**  
**STATE EFFECTIVE DATES**

## STATE EFFECTIVE DATES

The following states 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:

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	May 2, 2025
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	Pending
Wisconsin	

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

## **EXHIBIT H**

### **RECEIPT**

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

If the C12 Group, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we provide you with this disclosure document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. Michigan requires that we provide you with this disclosure document ten business days before you sign a binding agreement with, or make payment to, it or one of its affiliates in connection with the proposed sale.

If the C12 Group, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C., 20580 and the applicable state agency listed in Exhibit C of this disclosure document.

The C12 Group, LLC's sales agent for this offering is Michael Sharrow, 777 E. Sontera Blvd., Suite 305, San Antonio, TX 78258, (210) 767-6200. The C12 Group LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

Issuance date: April 30, 2025

I received a disclosure document dated April 30, 2025 that included the following exhibits:

- A. Franchise Agreement
- A-1. General Release Form
- B. Financial Statements
- C. Agents for Service of Process; State Administrators
- D. List of Franchises
- E. Operating Manual Table of Contents
- F. State Addenda to the Disclosure Document
- G. State Effective Dates
- H. Receipt

Dated: \_\_\_\_\_ Your name (Please print): \_\_\_\_\_

Your signature: \_\_\_\_\_

Prospective Franchisee's Copy (please retain)

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If the C12 Group, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C., 20580 and the applicable state agency listed in Exhibit C of this disclosure document.

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Dated: \_\_\_\_\_ Your name (Please print): \_\_\_\_\_

Your signature: \_\_\_\_\_

You should return one copy of the signed receipt either by signing, dating, and mailing it to The C12 Group, LLC, 777 E. Sontera Blvd., Suite 305, San Antonio, TX 78258 or by signing electronically the document sent to you from The C12 Group, LLC. Franchisor's copy (Please return)