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Business Oversight



FRANCHISE DISCLOSURE DOCUMENT

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TGS National Franchise, LLC
a Colorado limited liability company
700 17th Street, Suite 2200
Denver, Colorado 80202
(720) 399-6840
franchising@tgsnational.com
www.tgsnational.com

As a franchisee, you will operate a retail business that sells raw cannabis, manufactured cannabis products and extractions, and regulated and non-regulated cannabis and related products to the public under the System and the Marks.

The total investment necessary to begin operation of a TGS Retail Store is between \$753,000 and \$4,745,500. This includes the \$65,000 - \$365,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Trent Woloveck at trent@tgsnational.com and (720) 399-6840 ext. 733.

The terms of your contract will govern your franchise relationship. Don't rely on this disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this document to an advisor, like an attorney or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: September 12, 2017

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit E for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION ONLY IN COLORADO. OUT-OF-STATE MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE AND ARBITRATE WITH US IN COLORADO THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT COLORADO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE CANNABIS INDUSTRY IS HIGHLY REGULATED. THERE ARE MANY FEDERAL, STATE AND LOCAL LAWS, REGULATIONS AND ORDINANCES THAT MAY AFFECT YOUR BUSINESS. CURRENTLY CANNABIS IS A SCHEDULE I CONTROLLED SUBSTANCE UNDER FEDERAL LAW WHICH MEANS YOU ARE NOT ALLOWED TO MANUFACTURE, DISTRIBUTE, DISPENSE OR POSSESS CANNABIS. STATE LAWS CONTRADICT THE FEDERAL LAW. THERE IS A RISK THAT STATE CANNABIS LAWS MAY BE PREEMPTED BY FEDERAL LAW IN THE FUTURE. SOME STATES HAVE LEGALIZED CANNABIS THROUGH PILOT PROGRAMS WHICH MAY EXPIRE IF NOT RENEWED BY STATE LEGISLATURES. ADDITIONALLY, SOME STATES MAY CHOOSE TO REPLACE THESE LAWS IN THE FUTURE.
4. DUE TO THE RESTRICTIONS ON CANNABIS PRODUCTION AND SALES, THE IRS AND STATE TAXING AUTHORITIES MAY NOT ALLOW YOU TO DEDUCT CANNABIS EXPENSES ON YOUR TAXES. YOU SHOULD CONSULT A CPA, A TAX ACCOUNTANT, AND/OR A TAX ATTORNEY TO DETERMINE WHAT CANNABIS RELATED BUSINESS EXPENSES MAY BE DEDUCTED.
5. CURRENTLY APPROXIMATELY 29 STATES HAVE LAWS OR REGULATIONS THAT LEGALIZE THE USE OF CANNABIS IN SOME FORM. HOWEVER, SOME

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