

## SURELY YOU'VE NOTICED...

OUR SEMI-ANNUAL NEWSLETTER  
HAS TAKEN ON AN IDENTITY  
OF ITS OWN!

As you read through this, our Fall 2016 Issue, you'll find that as news is perpetuated and reflective of not only Cartel Equity, but Network and now our newest Target, FranCap Corporation (More on this later), a non-partisan identity needed to be established to administer to the "group" as a whole...

VOILA...

the  
**Enterprise**

# RESPECTIVE OF NETWORK...

As has been reported in previous Newsletters, NETWORK continues to remain outside “Exit Strategy” considerations, however, continues with its potential to increase growth and value.

Network has now completed the myriad of updates to the Network website referred-to in our Spring 2016 Newsletter and has begun the process to continue to upgrade and enhance its Mobile Apps’:

- First: Network initially focused on the Network User Interface (UI). More specifically, the series of screens, pages, and visual elements (i.e.: buttons; icons; etc.) that are put to use when the user interacts with their choice of Mobile Phone, and;
- Second: Focused on the Network User Experience (UX): The actual experience that a person has as they interact with every aspect of Network’s products and services.



[Click Here To View Site](#)

To demonstrate the end results, among other things, Network has redesigned the Network app background, first view layout, icons, animation, and updated and upgraded functionality, map text navigation, and, overall look and feel. In today's tech savvy world, users are spending more and more, or even most, of their time on mobile devices. As such, Network continuously monitors for upgrades and continuity to ensure that both the iOS and Android apps are not only aesthetically and functionally superior, but represent a destination application.

FALL 2016

# SUBSTANTIVE CHANGE

A NEW TARGET COMPANY, [FRANCAP CORPORATION](#)

IS NOW IN ITS SEED-ROUND EARLY INVESTOR RAISE!

IN BRIEF:

Two Reasons Why Francap Represents A Timely Entry Into The Fund:

1. **JOBS!** The franchise business model has the potential to create thousands of new jobs. By way of expanding a Franchisor's number of Franchisee's and thereto a Franchisee's work force, FranCap will Partner with select and proven successful Franchisor's already in an economy where today, "...Over 50% of all retail sales come from nearly 800,000 franchise outlets who employ over 8,800,000 employees.", and;
2. **POTENTIAL REVENUES!** As a Funding Partner with select Franchisors, FranCap expects to generate revenue from several sources including Revenue Sharing, Equity Participation and Consulting Services.



## [THE FRANCAP BUSINESS MODEL](#)

**CONCEPT:** FranCap addresses its place in the market as an Incubator/Accelerator Franchise Development Company with a focus on early to mid-stage franchisors.

**TARGET:** Emerging franchise systems whose proven concept has been effectively producing income for Franchisee Base consisting of one (1) to fifty (50) locations that have been in operation for more than two (2) years, but who lack either the expertise and/or capital to exponentially expand their systems.

**RESOURCES:** FranCap is currently in the process of evaluating certain Federal programs ([EB-5 Capital for the Franchise Industry](#)) that are in place to foster the growth rate of jobs within the United States. This will enable FranCap to potentially coordinate multi-million dollar "below market rate" loans to qualifying Franchisors. Loans as such will enable them to expand their base of Franchisees and inherently provide jobs to both skilled and unskilled workers.

**MISSION:** FranCap will provide qualifying franchisors with the knowledge, skills, systems and capital sources to enable them to become large national and international brands. [Look At What's Happening!](#) As a Support/Growth Partner, FranCap has the expertise and access to sources of capital to supply these resources to its Franchisor Partners, and in return, i) acquire an equity position in Franchisor; ii) participate in the Franchisor's gross royalty revenues; iii) assist and participate in the Franchisor's Exit Strategy ( i.e., IPO, Merger, Acquisition).

FALL 2016

# FRANCAP'S POTENTIAL PROFIT CENTERS FROM FRANCHISORS

**Loan Coordinating Fees** from Five to Twenty Million Dollar Loans per Franchisor;

**Licensing Fee Participation** per Franchisee established for Franchisor;

**Royalty Fee Participation** per Franchisee established for Franchisor;

**Equity Participation** per Franchisor; and

**Potential Exit Strategy** (IPO/Merger/Acquisition) for Franchisor.



## FRANCAP'S QUALIFYCATIONS

As franchise entrepreneurs and development leaders, FranCap's Principal's, Management Team and Associate's backgrounds have included and emanated from the securities, real estate, insurance, marketing and venture capital industries. Experts have historically been witness to the fact that while Franchising has substantially recovered and flourished from the impact of economic stagnation in the early 70's, today's greatest hurdle for most early and mid-start-up Franchisors and Multi-Unit Franchisee/Franchisors, continues to be: dynamic, meaningful, organized and cost-effective expansion of the brand. FranCap not only has answers to the need... FranCap can make things happen!

FALL 2016

# FRANCAP'S HISTORICS

## FRANCAP CORPORATION

("FranCap") is a franchise development company that provides franchisors with the knowledge, skills, systems and capital sources to enable them to become large national brands. FranCap's roots date back to the early 1960's, when FranCap's founders worked within the securities, real estate, insurance, marketing, and venture capital industries.

In 1971, the corporation's chief legal counsel, [Harold Brown of Boston, Massachusetts](#), conceived of, and subsequently was instrumental in, the development, introduction and establishment of the first franchise laws in the U.S., initially in California. In 1979, Mr. Brown played a key role in drafting the Federal Trade Commission's ("FTC") Uniform Franchise Offering Circular ("UFOC"), now referred to as the Franchise Disclosure Document ("FDD"). Mr. Brown was also the co-founder of the American Bar Association's ("ABA") committee on franchising and he served on its governing council for 6 years.

In 1998, FranCap's founders established a new Delaware entity called Francap Corporation ("Francap Corporation") to pursue a unique business franchising model that involved partnering with prospective franchisors to enable them to grow businesses more quickly. Subsequent to that, FranCap's founders formed [two venture capital funds](#): Cartel Funding, LLC (established in 2003), and the Cartel Equity Fund, LLC (established in 2012), to address the funding, management and marketing needs of private companies, and to move them along a critical path to their [next level](#), such as a mini IPO, IPO, merger, or acquisition exit strategy.

In 2016, FranCap Corporation was re-incorporated in Wyoming as a successor company to FranCap Corporation (Delaware) to focus on its no upfront fee franchise development business model.



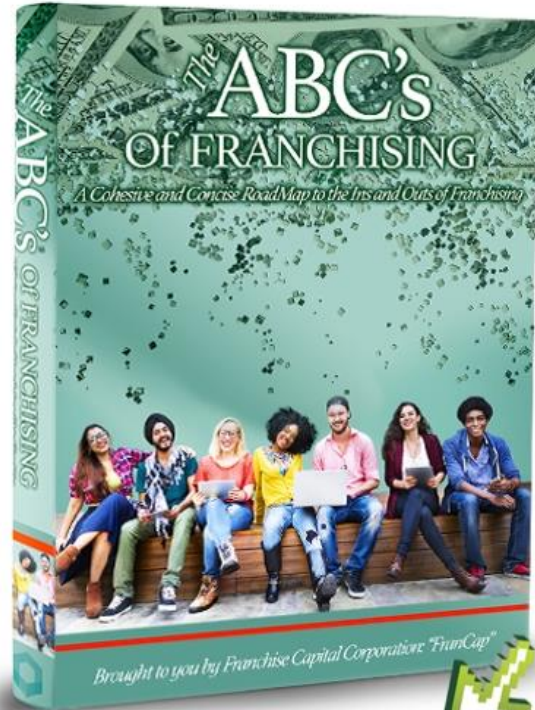
FALL 2016

FranCap believes that it is currently one of the only franchise development firms in the industry that has such a unique business model.

FranCap's principals have been featured in various media as business development and franchise experts; appeared in a five part documentary on franchising from the NBC-TV studios in Los Angeles, California; Cable TV featured speakers for the development of business at the request of the State of Colorado's Governor's Office; quoted in national publications including Newsweek, Nation's Business, Forbes and Info Press; nominated for the International Franchise Association's FREE ENTERPRISE AWARD which recognizes one's actions, writings and/or policies in the furtherance and growth of the U.S. free enterprise system; produced and hosted the live weekly radio show "MIND YOUR OWN BUSINESS," a business and franchise information forum aired from the studios of K-FOX (93.5 FM) covering Los Angeles and Orange Counties in California, and K-YBG (1090 AM) in Denver, Colorado,

featuring some of the nation's leading franchisors, franchisees and franchise authorities as well as many federal and state governmental representatives, attorneys and business leaders.

**WE ARE THE AUTHORS OF  
THE ABC'S OF FRANCHISING**



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To Read e-Book](#)

## FRANCHISE FACTS AND SOURCES OF FUNDING FRANCHISORS

Currently in the United States, franchising not only constitutes more than 50% of all retail sales, but there are more than 2,500 franchising companies and nearly 800,000 franchisee and franchisor outlets. These franchising companies and their franchisees employ 8,800,000 persons. Working in a franchised business is the first job for many young people today and as the franchised outlets continue to proliferate, the job market continues to grow and employ greater numbers of both skilled and unskilled workers within the franchise work-place. Data for 2015 provides that the number of franchise establishments increased from 1.7 % in 2014, franchise employment was up 3.0% and franchise output grew 5.6%.

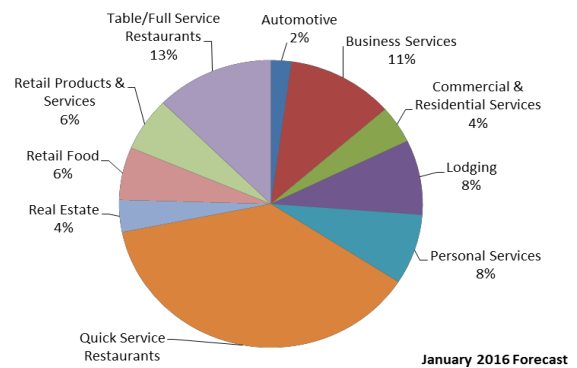
FALL 2016

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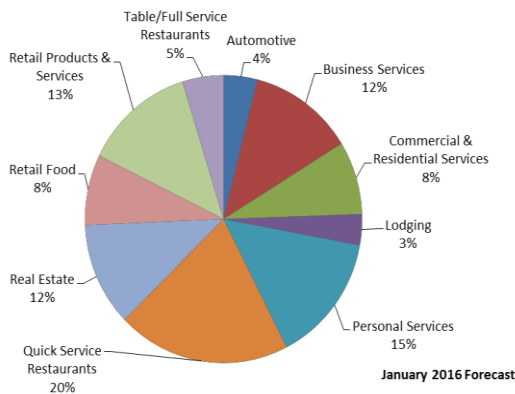
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Additionally: i) The number of franchise establishments are expected to increase by 1.7% in 2016, matching the pace of growth in 2015. ii) Employment growth in the franchise sector will continue to outpace the growth of employment in all businesses economy-wide, as it has in each of the last five years. iii) Franchise employment is expected to increase 3.1% throughout 2016, while total private non-farm employment will increase 1.9%. Over the six-year period, 2011-2016, average annual growth and 6.3% output growth in 2016.

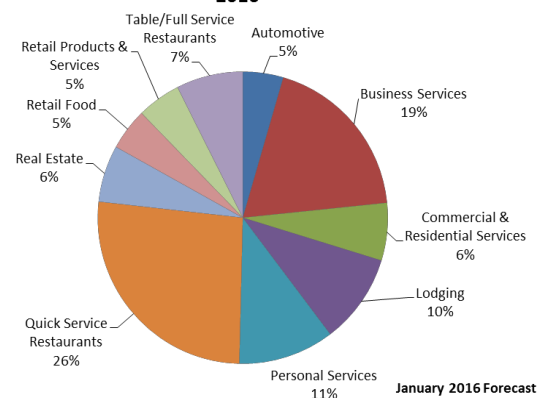
**Employment Distribution by Sector 2016**



**Establishments Distribution by Sector 2016**



**Output Distribution by Sector 2016**



Since the late 1940s, franchising has served as a vehicle with which small businesses have grown successfully into national chains. Franchising has also provided individuals with the opportunity to achieve their "Great American Dream" of business ownership. Franchising will continue to be a successful strategy for those small businesses and individuals looking for prosperity and growth in the future as long **as the capital required to support the strategy is available.**



Outside of borrowing on the equity of their homes and their savings, friend and family or Angels are the typical backers of start-up businesses.

It is estimated that over \$100 billion in seed capital is invested in businesses in the United States by friends and family. This is usually the easiest capital to raise, as the investor is making their decision largely based on a high degree of personal trust in the business owner. Investment amounts by this group generally do not exceed \$1 million. These investors usually require a significant equity position, and they may also play an active role in management or on the Board of Directors.

The Angel investor market accounts for approximately \$80 billion in seed capital investment. This group invests approximately \$7 to \$10 billion dollars annually with a typical transaction size between \$100,000 and \$1 million. Angels are high net worth individuals who choose to invest in industries in which they have personal knowledge. In addition, there are financial institutions that are willing to lend money to franchisors and franchisees if

the borrower can provide suitable fairly liquid collateral to secure the lender's debt. This type of financing is typically referred to as "asset based lending." The assets are usually receivables, inventory or fixtures, and therefore, are typically used by product franchisors and franchisees whose principal source of income is derived from the sale of inventory. Business format franchisors who do not sell inventory to their franchisees may be able to finance equipment purchases for resale to their franchisees; however, this type of financial arrangement is becoming less common, since sophisticated franchisees prefer to purchase fixtures and equipment directly from manufacturers rather than purchase them through the franchisor.





# Private Placement of Equity

Most young franchisors and franchisees need at least one, and typically more than one, capital infusion in order to achieve projected growth. The most common method of acquiring such capital is through venture capitalists or strategic partners.

Financing is an essential and continuing need for any business. The degree of need and the best sources available to fulfill the capital requirements vary with the economic times and the individual company. There are, however, accepted financing rules of thumb that follow the three major stages of business development: start-up, growth and maturity.

## INCUBATOR:

At start-up there are significant costs that may be incurred before any business can open its doors. This is true for the start-up franchisor as well. Some early stage franchisors have existing operations that can self-fund the design and development of their franchise system; however, the need for proper capitalization of the franchisor system is often underestimated. This leads to a working capital shortage and inevitably starts the system off on the wrong basis for both management and the franchisees.

The start-up franchisor is considered to be an early stage investment by investors until there are a substantial number of units opened and the major operating flaws have been removed from the system.



## ACCELERATOR:

The growth stage of development which follows the successful start-up can attract a high degree of interest from outside investors. Even though the franchisor has achieved a level of success, because of the costs and risks associated, investors must be convinced that growth is achievable and success likely.

Maturity may not mean financial independence. Products and infrastructure need to be constantly updated and, as markets change, so must the successful franchisor. In addition, as franchisors expand internationally, the company must have the financial resources to meet these opportunities.

The mature stage franchisor is a healthy system that still has the ability to increase corporate revenues either through further development of territories, acquisition, or company store expansion. These franchisors may also have revenue generated by product sales, which can contribute significantly to a strong cash flow for the system.

# FRANCAP AS AN EQUITY/EXIT PARTNER:

Another source of capital is the Venture Capital market. Venture capital is usually defined as an equity investment in a closely held corporation by someone other than the founding group. Because the holding periods are usually between two and nine years, it is considered an illiquid form of investment. However, so that it will not be completely illiquid, there has to be the prospect of repayment via a public offering, acquisition, or a buyout of the management group or in some cases by another investor group.

The venture capital market is estimated to be approximately \$40 billion, although the amount that is invested annually varies with economic conditions and is somewhat masked by what is actually raised in funds and what is actually committed the year a fund is closed.

It is important to keep in mind that large venture capital firms will see approximately 400-500 deals annually. Of these, they will seriously review 40-50 and end up investing in five to six deals. Typically, investments are \$1 million and up.

We anticipate that Cartel Equity Fund will be funding FranCap on at least its first three levels of funding, the Seed-Round; the Start-Up Round, and thereafter, the First-Stage Round. This last stage would be when FranCap has launched its initial franchisor partner and proven the credibility of the franchise concept on a national basis.

As an educational note, and more specifically, Venture Capital's investments as related to developments in the stock market, because of the long term nature of Venture Capital investing, there is not a close relationship between VC investing and developments in the stock market.

Investors will certainly look at what industry groups are in or out of favor and what price/earnings ratios have been obtained in recent initial public offerings. However, it is recognized that the market will change complexion many times before a portfolio company is ready to go public, and the same company investment may be liquefied through a merger or management buyout instead. These transactions are much less affected by developments in the stock market.

Management is always the key. Venture Capitalists are relying heavily on the track record of the company's management to achieve their expected returns. Therefore, a successful management team with experience in franchising has a better chance to succeed in raising Venture Capital than a management team without franchising experience.

In summary, venture partners can become excellent stepping stones in equity placements. Oftentimes, a proper private equity investment with a strong venture partner is more desirable than rushing to the public markets before a system has reached critical size.

In Short...

Seed-Round investors ("Early Investors") represent that group of investors who have the potential to derive the greatest ROI because their buy-in is typically at the price-per-share low.

**CARTEL EQUITY'S CURRENT PARTNER INVESTORS  
AND  
NETWORK INVESTORS  
ARE INVITED TO JOIN WITH CARTEL EQUITY  
AS  
SEED-ROUND INVESTORS IN FRANCAP**

**SEED-ROUND INVESTOR OPPORTUNITY**

**FRANCAP'S NUMBER OF AUTHORIZED SHARES: 100,000,000  
FOUNDER'S PRE-INVESTMENT SHARES AT PAR: 40,000,000**

**SEED-ROUND INVESTOR ALLOCATION  
10,000,000 SHARES**

*Seed-Round Share Price: \$.10 Per Share*

**MINIMUM SHARE PURCHASE: 500,000 SHARES: \$50,000.**

**TOTAL SEED-ROUND RAISE: \$1,000,000**

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