

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 Georgia. 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 Georgia than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse 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.
5. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in 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.

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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 \$100,000.00, 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
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

fees, or refund any previously paid territory fee, based on changes to the population in your territory during the term of your Franchise Agreement. We anticipate most franchisees will not incur a territory fee. The territory fee is uniformly imposed (based on the calculation above) and nonrefundable.

Quarterly Event Fee

As part of initial training you must attend a quarterly event where we share best practices and other information relevant to a Family Nest Business. You must attend a quarterly event prior to opening or the first quarterly event that takes place after opening. We currently intend to conduct quarterly events in Tampa, Florida or Atlanta, Georgia, but we may conduct them at any other location we desire. You must pay us a registration fee of \$300 per person to attend the quarterly event. The registration fee is uniformly imposed and nonrefundable.

ROFO Fee

If you wish to purchase an adjacent territory but are not ready to commit to do so, you may purchase a right of first offer (“ROFO”) for the territory (a “ROFO Territory”) by paying us a nonrefundable \$3,000 ROFO fee and signing the ROFO Addendum attached to this Disclosure Document as EXHIBIT "D"-5. A separate ROFO fee is required for each ROFO Territory. If you purchase a ROFO, then for a period of 1 year after you sign the ROFO Addendum we will not sell the ROFO Territory to another franchisee without first offering you the right to purchase the ROFO Territory. You may also purchase the ROFO Territory at any time during the 1-year ROFO period even if there are no other interested buyers. The ROFO does not apply at any time you are in default. To exercise the ROFO you must follow the procedures in the ROFO Addendum, including signing our then-current form of Franchise Agreement and paying us Initial Fees for the ROFO Territory in a timely manner. We credit the \$3,000 ROFO fee towards the Initial Fees imposed under the Franchise Agreement. The ROFO fee is nonrefundable (even if you do not exercise the ROFO) and uniformly imposed.

ITEM 6 OTHER FEES

TYPE OF FEE ¹	AMOUNT ^{2,3}	DUE DATE	REMARKS
Royalty Fee	Greater of (a) 4% of monthly Gross Sales or (b) the minimum monthly royalty fee	10 th day of month	The “minimum royalty fee” is (a) \$0 for 1 st and 2 nd month after opening, (b) \$250 per month for 3 rd through 12 th month after opening and (c) \$400 per month for remainder of term. You must send us monthly Gross Sales reports.
Brand Fund Fee	Greater of (a) 2% of monthly Gross Sales or (b) \$100 per month	Same as royalty fee	We deposit this fee into a Brand Fund. You have no voting rights pertaining to the administration of the Brand Fund, the creation or placement of advertising, or the amount of the brand fund fee.
Training Fee	Up to \$500 per person per day (plus Travel Expenses for onsite training)	10 days after invoice	Payable for each person who attends (a) initial training after you open (new Managing Owner or manager), (b) remedial training, (c) refresher or supplemental training or (d) training you request. You must also reimburse all Travel Expenses we incur to provide training onsite in your territory.
Coaching Fee	\$100 per hour	10 days after invoice	We provide personal coaching to help you with your first 20 client projects. We may charge the hourly coaching fee if you request us to provide personal coaching for additional projects.
Quarterly Event	Up to \$300 per person per quarterly event	10 days after invoice	You must attend a quarterly event as part of initial training. You have the option to attend additional quarterly events.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Fees ²	\$34,500	Lump sum	At time you sign Franchise Agreement	Us
Territory Fee ³	\$0 to \$20,000	Lump sum	At time you sign Franchise Agreement	Us
ROFO Fee ⁴ (Optional)	\$0 to \$3,000	Lump sum	At time you purchase ROFO	Us
Quarterly Event Fee ⁵	\$300	Lump sum	Before or within 3 months after opening	Us
Quarterly Event Expenses ⁶	\$800 to \$1,000	As incurred	During quarterly event	Hotel, restaurants & airline
Vehicle ⁷	\$0 to \$15,000	As incurred	Before opening	Suppliers
Technology Systems ⁸	\$70 to \$2,000	Lump sum	Before opening	Suppliers
Technology Fees ⁹	\$700 to \$900	Monthly	Before opening	Us
Dedicated Website ¹⁰ (Optional)	\$0 to \$400	Monthly	Before opening	Website developer
Home Office Supplies ¹¹	\$100 to \$300	As incurred	Before Opening	Suppliers
Pre-Opening Advertising ¹²	\$2,000 to \$3,000	Lump sum	Before opening	Suppliers & Us
Licenses & Bonding ¹³	\$35 to \$1,000	Lump sum	Before opening	Government agencies & surety company
Professional Fees ¹⁴	\$500 to \$3,000	Lump sum	Before opening	Lawyers & accountant
Insurance Premium (3 months)	\$1,000 to \$3,000	Lump sum	Before opening	Insurance company
Additional Funds ¹⁵ (3 months)	\$15,000 to \$31,200	As incurred	As incurred	Suppliers & employees
Total Initial Investment ¹⁶	\$55,005 to \$118,600			

Notes:

- Financing and Refunds: As further discussed in Item 10, RS Enterprises offers financing for up to 85% of the Initial Fees. Neither we nor any of our affiliates offer direct or indirect financing for any other fees or purchases. None of the fees payable to us are refundable. We are unaware of any fees payable to third-party suppliers that are refundable.
- Initial Fees: Item 5 includes a breakdown of the Initial Fees and a description of the associated services. The initial investment table assumes you choose not to finance the Initial Fees. If you sign a Territory Reservation Agreement, we credit the \$5,000 territory reservation fee towards the Initial Fees owed.
- Territory Fee: The territory fee applies if your territory includes a population of 251,000 or more. The fee is calculated as \$200 for every population increment of 1,000 in excess of 250,000.
- ROFO Fee: You may choose to purchase a ROFO for an adjacent territory for a \$3,000 ROFO fee.
- Quarterly Event Fee: As part of initial training you must attend a quarterly event that occurs before you open or the first quarterly event after opening. We expect you to send 1 person to the event. If you send more than 1 person, you must pay us a separate \$300 registration fee for each person attending the event.
- Quarterly Event Expenses: This estimates your expenses to send 1 person to one of our 3-day quarterly

Managing Owner (other owners may, but need not, attend Management Training) and manager (if you choose to hire a manager). These individuals must complete Management Training to our satisfaction before you open. ~~However, there~~ You will be assigned an onboarding coordinator who will meet with you regularly throughout Management Training and onboarding process. The onboarding coordinator reviews and confirms that you have completed all required items in the onboarding process. The Management Training and onboarding process typically takes 4-6 weeks. There is no specific period of time after signing or before opening that training must be completed.

Management Training is conducted online. We reserve the right to require that franchisees attend Management Training “in-person” at a location we designate. The training materials include the Manual and various online resources. We do not charge you for training materials. We intend to offer Management Training on an “as needed” basis to meet franchisee demand. Management Training currently covers the following topics:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Orientation and Operation	4	2	Remote/Online
Business Administration	4	3	Remote/Online
Marketing and Branding	5	4	Remote/Online
Software Solutions	5	4	Remote/Online
Client Services	7	4	Remote/Online
Estate Sales	6	4	Remote/Online
Move Management	6	4	Remote/Online
Vendor Services	4	3	Remote/Online
Financial Management	4	2	Remote/Online
Total	45	30	

* The on-the-job training refers to training conducted during one of our quarterly events. We intend to conduct quarterly events in Tampa, Florida or Atlanta, Georgia, but we may designate other locations in the future.

Quarterly Events

As part of initial training you must attend a quarterly event where we share best practices and other information relevant to a Family Nest Business. You must either attend (1) a quarterly event that takes place prior to opening or (2) the first quarterly event that takes place after opening. We currently intend to conduct quarterly events in Tampa, Florida or Atlanta, Georgia, but we may conduct them at any other location we desire.

Post-Opening Training Programs

We may offer periodic refresher or supplemental training courses for your Managing Owner and managers. We may designate each course as mandatory or optional. Any new Managing Owner or manager you appoint or hire must successfully complete Management Training prior to managing your Business. If we inspect your Business and determine you are not operating in compliance with the Franchise Agreement or Manual, we may require that your Managing Owner and manager attend remedial training relevant to the operational deficiencies we observed. You may also request additional training, which we may (but need not) provide.

Instructors

Our primary instructor is Mike Kovak. He provides training in all subject areas. Mike Kovak joined the Family Nest system in 2024. He has served as our Director of Business Development since April 2025. He has more than 10 years of executive-level business experience. He also has 2 years of experience serving as a business mentor and success coach for Red Barn Homebuyers franchisees.

Training Fees and Costs

Your Initial Fees cover our preopening Management Training program. You pay a conference registration fee of \$300 for each person attending a quarterly event. We may charge you a training fee of up to \$500 per person per day for each person who attends: (a) Management Training after you open; (b) remedial training; (c) additional training you request; or (d) refresher or supplemental training. You must also reimburse our Travel Expenses for onsite training or assistance (excluding preopening onsite training). You are responsible for all wages and Travel Expenses you and your trainees incur for training.

Site Selection and Development

The RB Business is a home-based business. You do not operate from a separate office or dedicated retail space. You do not need our approval of the location of your home office.

Opening Requirements (§7)

We expect most franchisees will open 1 to 2 months after signing the Franchise Agreement. Factors that may affect this time include: completion of training; hiring staff (if needed); obtaining insurance, permits and business licenses; and complying with local laws and regulations.

Advertising (§10)

You must participate at your own expense in all advertising, promotional and marketing programs we require. You are not required to participate in an advertising cooperative. There is currently no franchisee advertising council that advises us on marketing and advertising matters.

Our Advertising Obligations

We have no obligation to conduct advertising for the franchise system. However, we may periodically [use the Brand Fund to](#) create advertising and marketing materials for your use. We may: (a) use the Brand Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge; (b) provide online access to these materials, in which case you must print the materials at your expense; or (c) contract with third-party suppliers to create advertising or marketing materials that you may purchase.

Pre-Opening Advertising

We recommend you spend at least \$2,000 on pre-opening marketing activities. We may require that you contract with a marketing company we designate to design and implement a customized grand opening marketing plan.

Post-Opening Advertising

After opening we strongly recommend (but do not require) that you spend the following minimum amounts on local advertising to promote your Business: (a) \$400 per month during the initial 6-month period after your opening date; and (b) \$100 per month for the remainder of the term. You may develop your own advertising and marketing materials and programs but we must approve them prior to use. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved.

Websites, Social Media and Digital Advertising

We maintain a corporate website to promote our brand. We will also create and host a local Webpage that will list basic information about your Business. We can modify or discontinue our website and/or your Webpage at any time. You also have the option, but not the obligation, to purchase a stand-alone Dedicated Website customized for your Business and local market. We may require you to discontinue your Dedicated Website upon 30 days' notice. Except for the Webpage and Dedicated Website, you may not: (a) develop, host, or otherwise maintain a website (or other digital presence) bearing our Marks; (b) utilize the Internet to conduct digital or online advertising; or (c) engage in ecommerce. However, we do permit you to market your Business through approved social media channels, subject to the following requirements:

- you may only conduct social media utilizing social media platforms we approve

Additional Franchises and Territories

We do not grant options, rights of first refusal or similar rights to acquire additional territories or franchises except as otherwise discussed below.

If you wish to purchase an adjacent territory that is not assigned to another Family Nest Business, but are not ready to commit to do so, you may purchase a ROFO for the territory by paying us a \$3,000 ROFO fee and signing a ROFO Addendum. If you purchase a ROFO, we will not sell the territory to another franchisee for a period of 1 year unless we offer you the first right to purchase the territory yourself. You also have an option to purchase the territory at any time during the 1-year ROFO period. In order to exercise the ROFO, you must comply with the steps described in Item 5 of this Disclosure Document.

Competing Businesses Under Different Marks

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered by a Family Nest Business. However, we reserve the right to do so in the future.

ITEM 13 TRADEMARKS

Our affiliate, Family Nest Holdings, LLC (“FN Holdings”) registered the following Marks with the United States Patent and Trademark Office (USPTO):

REGISTERED MARKS			
Mark	Registration Number	Registration Date (Renewal Date)	Register (Principal or Supplemental)
FAMILY NEST	7835289	June 17, 2025	Principal
	7835288	June 17, 2025	Principal
	7835290	June 17, 2025	Principal

~~FN Holdings applied to register the following Mark on the Principal Register of the USPTO based on actual use:~~

UNREGISTERED MARKS			
Mark	Serial Number	Application Date	
FAMILY NEST ESTATE SOLUTIONS	98818723 <u>7934482</u>	October 24, 2024 <u>September 9, 2025</u>	<u>Principal</u>

~~We do not have a federal registration for the Mark immediately above. Therefore, this Mark does not have many legal benefits and rights as a federally registered trademark. If our right to use this Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.~~

All required affidavits have been filed and FN Holdings intends to file all renewals by the required renewal date.

We may change the trademarks you may use from time to time, including by discontinuing use of the Marks listed in Item 13. If this happens, you must change to the new trademark at your expense.

You must notify us immediately if you discover an infringing use (or challenge to your use) of the Marks. We will take the action we deem appropriate. We are not required to take any action if we do not feel it is warranted. You may not control any proceeding or litigation involving our Marks.

them from discussing with you their experience as a franchisee in our franchise system.

There are no: (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Our fiscal year ends on December 31st. ~~An~~ Attached to this Disclosure Document as EXHIBIT "F" is an audited opening balance sheet of Family Nest Franchise, LLC as of April 30, 2025 is attached to this Disclosure Document as EXHIBIT "F", and December 31, 2024, and the related statements of operations, members' equity, and cash flows for the period from July 10, 2024 through December 31, 2024, and the period from January 1, 2025 through April 30, 2025. Because we have not been in existence for 3 years, we cannot provide all of the financial statements required by the FTC franchise disclosure guidelines.

ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D"-1 State Addenda
- EXHIBIT "D"-2 Franchisee Disclosure Questionnaire (**Questionnaire may not be signed or used if the franchisee resides within, or the franchised business will be located within, a franchise registration state**)
- EXHIBIT "D"-3 General Release
- EXHIBIT "D"-4 Promissory Note
- EXHIBIT "D"-5 ROFO Addendum
- EXHIBIT "D"-6 Territory Reservation Agreement

Attachments to Franchise Agreement

- ATTACHMENT "B" Franchise Owner Agreement
- ATTACHMENT "C" ACH Authorization Form
- ATTACHMENT "D" Confidentiality Agreement

ITEM 23 RECEIPT

EXHIBIT "H" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

13. OUR WEBSITE (<https://familynestestates.com>) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.
14. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.
15. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.
16. Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
 - (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
 - (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
 - (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
 - (d) Violations of any provision of this division.
17. The California Department of Financial Protection and Innovation has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the "Maryland Franchise Law"), the Disclosure Document is amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:
 - a. The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply any liability under the Maryland Franchise Registration and Disclosure Law.
 - b. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
 - c. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
 - d. In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.
 - e. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).
 - f. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
2. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.
3. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota ~~Commissioner~~ Commissioner of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser 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 Statute 80C.21 or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases):
 - (a) 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
 - (b) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser 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.
4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.
7. NSF checks are governed by Minnesota Statute 60A.113, which puts a cap of \$30 on service charges.
8. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.
9. Based upon the franchisor's financial condition, the Minnesota Commissioner of Commerce has required a financial assurance as a condition to registration. The franchisor has posted a surety bond and a copy of the surety bond is on file with the Minnesota Commissioner of Commerce.

VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. The following risk factor is added to the Special Risks to Consider About This Franchise page:

“Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$55,005 to \$118,600. This amount exceeds the franchisor's stockholder's equity as of April 30, 2025, which is \$4,000.

~~1.2.~~ Item 17 of the Disclosure Document is amended to add the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

~~2.3.~~ If any provision of the Franchise Agreement or any Supplemental Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.

~~3.4.~~ We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Virginia Retail Franchising Act. This provision does not prohibit you and us from entering into binding arbitration consistent with the Virginia Retail Franchising Act.

~~4.5.~~ Any provision in the Franchise Agreement or Supplemental Agreement that limits the time period in which you may assert a legal claim against us under the Virginia Retail Franchising Act is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Virginia Retail Franchising Act.

~~5.6.~~ Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

~~6.7.~~ 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

FAMILY NEST FRANCHISE, LLC

FINANCIAL REPORT

AS OF APRIL 30, 2025

FAMILY NEST FRANCHISE, LLC

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Independent Auditor's Report

To the Members
Family Nest Franchise, LLC
Woodstock, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheets of Family Nest Franchise, LLC as of April 30, 2025, and December 31, 2024, and the related statements of operations, members' equity, and cash flows for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025, and the notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Nest Franchise, LLC as of April 30, 2025, and December 31, 2024 and the results of their operations and their cash flows for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025,, 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 (GAAS). 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 Family Nest Franchise, 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 Family Nest Franchise, LLC's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there

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is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Nest Franchise, 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 Family Nest Franchise, 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.

Ft. Collins, Colorado
June 4, 2025

FAMILY NEST FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Family Nest Franchise, LLC (“Company”) was formed on July 10, 2024 (Inception) in the State of Georgia as a limited liability company. The franchise offered is for a business that provides comprehensive move-management and related services primarily to seniors moving from homes or apartments into assisted living facilities, nursing homes or other senior housing and who need assistance with: (a) selling a home and personal belongings; (b) packing furniture and other belongings; (c) identifying and coordinating with moving companies; and (d) setting up and moving into their new residence.

Affiliates

Red Barn Homebuyers, LLC (“RBH”) has offered franchises for a RED BARN HOMEBUYERS® business (an “RB Business”) since April 2022. An RB Business is a real estate investment business that involves (a) purchasing, renovating and selling real properties (traditional “house flipping”) and/or (b) wholesaling real properties. RBH does not offer franchises in this or any other line of business. RBH has never owned or operated a Family Nest Business.

Red Barn Realty Group LLC (“RB Realty”) is Georgia limited liability company that was organized on July 6, 2021. RB Realty is a licensed real estate company involved with the marketing and sale of properties owned by clients of Family Nest Businesses. RB Realty does not sell products or services to franchisees but helps sell properties owned by their clients. RB Realty has never operated a Family Nest Business.

Rock Springs Enterprises Inc. (“RS Enterprises”) offers financing for up to 85% of the Initial Fees (described in the Franchise Disclosure Document) a franchise must pay the Company. The financing terms ~~are discussed in the Franchise Disclosure Document. RS Enterprises has never operated a Family Nest Business.~~

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

Preparation of the Company’s financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of April 30, 2025, and December 31, 2024.

FAMILY NEST FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any accounts receivable or allowance for doubtful accounts as of April 30, 2025, and December 31, 2024, and did not charge-off any accounts receivable for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). The Company had no property, plant & equipment as of April 30, 2025, and December 31, 2024.

Revenue Recognition Policies

The Company recognizes revenue under the guidance of ASC 606 “Contracts with Customers”. The Company’s revenue is principally generated through franchise agreements with the Company’s franchisees. Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each performance obligation, allocates the transaction price to each performance obligation, and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a franchisee purchases a franchise, the Company grants the franchisee the rights to operate in a designated area and to use the proprietary methods, techniques, trade dress, trademarks, and logos (“the license”). Revenues related to the license are continuing royalties of the greater of 4% of gross monthly sales or the minimum monthly royalty fee as defined in the franchise agreement. These revenues are used to continue the development of the Company’s brand, the franchise system and provide ongoing support for the Company’s franchisees over the term of the agreement. The royalties are billed on a transaction basis and are recognized as revenue when earned.

Revenue from initial fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory and license rights. These primarily include client consultations, estate sale services, senior move management, system training services, and onboarding services that prepare the franchisee to successfully operate the Family Nest Business. These fees are billed prior to the delivery of these services and is recognized on the delivery of those services.

FAMILY NEST FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition Policies (continued)

Ancillary Franchise Fees

Revenues from services provided for conferences, technology, call center functions and other services as defined in the franchise agreement are billed monthly and are recognized upon delivery of the service or monthly when earned.

Brand Fund Contribution

The Company has established a brand fund to provide regional and national advertising for the benefit of the franchisees. The brand fund fees are the greater of 2% of monthly gross sales or \$100 per month and are billed monthly and are recognized as revenue when earned up to the amount spent on marketing activities as defined in the franchise disclosure document. Funds collected, but not yet spent, are recorded as deferred revenue on the balance sheet. As of April 30, 2025, and December 31, 2024, \$0, and \$0 was included in deferred revenue.

The Company had no revenue from any source for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025.

Income Taxes

~~The members of the Company have elected to be taxed as a Sub-chapter S Corporation under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax returns of the Company's members and no provisions for federal or state income taxes have been recorded on the accompanying balance sheet.~~

The Company adopted ASC 740-10-25-6 "Accounting for Uncertainty in Income Taxes", that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold upon examination by taxing authorities.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the taxable income.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025, was \$0 and \$0.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, the carrying amounts approximate fair value due to their short maturities.

FAMILY NEST FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates (“ASU”). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 3 - SUBSEQUENT EVENTS

Date of Management’s Evaluation

Management has evaluated subsequent events through June 4, 2025, the date on which the financial statements were available to be issued.

FAMILY NEST FRANCHISE, LLC

FINANCIAL REPORT

AS OF APRIL 30, 2025

FAMILY NEST FRANCHISE, LLC

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Independent Auditor's Report

To the Members
Family Nest Franchise, LLC
Woodstock, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheets of Family Nest Franchise, LLC as of April 30, 2025, and December 31, 2024, and the related statements of operations, members' equity, and cash flows for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025, and the notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Nest Franchise, LLC as of April 30, 2025, and December 31, 2024 and the results of their operations and their cash flows for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025,, 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 (GAAS). 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 Family Nest Franchise, 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 Family Nest Franchise, LLC's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there

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is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Nest Franchise, 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 Family Nest Franchise, 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.

Reese CPA LLC

Ft. Collins, Colorado
June 4, 2025

**FAMILY NEST FRANCHISE, LLC
BALANCE SHEETS
AS OF APRIL 30, 2025 AND DECEMBER 31, 2024**

	2025	2024
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	\$ 4,000	\$ 5,000
TOTAL CURRENT ASSETS	4,000	5,000
NON-CURRENT ASSETS	-	-
TOTAL ASSETS	\$ 4,000	\$ 5,000
LIABILITIES AND MEMBERS' EQUITY:		
CURRENT LIABILITIES	\$ -	\$ -
TOTAL CURRENT LIABILITIES	-	-
NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	-	-
MEMBERS' EQUITY	4,000	5,000
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 4,000	\$ 5,000

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

**FAMILY NEST FRANCHISE, LLC
 STATEMENTS OF OPERATIONS
 FOR THE PERIOD FROM JULY 10, 2024 (INCEPTION) THROUGH DECEMBER 31, 2024
 AND THE PERIOD FROM JANUARY 1, 2025 THROUGH APRIL 30, 2025**

	2025	2024
REVENUES	\$ -	\$ -
OPERATING EXPENSES	-	-
TOTAL OPERATING EXPENSES	-	-
OPERATING INCOME	-	-
OTHER INCOME (EXPENSE)	-	-
NET INCOME	\$ -	\$ -

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

FAMILY NEST FRANCHISE, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD FROM JULY 10, 2024 (INCEPTION) THROUGH DECEMBER 31, 2024
AND THE PERIOD FROM JANUARY 1, 2025 THROUGH APRIL 30, 2025

	<u>Member Contributions</u>	<u>Accumulated (Deficit)</u>	<u>Total Members' Equity</u>
BALANCE, JULY 10, 2024 (INCEPTION)	\$ -	\$ -	\$ -
Member contributions	5,000	-	5,000
Net income	-	-	-
BALANCE, DECEMBER 31, 2024	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Return of member contributions	(1,000)	-	(1,000)
Net income	-	-	-
BALANCE, APRIL 30, 2025	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</u>

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

FAMILY NEST FRANCHISE, LLC
STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM JULY 10, 2024 (INCEPTION) THROUGH DECEMBER 31, 2024
AND THE PERIOD FROM JANUARY 1, 2025 THROUGH APRIL 30, 2025

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ -	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities:	-	-
Net cash provided by operating activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used for investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Member contributions	-	5,000
Return of contributed capital	(1,000)	-
Net cash provided by financing activities	(1,000)	5,000
NET INCREASE IN CASH	(1,000)	5,000
CASH, BEGINNING	5,000	-
CASH, ENDING	\$ 4,000	\$ 5,000
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -

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

FAMILY NEST FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Family Nest Franchise, LLC (“Company”) was formed on July 10, 2024 (Inception) in the State of Georgia as a limited liability company. The franchise offered is for a business that provides comprehensive move-management and related services primarily to seniors moving from homes or apartments into assisted living facilities, nursing homes or other senior housing and who need assistance with: (a) selling a home and personal belongings; (b) packing furniture and other belongings; (c) identifying and coordinating with moving companies; and (d) setting up and moving into their new residence.

Affiliates

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A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

Preparation of the Company’s financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of April 30, 2025, and December 31, 2024.

FAMILY NEST FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any accounts receivable or allowance for doubtful accounts as of April 30, 2025, and December 31, 2024, and did not charge-off any accounts receivable for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025.

Property, Plant & Equipment

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Revenue Recognition Policies

The Company recognizes revenue under the guidance of ASC 606 “Contracts with Customers”. The Company’s revenue is principally generated through franchise agreements with the Company’s franchisees. Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each performance obligation, allocates the transaction price to each performance obligation, and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a franchisee purchases a franchise, the Company grants the franchisee the rights to operate in a designated area and to use the proprietary methods, techniques, trade dress, trademarks, and logos (“the license”). Revenues related to the license are continuing royalties of the greater of 4% of gross monthly sales or the minimum monthly royalty fee as defined in the franchise agreement. These revenues are used to continue the development of the Company’s brand, the franchise system and provide ongoing support for the Company’s franchisees over the term of the agreement. The royalties are billed on a transaction basis and are recognized as revenue when earned.

Revenue from initial fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory and license rights. These primarily include client consultations, estate sale services, senior move management, system training services, and onboarding services that prepare the franchisee to successfully operate the Family Nest Business. These fees are billed prior to the delivery of these services and is recognized on the delivery of those services.

FAMILY NEST FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition Policies (continued)

Ancillary Franchise Fees

Revenues from services provided for conferences, technology, call center functions and other services as defined in the franchise agreement are billed monthly and are recognized upon delivery of the service or monthly when earned.

Brand Fund Contribution

The Company has established a brand fund to provide regional and national advertising for the benefit of the franchisees. The brand fund fees are the greater of 2% of monthly gross sales or \$100 per month and are billed monthly and are recognized as revenue when earned up to the amount spent on marketing activities as defined in the franchise disclosure document. Funds collected, but not yet spent, are recorded as deferred revenue on the balance sheet. As of April 30, 2025, and December 31, 2024, \$0, and \$0 was included in deferred revenue.

The Company had no revenue from any source for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025.

Income Taxes

The members of the Company have elected to be taxed as a Sub-chapter S Corporation under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax returns of the Company's members and no provisions for federal or state income taxes have been recorded on the accompanying balance sheet.

The Company adopted ASC 740-10-25-6 "Accounting for Uncertainty in Income Taxes", that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold upon examination by taxing authorities.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the taxable income.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the period from July 10, 2024 (Inception) through December 31, 2024, and the period from January 1, 2025 through April 30, 2025, was \$0 and \$0.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, the carrying amounts approximate fair value due to their short maturities.

FAMILY NEST FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates (“ASU”). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 3 - SUBSEQUENT EVENTS

Date of Management’s Evaluation

Management has evaluated subsequent events through June 4, 2025, the date on which the financial statements were available to be issued.

EXHIBIT "G"

TO DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

State Effective Dates

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	September 4, 2025
Maryland	
Michigan	September 9, 2025
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	Pending
Wisconsin	September 3, 2025

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.