

# FRANCHISE DISCLOSURE DOCUMENT



Inter-State Studio Franchise, LLC  
a Delaware limited liability company  
3500 Snyder Ave  
Sedalia, MO 65301  
660-826-1766  
franchiseinfo@inter-state.com

Inter-State Studio Franchise, LLC offers individual unit franchises for the operation of an Inter-State Studio® franchised business (a “Inter-State Studio business” or “Business”) offering school pictures, undergraduate portraits, sports and event portraits, packages and yearbooks, and other related services and products. We offer two different models of Inter-state Studio businesses to qualified candidates: (i) a new standard type photography business; and (ii) a conversion of an existing photography business.

The total investment necessary to begin operation of a standard Inter-State Studio business ranges from \$23,100 to \$51,450, which includes \$12,550 to \$30,100 that must be paid to us or our affiliate. The total investment necessary to begin operation of a conversion Inter-State Studio business ranges from \$13,100 to \$48,950, which includes \$2,550 to \$27,600 that must be paid to us or our affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Chad Schnyder at 207-751-0557 or cschnyder@inter-state.com.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract 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 “[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](http://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: March 18, 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 Item 20 or Exhibit H.
<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>	Item 21 or Exhibit A 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 Inter-State Studio 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 an Inter-State Studio franchisee?</b>	Item 20 or Exhibit H lists 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 Missouri. 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 Missouri 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. **Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
4. **Sales Performance Requirement.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted.
5. **Short Operating History.** This 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 with a longer operating history.
6. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if 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.
7. **Minimal Annual Attendance Quota.** If you fail to meet your Minimum Annual Attendance Quota, then we have the right to grant additional franchises within the Territory and/or reduce the size of your Territory.

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.

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

**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 protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the 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.

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

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

## TABLE OF CONTENTS

<b><u>ITEM</u></b>	<b><u>PAGE</u></b>
1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....	1
2. BUSINESS EXPERIENCE .....	3
3. LITIGATION.....	3
4. BANKRUPTCY .....	3
5. INITIAL FEES.....	4
6. OTHER FEES.....	5
7. ESTIMATED INITIAL INVESTMENT .....	9
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	10
9. FRANCHISEE'S OBLIGATIONS .....	13
10. FINANCING.....	14
11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	15
12. TERRITORY .....	20
13. TRADEMARKS .....	23
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	24
15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS ...	25
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	26
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	26
18. PUBLIC FIGURES.....	28
19. FINANCIAL PERFORMANCE REPRESENTATIONS .....	28
20. OUTLETS AND FRANCHISEE INFORMATION .....	30
21. FINANCIAL STATEMENTS .....	34
22. CONTRACTS.....	34
23. RECEIPTS .....	34

### EXHIBITS

EXHIBIT A	Financial Statements
EXHIBIT B	Franchise Agreement (and exhibits)
EXHIBIT C	List of State Administrators; Agents for Service of Process
EXHIBIT D	State Addenda
EXHIBIT E	General Release Form
EXHIBIT F	Promissory Note
EXHIBIT G	Transferred Account Purchase Agreement
EXHIBIT H	List of Franchisees
EXHIBIT I	Disclosure Acknowledgment Agreement
EXHIBIT J	Operations Manual Table of Contents
EXHIBIT K	State Effective Dates
EXHIBIT L	Receipt

## **ITEM 1**

### **THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this disclosure document, “we” means Inter-State Studio Franchise, LLC, the franchisor. “You” means the person who buys the franchise. If a corporation, partnership or limited liability company buys a franchise, “you” also may refer to the shareholders of the corporation, partners of the partnership or members of the limited liability company.

#### The Franchisor

We are a Delaware limited liability company formed on September 11, 2020. Our principal place of business is at 3500 Snyder Ave, Sedalia, MO 65301, and our telephone number is 660-826-1766. Our agents for service of process are disclosed in Exhibit C.

We grant franchises for the operation of Inter-State Studio® businesses under the name “Inter-State Studio” offering school pictures, undergraduate portraits, sports and event portraits, packages, yearbooks, and other related services and products. We began offering franchises for Inter-State Studio businesses in October 2020. We have not directly operated the type of business you will operate, but our affiliate ISS Publishing has, as discussed below. We have never offered franchises in any other line of business.

#### Parents, Predecessors and Affiliates

Our affiliate, Inter-State Studio & Publishing Co. (“ISS Publishing”), will offer and sell certain products and services to franchisees required for the operation of an Inter-State Studio business, namely prints of pictures and yearbooks, but also identification cards, banners, and other Products. ISS Publishing principal business address is the same as ours. ISS Publishing has never offered franchises in any other line of business. ISS Publishing also offers and sells these products to non-Inter-State Studio businesses, which may be located within your Territory. ISS Publishing also currently sells yearbooks to 3 U.S. military bases located across Canada and Germany. For purposes of clarity, all references to “company-owned” Inter-State Studio businesses shall mean those owned by us or our affiliates.

ISS Publishing has directly operated the type of business you will operate since 1933. ISS Publishing enters into individual annual service agreements with schools and various organizations across the U.S. (each, an “ISS Account”) to be the photographer for picture day and other events. As described in Item 5, we may offer you the right to acquire one or more ISS Accounts from ISS Publishing, but we and ISS Publishing are under no obligation to do so. If we transfer an ISS Account to you, then you may be required to honor certain previously agreed-upon terms with respect to an ISS Account, such as pricing and compensation, for a certain amount of time.

Except as described above, we have no affiliates, predecessors or parents required to be disclosed in this Item 1.

#### Franchise Offered

You will sign our franchise agreement, attached as Exhibit B (the “Franchise Agreement”), to receive the right to own and operate a franchise for an Inter-State Studio business offering the products and services we approve, and using our formats, designs, methods, specifications, standards, operating and marketing procedures and the Marks (as defined in Item 13), including the trademark “Inter-State Studio®” (collectively, the “System”). We have the right to change or otherwise modify the System at any time.



The geographic area granted to you under the Franchise Agreement is referred to as the “Territory.” Your Business must offer only authorized services and products as described in the Operations Manual (respectively, the “Services” and “Products”). We have the right to add, modify, or delete any Services or Products that you must offer or sell at your Business at any time. We anticipate and expect you to operate your Business out of a home office. If you are a conversion franchisee that already has a brick and mortar office, then your office must comply with our then-current standards and specifications.

You will enter into individual service agreements with schools and local organizations for the right to be the photographer and publisher for picture day and other Services (each, an “Account”), and then sell pictures, yearbooks, and other approved Products to families of children that attend those schools or belong to such organizations. You are required to have a fully executed service agreement with a school or local organization before you provide any Services or sell any Products or Services to a school or local organization.

We offer franchises for an Inter-State Studio business to two types of franchisees: (i) standard franchisees and (ii) conversion franchisees. A standard franchisee is someone that does not currently operate a portrait or photography business and has little to no prior experience in the industry. A conversion franchisee is someone that has a currently existing portrait or photography business that is similar to the Inter-State Studio business, and who agrees to merge and convert that business into the Inter-State Studio business.

### Market and Competition

Inter-State Studio businesses offer school pictures and related Products and Services primarily to schools, sports teams, and community organizations. The Inter-State Studio customer base primarily consists of families with children that attend such schools and organizations, but you may also sell certain Products directly to the schools and organizations.

You may have to compete with other businesses, including franchised operations, national chains and independently owned companies offering services similar to those offered by Inter-State Studio businesses. The market is well developed and sales may be seasonal, primarily in the fall and the spring.

### Laws and Regulations

We are not aware of any state or federal laws specifically regulating the operation of an Inter-State Studio business. You must also comply with all local, state and federal laws of a more general nature which affect the operation of the Business, including employment, worker’s compensation, insurance, corporate, taxing, licensing, and similar laws and regulations. Please be advised that you must investigate and comply with all of these applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations, despite any advice or information that we may give you. We have not researched any of these laws to determine their applicability to your Business.

We will require you, and each of your owners, partners, employees, and independent contractors to undergo and pass, to our satisfaction, a complete criminal background check. You may not hire or engage any employees or independent contractors that have not yet passed the background check to our satisfaction.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### Aric Snyder Jr. – President and Chief Executive Officer (ISS Publishing)

Mr. Snyder has been the President and Chief Executive Officer of our affiliate ISS Publishing since July 2017. Prior to that, Mr. Snyder was the Vice President of Marketing and Business Development for ISS Publishing from July 2015 to July 2017.

#### David Middleton – Chief Operating Officer (ISS Publishing)

Mr. Middleton has been the Chief Operating Officer of our affiliate ISS Publishing since January 2025. Prior to that, Mr. Middleton was the Vice President, Operations for our affiliate ISS Publishing from December 2020 to January 2025. From January 2019 to December 2020, Mr. Middleton also held the title of Director of our affiliate ISS Publishing.

#### Chad Schnyder – Franchise Director (ISS Publishing)

Mr. Schnyder has been the Franchise Director of our affiliate ISS Publishing since July 2023. Prior to that, Mr. Schnyder was the National Sales Director of our affiliate ISS Publishing from August 2021 to July 2023, and was a Territory Manager of Lifetouch for Maine and New Hampshire from December 2001 to February 2021.

#### Dan Hassinger – General Counsel (ISS Publishing)

Mr. Hassinger has been the General Counsel of our affiliate ISS Publishing since July 2023. Prior to that, Mr. Hassinger was the National Sales Director of our affiliate ISS Publishing from March 2020 to July 2023, and its Corporate Counsel from January 2022 to July 2023. Prior to that, Mr. Hassinger was ISS Publishing's Territory Manager from September 2018 to September 2020.

#### Sage Crum – Regional Manager

Mr. Crum has been our Regional Manager since April 2024. Prior to that, Mr. Crum held several positions with LifeTouch in Eden Prairie, Minnesota, including Business Development Representative, Sales Development Specialist, and Territory Photography Operations Manager from June 2016 to March 2024.

#### Brad Scott – Regional Manager

Mr. Scott has been our Regional Manager since April 2024. Prior to that, Mr. Scott held several positions with our affiliate ISS Publishing, including National Wholesale Account Manager and Regional Manager from May 2011 to March 2024.

## **ITEM 3**

### **LITIGATION**

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**

### **Standard Franchisee - Initial Franchise Fee**

The initial franchise fee for a single standard Inter-State Studio business is \$12,500 (the “Standard Initial Franchise Fee”). The Standard Initial Franchise Fee is paid to us as a lump sum when you sign the Franchise Agreement and is not refundable under any circumstances.

We reserve the right to waive or reduce the initial franchise fee for our or ISS Publishing’s current employees who sign a franchise agreement with us for the operation a single standard Inter-State Studio business. During 2024, we collected initial franchise fees for a standard Inter-State Studio business ranging from \$0 to \$12,500.

### **Conversion Franchisee - Initial Franchise Fee**

If you have an existing portrait or photography business that is similar to the Inter-State Studio business, and you agree to merge that business into the Inter-State Studio franchised business, then we will discount the Initial Franchise Fee based on the annual gross revenue for your existing business in your last full fiscal year as shown below (the “Conversion Initial Franchise Fee”):

<b>Conversion Initial Franchise Fee</b>	<b>Annual Gross Revenue</b>
\$10,000	\$149,999 or less
\$7,500	\$150,000 - \$199,999
\$5,000	\$200,000 - \$249,999
\$2,500	\$250,000 or more

We may require you to provide tax returns, audited financial statements, or other documentation, in our discretion, to demonstrate that your business generated such annual gross revenue in your last full fiscal year in order for you to be entitled to the Conversion Initial Franchise Fee. The Conversion Initial Franchise Fee is paid to us as a lump sum when you sign the Franchise Agreement and is not refundable under any circumstances.

### **Equipment and Uniforms**

If you do not have photography equipment and computer software that meets our then-current standards and specifications, then you must purchase such items from us or our affiliate. A new studio outfit currently costs \$8,700 (which includes a camera, laptop, lighting, and related accessories). We estimate that the cost of the photography equipment and computer equipment/software will range from \$0 to \$17,500 for two complete studio outfits (the minimum amount that we recommend), depending upon which items you may need to purchase, whether the items you need to purchase are purchased new or used, and how many Accounts you anticipate having at the outset. The high estimate of the range assumes that you will need to purchase all necessary equipment for two complete studio outfits, in a new condition, from us and you are not starting with any existing Accounts. You must pay for the equipment as a lump sum. In 2024, we collected between \$0 to \$50,059 in initial equipment purchases.

You will also have to purchase Inter-State Studio branded shirts from us for uniforms, which we estimate to cost between \$50-\$100, which could vary depending upon the amount you order, and is to be paid as a lump sum.

The amount that you pay for any equipment and uniforms is non-refundable and is fully earned by us upon payment.

## ITEM 6 OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Management Fee	3% to 7% of Gross Revenue	Deducted on the 15 <sup>th</sup> of each month based on Gross Revenue that was recognized in the preceding month (and the Annual Gross Revenue through the preceding month), from customers of your Accounts, or as described in the Operations Manual	See Notes 2 and 3.
Marketing Fee	3% of Gross Revenue	Deducted on the 15 <sup>th</sup> of each month based on Gross Revenue that was recognized in the preceding month from customers of your Accounts, or as described in the Operations Manual	This fee entitles you to receive as many Marketing Packets as you may need for prospective Accounts throughout the term at no additional cost to you, and have customers whose email addresses that we obtain from you or an Account receive marketing emails from us. See Item 8 for more information on marketing.
Technology Fee	Our then-current fee, currently \$100 per month. Up to \$500 per month.	Deducted on the 15 <sup>th</sup> of each month based on Gross Revenue that was recognized in the preceding month from customers of your Accounts, or as described in the Operations Manual	The Technology Fee currently covers costs associated with our website and certain software programs for tracking customer information. We may increase this fee upon notice to you.
Encroachment Fee	Our then-current fee, currently \$1,000 per violation. Up to \$2,500 per violation.	Payable on Demand	Payable if you offer or sell Services or Products to customers or Accounts located within our affiliate's or another franchisee's Inter-State Studio protected territory without first obtaining our prior written approval. You must also reimburse the encroached affiliate or franchisee's Inter-State Studio business an amount equal to 100% of the gross profit realized from the Services and Products sold.
Transferred Account Fee	Varies, to be negotiated between the parties	When incurred	We may, but are not required to, offer you the right to purchase an ISS Account from us or our affiliate during the term of your Franchise Agreement. The purchase price for a Transferred Account may be based upon our then-current formula taking various characteristics into account with respect to the offered Transferred Account, and will be negotiated between you and us. See Note 4.
Transfer Fee	25% of then-current standard initial franchise fee, plus our reasonable costs and expenses	Before completion of transfer	You pay this fee upon the transfer of the Business, substantially all or all of the assets of the Business, the Franchise Agreement, or any interest in you. You must also pay us our costs and expenses that we incur in connection with this transfer, including our reasonable attorneys' fees.
Supplemental or Refresher Training	Our then-current fee, currently \$500 for the first day (up to \$750) and \$250 each day thereafter (up to \$500), plus our costs and expenses	When incurred	If we require you or your employees to attend additional training, or if we agree to provide additional training upon your request, then you must pay our then-current training fee. You must also pay any related travel and lodging expenses that we incur in providing the training to you.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Approved Supplier/ Product Testing Fee	\$100 plus our costs and expenses in evaluating the proposed product or supplier	Payable when you request our approval of a proposed supplier or product	We may also require you to pay the actual cost of the inspection and evaluation, including the cost of our time spent evaluating the alternative product or supplier.
Deviation Fee	5% of Gross Revenues generated through Alternative Suppliers	Payable on the 15 <sup>th</sup> of each month based on Gross Revenue that was recognized in the preceding month	If you are a conversion franchisee and we permit you to use an approved alternative supplier, then you must pay this fee in lieu of the Management Fee and Marketing Fee on those sales. See Note 5.
National Accounts Program	Then-current fee. Up to \$100 per National Account.	When incurred	See Note 6.
Convention Registration Fee	Our then-current fee, currently \$500. We may increase this fee up to \$1,000 per person.	When incurred	We reserve the right to conduct required periodic meetings of all franchisees. We may require you to pay us a registration fee in connection with such meetings, regardless of whether or not you attend.
Interest Expenses	Lesser of 18% per year or the maximum rate permitted by law	When due	Payable if you do not timely pay Management Fees, Marketing Fees, Technology Fees or other amounts owed to us or our affiliates
Management Services	Will vary under circumstances. Up to 20% of Gross Revenue, plus the out of pocket costs and expenses.	When incurred	If at any time the Operating Principal does not manage the Business, we immediately may appoint a manager to manage the Business for you and charge you a reasonable fee for these management services.
Fees for Special Assistance	Amounts we or another Inter-State Studio franchisee incurs to assist you in completing a job that you are unable or unwilling to complete	When incurred	
Cost of Enforcement or Defense	All costs including accounting and attorneys' fees	When incurred	You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement
Income and Sales Taxes	Out-of-Pocket reimbursement	When applicable, payable 15 days after invoiced by us	You must reimburse us for any taxes we must pay to any state taxing authority on account of either your operation or your payments to us (except for our income taxes).
Audit	Cost of audit plus interest from due date	15 days after receipt of report	Payable only if audit shows an understatement of at least 2% of Gross Revenue for any month.
Insurance	Cost of insurance plus and an administrative fee equal to 5% of the insurance premium	Payable before opening	If you fail to obtain and maintain required insurance, we may immediately obtain insurance and you must promptly reimburse us for the cost of the insurance, together with late charges and an administrative fee equal to 5% of the insurance premium.
Credit Card Processing Fees	Our costs and expenses	When incurred	You must pay us for any credit card processing fees that we must pay in connection with your Accounts or customers purchasing any Products with a credit card.
Indemnification	Will vary under the circumstances	As incurred.	You must indemnify us, our affiliates and other related parties for any claims or liabilities in connection with your ownership and operation of the Business, or your breach of the Franchise Agreement.

Notes:

- (1) Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed.
- (2) You shall pay us the Management Fees in accordance with the below chart:

	<b>Annual Gross Revenue</b>	<b>Management Fee to be paid on Annual Gross Revenue within each Tier</b>	<b>Cumulative Management Fees Paid to Us within each Tier</b>
<b>Tier 3</b>	\$0 - \$249,999	7% of Gross Revenues	\$0 - \$17,499
<b>Tier 2</b>	\$250,000 - \$349,999	5% of Gross Revenues	\$17,500 - \$22,499
<b>Tier 1</b>	\$350,000 and above	3% of Gross Revenues	\$22,500+

We reserve the right to establish minimum prices for certain Products that you may offer or sell to an Account solely for purposes of calculating the Management Fee that you must pay us in connection with those Products (“Minimum Attributable Price”). These Minimum Attributable Prices will be set forth in the Operations Manual or otherwise in writing, and the prices that we will use to establish the Minimum Attributable Prices will be based upon our then-current suggested retail price. We reserve the right to modify these Minimum Attributable Prices from time to time. Despite any Minimum Attributable Prices that we may establish, you are permitted to establish your own prices for all Products and Services. If you charge an Account less than or equal to the Minimum Attributable Price, the Minimum Attributable Price will be included in your Gross Revenues (rather than the price you charged the Account). If you charge an Account more than the Minimum Attributable Price, the actual price you charged the Account will be included in your Gross Revenue.

“Gross Revenue” means the aggregate amount of all sales of all Services and Products, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Business, including any Products that customers under an Account purchase from us or our affiliate. The term “Gross Revenue” also does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Revenue will not be reduced by the amount of your uncollected Accounts.

For purposes of calculating Gross Revenue, the sale is made at the time in which we or our affiliate ship a pre-paid Product to an Account or customer of your Business. For example, if your customer pays for a Product in January, but the Product does not ship until February, then the sale is deemed to have been made in February, and as such, the Gross Revenue for that Product was generated in February.

“Annual Gross Revenue” means the cumulative amount of Gross Revenue that you generate during each School Year (which runs from July 1 to June 30). The Annual Gross Revenue will be calculated each month on a rolling basis in order to determine the applicable Management Fee that we are entitled to on any given Gross Revenue. The Annual Gross Revenue will be reset to \$0 every year beginning July 1.

We may require you to provide Gross Revenue reports in the form, manner and frequency that we prescribe.

- (3) Under the Franchise Agreement, you hereby authorize us and our affiliates to perform collection services for your Accounts and customers that your Business offers and sells Products and Services to. All Account and customer payments we and our affiliates collect will be deposited into a single

bank account used for receipt of all pre-paid Products by Accounts and customers across the entire Inter-State Studio System. All payments you are required to make to us or our affiliates (the “Deductions”) will be deducted from the Gross Revenues (if any) we or our affiliates collect from your Accounts and customers that purchase Products from your Business. After all Deductions have been applied to the amount collected (if any), we will remit the balance to you.

For example, if your customer pre-pays for a Product in January but the Gross Revenue is not generated until February (i.e., because the Product did not ship until February), then in March we will remit to you the Gross Revenue from that sale of the Product minus the Management Fee, Marketing Fee, Technology Fee, and any other amounts that you owe us or our affiliate.

If for any reason you collect any payment directly from an Account or customer, you must report it to us and pay all applicable Deductions to us, or we will apply such Deductions from amounts we collect from other Accounts or customers your Business sells Products to before remitting any balance to you. It is your sole responsibility to ensure that an Account or customer pays for any Products or Services. We or our affiliates will not be required to ship any Products to an Account or customer of your Business until we receive full payment for such Products. We will specify in the Operations Manual, or otherwise in writing, your rights, if any, and procedure to receive advanced payments that we have collected from your Accounts or customers but is not yet classified as Gross Revenue. You will not be entitled to any interest that is generated on any Account or customer payments that we collect and deposited into the dedicated bank account.

- (4) Under certain circumstances, we may offer to transfer to you certain ISS Publishing Accounts (each, a “Transferred Account”), owned by us or our affiliates, which are located in your Territory. The Transfer Account Fee is non-refundable and is fully earned by us upon payment. We are under no obligation to offer any ISS Publishing Accounts to you. Furthermore, we do not make any promises or guarantees as to the likelihood of success or amount of revenue that you may generate in connection with any Transferred Account, or whether you will secure future service agreements with any Transferred Account. If we offer and you agree to purchase a ISS Publishing Account from us, then we and you will sign a purchase agreement for the assignment of those ISS Publishing Account(s) in the form attached as Exhibit G to this FDD.
- (5) If you are a conversion franchisee and, upon your request at the time you sign the Franchise Agreement, we grant you the right to offer and sell Products from approved third-party suppliers (“Alternative Suppliers”) for certain approved Services (“Approved Programs”), then you must sign Exhibit F to the Franchise Agreement and pay us this fee on Gross Revenue that you generate from using Alternative Suppliers for Approved Programs from (i) Accounts that you acquired during the term of your Franchise Agreement, and (ii) Transferred Accounts (the “Deviation Fee”). You will not be required to pay the Deviation Fee, Management Fee, or Marketing Fee on Gross Revenues generated through Alternative Suppliers for Approved Programs for sales made to accounts that you had existing contractual relationships with before signing the Franchise Agreement. You will be required to provide us with a Gross Revenue report with respect to Gross Revenue that you generated through Alternative Suppliers, invoices from Alternative Suppliers, and all other documents that we may require.
- (6) As further described in Item 12, we may establish a “National Accounts Program” that is designed to generate customer leads as a result of national marketing, strategic alliances and partnerships, or other lead generation efforts we or our affiliates conduct or that otherwise involves National Accounts. You must pay our then-current fees for participation in the National Accounts Program.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>					
<b>Type of Expenditure</b>	<b>Amount Standard Franchisee (See Note 1)</b>	<b>Amount Conversion Franchisee (See Note 1)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee (See Note 2)	\$12,500	\$2,500 to \$10,000	Lump Sum	When you sign the Franchise Agreement	Us
Equipment (See Note 3)	\$0 to \$17,500	\$0 to \$17,500	As agreed upon	Before opening	Us
Vehicle Expense (See Note 4)	\$3,200 to \$4,000	\$3,200 to \$4,000	As incurred	Before opening	Various third parties
Initial Supplies and Uniforms (See Note 5)	\$100 to \$250	\$100 to \$250	As agreed upon	As ordered	Various suppliers, us
Training Expenses (See Note 6)	\$3,000	\$3,000	As incurred	Before opening	Various third parties
Licenses, Permits and Professional Fees (See Note 7)	\$800 to \$1,200	\$800 to \$1,200	As incurred	Before opening	Local government agencies; various third parties
Insurance (See Note 8)	\$500 to \$1,000	\$500 to \$1,000	As incurred	Before opening	Various third parties
Additional Funds - 3 months (See Note 9)	\$3,000 to \$12,000	\$3,000 to \$12,000	As incurred	As incurred	Various third parties
<b>TOTAL</b> (See Note 10)	\$23,100 to \$51,450	\$13,100 to \$48,950			

Notes:

*General:* This Table reflects your estimated initial investment for a single Inter-State Studio business operated under a Franchise Agreement. Except where otherwise noted, all fees that you pay to us are non-refundable and all notes shall apply to both standard and conversion franchisees. Third-party lessors, contractors and suppliers will decide if payments to them are refundable.

(1) Amount:

- a. *Amount Standard Franchisee:* The estimates in this column represent estimated initial investment for standard franchisees only.
- b. *Amount Conversion Franchisee:* The estimates in this column represent estimated initial investment for conversion franchisees only.

(2) Initial Franchise Fee: You will pay us the Initial Franchise Fee as more fully described in Item 5. The low estimate in the above chart assumes that you are a conversion franchisee with over \$250,000 in annual gross revenue in the prior year and are entitled to a discounted Conversion Initial Franchise Fee equal to \$2,500. The high estimate in the above chart assumes that you are a standard franchisee and you must pay the full Standard Initial Franchise Fee equal to \$12,500.

(3) Equipment: If you do not have photography equipment that meets our then-current standards and specifications, then you will need to purchase such equipment from us or our affiliate. The low estimate assumes that you already own all required equipment that meets our then-current standards



and specifications, and the high estimate assumes that you will purchase all of the required equipment for two studio outfits from us or our affiliate.

- (4) Vehicle Expenses. We anticipate and assume that you will already own a vehicle that you will use in connection with your Business. The above estimates reflect the amount of gas and other expenses, such as car insurance, that you may incur in the first three months. The amount that you may incur may be higher depending upon the market and geographic scope of your Territory, and if you need to purchase or lease a vehicle for your Business.
- (5) Initial Supplies and Uniforms: You will be required to purchase Inter-State Studio branded shirts. The above estimate also assumes that you will need to purchase general office supplies.
- (6) Training Expenses: For standard and conversion franchisees, the above estimated range includes salary, benefits, lodging, meals and travel expenses for one person to attend our initial training program.
- (7) Licenses, Permits and Professional Fees: This estimate includes expenses related to legal and financial advisor fees, and local license and permit fees.
- (8) Insurance: These amounts estimate the expenses you will incur for insurance premiums during the first 3 months of operations.
- (9) Additional Funds: This amount estimates the expenses you will incur during the first 3 months of operations, including the cost to obtain any necessary components of the Computer System from designated suppliers.
- (10) Total: The estimates in the above chart are based upon our affiliates' experiences in operating Inter-State Studio businesses over the past 10 years. As further described in Item 10, if you meet our credit standards, we will finance the initial franchise fee(s) payable by you under the Franchise Agreement. We will not finance any other portions of your initial investment.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To ensure a uniform image and uniform quality of Products and Services throughout the System, you must maintain and comply with our quality standards.

#### Designated Products and Services

You must purchase for use or sale from your Business those products used in or sold from your Business and other services or products we designate from us, our designees or from other suppliers we approve. We (including our affiliates) or our designees may be the designated or sole source of supply for certain services and products. As of the issuance date of this disclosure document, we and our affiliates are the only supplier for certain photography equipment, computer equipment, software, privately labeled shirts and uniforms, printed pictures, yearbooks, paper products, and other Services and Products that you must use in connection with the Business.

## Office

You must have a quiet and organized office where you operate the Business. The office may be, and we expect it to be, a home office, and you may store any necessary Products, equipment, supplies, inventory, and other items that are necessary for the operation of the Business at your home office. If you wish to purchase or lease real estate for the operation of your Business, then you must locate a site for your Business that we consent to, and you may not sign a lease for the site until we have given our consent in writing. We accept office locations on a case by case basis, considering items such as size, appearance and other physical characteristics of the site, demographic characteristics, and other commercial characteristics, such as rental obligations and other lease terms.

## Equipment, Products, Signs & Vehicles

In operating your Business, you may purchase only the types of equipment, products, supplies, and signs that we require and have approved as meeting our then-current specifications and standards for quality, design, appearance, function and performance as set forth in our confidential Operations Manual (the "Operations Manual") or otherwise in writing. We or our affiliate may be an approved supplier of one or more of these items. We may require you to purchase certain equipment and products from us or our affiliate.

You also agree to maintain the condition and appearance of the vehicle(s) you and your employees use in operating the Business, and repair or replace the vehicle(s) as we may require. We assume that your employees will use their own vehicles in connection with providing the Services and Products to customers, however, if at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the vehicle(s) does not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency.

## Computer Hardware and Software

We currently require you to purchase certain computer hardware and software that we designate from our designated third-party supplier or other approved suppliers (if any). See Item 11 for further information.

## Insurance

You must purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. Currently, we require that you obtain and maintain the following minimum amounts and types of coverages: (a) comprehensive general liability insurance with limits not less than \$1,000,000 each occurrence and \$2,000,000 in the aggregate; (b) data security/cyber breach liability coverage with limits not less than \$2,000,000 each occurrence and in the aggregate; (c) commercial automobile liability insurance for all owned, hired, and non-owned vehicles used in connection with the Business with limits of not less than \$1,000,000 combined single limit for bodily injury and property damage; and (d) all minimum insurance requirements required by law in your Territory.

All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and having an A.M. Best rating of A or higher; (2) name us and our affiliates, and their respective officers, directors, managers and employees, as additional insured parties; (3) contain a waiver of the insurance company's right of subrogation against us; (4) contain the above-mentioned insurance coverage for each Business that you operate; and (5) provide that we will receive 30 days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may

require and as we may approve). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to provide satisfactory evidence of such coverage, we, at our option, may obtain insurance coverage for you, and in addition to having you reimburse us for the cost of the insurance that we obtain on your behalf, we may require you to pay us an administrative fee equal to 5% of the insurance premium. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, all premiums and other costs we incur in obtaining the insurance for you. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least 2 weeks before you take possession and commence development of the Business premises and at such other times as we may require.

#### Advertising and Promotional Approval

We will develop, and make available to you, marketing packets for prospective Accounts (each, a “Marketing Packet”) upon your request. Marketing Packets may include sample pictures, sample yearbooks, and promotional products, as we may determine in our discretion. The Marketing Fee that you must pay us entitles you to receive as many Marketing Packets as you may need for prospective Accounts throughout the term at no additional cost to you, and have customers whose email addresses that we obtain from you or an Account receive marketing emails from us.

In addition, to the extent you conduct any advertising for your Business, you must obtain our prior written consent before using any advertising and promotional materials in promoting the Business. See Item 11 for further information regarding advertising programs.

#### Supplier and Product Approval

We will provide you with lists of approved manufacturers, suppliers and distributors (the “Approved Suppliers List”) and approved products and services, other inventory items, equipment, signs, supplies and other items or services necessary to operate your Business (the “Approved Supplies List”). The Approved Suppliers List may specify the specific manufacturer of a specific product or piece of equipment, in which case you can purchase those products only from a source identified on the Approved Suppliers List. We, an affiliate of ours, or a third-party vendor or supplier periodically may be the only approved supplier or lessor for certain products or services. The lists specify the suppliers and the products and services that we have approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable. If you propose to use any product, material, equipment, sign or other item that we have not approved, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must provide us with sufficient information, specifications, samples photographs, drawings or other information to permit us to determine whether the product, service, material, equipment, or other item (or brand of such item) complies with our specifications, or the supplier meets our approved supplier criteria. We will notify you of our decision within a reasonable time following our receipt of all information requested, generally within 30 days. You must pay us \$100 plus our reasonable costs and expenses that we incur in connection with the inspection, evaluation, and testing. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier failing to continue to meet any of our criteria, and require you to cease using, offering, or selling such item or supplier immediately. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark use, and indemnification. We do not provide material benefits to you based on your use of designated or approved sources of supply.

We apply certain general criteria in approving a proposed supplier, including the supplier's quality and pricing of products, ability to provide products/services that meet our specifications, responsiveness, quickness to market with new items, financial stability, credit program for franchisees, freight costs, and the ability to provide support to the System (merchandising, field assistance, education and training respecting sales and use of products and services).

If you are a conversion franchisee and, upon your request at the time you sign the Franchise Agreement, we grant you the right to offer and sell Products from Alternative Suppliers, then you must sign Exhibit F to the Franchise Agreement.

We received a total of \$196,813.11 (or 17.9% of our total revenue of \$1,102,179.16) as a result of franchisee purchases or leases during the fiscal year ended December 31, 2024. Our affiliate, ISS Publishing, received a total of \$3,300,424.30 in revenue as a result of franchisee purchases or leases during the fiscal year ended December 31, 2024.

One or more of our officers have an interest in us and our affiliates, as well as our supplier, Convertible Solutions, LLC ("Convertible Solutions"), for certain paper products. Convertible Solutions is a subsidiary of ISS Publishing. No officer owns a material interest in any other supplier.

#### Miscellaneous

We may negotiate prices for numerous products for the benefit of the System, but not for any individual franchisee. If you receive a Transferred Account, then you may be required to honor certain previously agreed-upon terms with respect to an ISS Account, such as pricing and compensation, for a certain amount of time.

There is no purchasing or distribution cooperative in the System. We may, however, attempt to receive volume discounts for the System.

We and our affiliates may derive revenue directly or in the form of rebates or other payments from suppliers, based on purchases made by our franchisees. Currently, we collect management fees and marketing fees from products that are produced from approved alternative suppliers. We and our affiliates currently do not receive rebates or other payments from suppliers; however, we and our affiliates reserve the right to receive rebates or other payments in the future.

We estimate that your purchase of required products, equipment, software, marketing materials and other items meeting our specifications will account for approximately 10% to 100% of your total costs incurred in establishing your Business, and approximately 75% to 95% of your ongoing costs (but 100% of your printed pictures, yearbooks, and other Products costs) to operate the Business.

### **ITEM 9 FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and 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	Sections 2 and 6	Items 8 and 11
b. Pre-opening purchases/leases	Sections 6	Items 5, 7, 8 and 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
c. Site development and other pre-opening requirements	Sections 6 and 7	Item 11
d. Initial and ongoing training	Sections 7	Item 11
e. Opening	Sections 6 and 7	Items 11
f. Fees	Sections 3, 4, 6, 7, 11 and 14, and Exhibit F	Items 5, 6 and 7
g. Compliance with standards and policies/ Operations Manual	Sections 2, 5, 6, 8, 9, and 11, and Exhibit F	Items 8, 11 and 16
h. Trademarks and proprietary information	Sections 8, 9, and 12	Items 13 and 14
i. Restriction on products/services offered	Sections 2, 7 and 9, and Exhibit F	Items 8, 11 and 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	Section 2	Item 12
l. Ongoing product/service purchases	Sections 6 and 9	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 3 and 9	Item 8
n. Insurance	Section 9	Item 8
o. Advertising	Sections 5 and 9	Items 6, 8 and 11
p. Indemnification	Section 18	None
q. Owner's participation/management/ staffing	Section 9	Item 15
r. Records and reports	Section 10 and Exhibit F	Item 6
s. Inspections and audits	Section 11	Item 6
t. Transfer	Section 14	Items 6 and 17
u. Renewal	Section 3 and Exhibit E	Item 17
v. Post-termination obligations	Sections 13 and 17	Item 17
w. Non-competition covenants	Section 13 and Exhibit E	Item 17
x. Dispute resolution	Sections 19 and 20	Item 17
y. Personal Guaranty	Exhibit B	Item 15

## **ITEM 10 FINANCING**

If you meet our qualifications, including a credit check, we may make optional financing available to you.

In those situations, we may finance your Initial Franchise Fee(s) for up to 24 months, provided you sign the Promissory Note (the "Promissory Note") attached as Exhibit F at the time you sign the Franchise Agreement. The effective annual interest rate will be the lesser of 18 percent or the maximum rate permitted by law. The Promissory Note will be paid over a total of four equal payments, with 2 payments being made each calendar year (on May 15<sup>th</sup> and November 15<sup>th</sup>). There is no prepayment penalty and the rule of 78 does not apply (the rule of 78 is a method of computing interest which requires the interest originally calculated to still be paid even if prepaid). No security interest is required and no person other than you and, if you are an entity, those individuals who are required to sign the form Personal Guaranty attached to the Franchise Agreement, must sign the Promissory Note.

If you do not pay on time, we can call the loan and demand immediate payment of the full outstanding balance and obtain court costs and attorney's fees if a collection action is necessary. We also have the right to terminate your franchise agreement if you do not make your payments on time and do not cure your default within 10 days. The Promissory Note requires that you waive your rights to notice of a collection action and to assert defenses to collection against us. It is not our current practice to sell these notes to third parties, although we are not restricted from doing so in the future.

Other than as described above, we do not offer direct or indirect financing, do not guarantee your loans, lease or other obligations, and do not receive payments or other consideration for the placement of financing. We reserve the right to terminate our financing program at any time, offer different terms or assist franchisees in obtaining financing in the future.

## **ITEM 11**

### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

Pre-Opening Assistance. Before you open your Business, we will:

- (1) We will designate your Territory. (Franchise Agreement – Section 7(A) and Exhibit A).
- (2) Provide you with specifications for your Business, reflecting our requirements for photography equipment and computer software. (Franchise Agreement – Sections 6 and 9).
- (3) Provide the initial training program described below to your “Operating Principal,” (as defined in Item 15) (Franchise Agreement – Section 7(A)).
- (4) Provide you with access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7(D)).
- (5) Make available to you the Management Software (as defined below) that we have selected for the System as described further below (Franchise Agreement – Section 6(B)).
- (6) Provide you with lists of approved suppliers and approved products, equipment, or services, including the Products and Services, necessary to operate your Business (Franchise Agreement – Section 9(E)). If you purchase any photography or computer equipment from us, then we will ship those items to you, but we will not install them. We do not deliver or install any other items.

We are not required to provide you any assistance with conforming your Business to any ordinances or codes, or hiring any employees.

Ongoing Assistance. During the operation of your Business, we will:

- (1) Provide advisory services relating to Business operations, including Products and Services offered for sale, selecting, purchasing and marketing other approved materials and items, marketing assistance, and general administrative and operating procedures (Franchise Agreement – Section 7(D)).
- (2) We will provide certain accounting, collection and back office support services to your Business. (Franchise Agreement – Section 7(C)).
- (3) Periodically provide you with updated and revised materials for the Operations Manual (Franchise Agreement – Section 7(D)).
- (4) Provide marketing materials, such as Marketing Packets, for your prospective Accounts (Franchise Agreement – Section 5)

- (5) Provide such additional assistance and training that we deem appropriate (Franchise Agreement – Section 7(D)).
- (6) If you are a standard franchisee, then at our sole discretion, provide you with on-site assistance for up to 3 days at our discretion to assist you in the opening and initial operations of the Business (Franchise Agreement – Section 7(B)).
- (7) We reserve the right to establish a Minimum Attributable Price for certain Products that you may offer or sell to an Account solely for purposes of calculating the Management Fee that you must pay us in connection with those Products. Despite any Minimum Attributable Prices that we may establish, you are permitted to establish your own prices for all Products and Services. We may, but are not required to, assist you in establishing prices, such as setting minimum and/or maximum prices for which you may sell Products and Services, to the extent permitted by applicable laws.

We are not required to provide you any assistance with hiring of any employees.

#### Office Location

The Business may be, and we expect it to be, operated from a home office, and you may store any necessary Products, equipment, supplies, inventory, and other items that are necessary for the operation of the Business at your home office. In the event you wish to lease or acquire real estate for your Business, then you must obtain our prior written consent with respect to a proposed site before purchasing or signing a lease. If you are a conversion franchisee that already has a brick and mortar office, then your office must comply with our then-current standards and specifications. We do not provide any assistance in locating or evaluating a site for your Business.

#### Marketing and Advertising

Except for the Marketing Fee, you are not required to spend any amounts on marketing or local advertising. If you elect to conduct any other advertising or marketing for your Business, then all advertisements and marketing materials must comply with our then-current standards and specifications, and you may only use approved advertising and promotional materials in promoting the Business. If you desire to use any advertising or promotional materials in promoting the Business which we previously have not previously approved, you must submit all materials to us for our written approval before using any such materials, which approval will not be unreasonably withheld. If we do not approve those advertising or promotional materials within 10 days after you submit those materials to us, then they are considered to be disapproved and you may not use the materials.

You are not required to participate in any marketing fund, and we currently do not plan on establishing one.

You must participate in all advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of any gift cards, loyalty programs, coupons, and discounts that we have established or may establish and as we may modify.

We retain the sole right to market on the Internet, including all use of websites, domain names, URL's, linking, advertising, and co-branding arrangements. You may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Marks. We intend that any Inter-State Studio franchisee website be accessed only through our home page. We may require you to provide us content for our website and Internet marketing. We retain the right to approve any linking or other use of our website. Except as we may authorize in

writing, you also may not use any e-mail address which we have not authorized for use in operating the Business, or conduct any activity on “social media” or related social networking website.

You will not be required to join or participate in a local or regional advertising cooperative. As of the issuance date of this disclosure document, we do not have an advertising council composed of franchisees. We are also not required to spend any amount of advertising in your territory.

### Development Time

The typical length of time between our acceptance of the Franchise Agreement and the opening of your Business is expected to vary from 1 to 3 months. This period may be longer or shorter, depending on the time of year, availability of financing, how soon you can attend training or other factors. You must complete development and open your Business within 6 months following the date of the Franchise Agreement. If you fail to do so, we may terminate the Franchise Agreement.

### Training

Before you open your Business, your Operating Principal must attend our initial training program. Our initial training program is conducted in Sedalia, Missouri or another location we designate, and we may conduct any portion of it via teleconference, video conference, or through other remote/virtual means. We currently plan to offer the initial training program once or more each calendar quarter, or as we deem necessary. The instructional materials for all training programs include the Operations Manual, handouts and visual aids, and will include lecture, classroom discussion, hands-on demonstration and/or practice training at a designated facility. You are not required to complete the initial training program a certain number of days after signing the franchise agreement or a certain number of days before you commence operations, but you must successfully complete it before you open your Business.

The initial training program includes instruction relating to Business operations, photography training, understanding the equipment and product use, sales training, and general sales and marketing.

You may not open your Business unless the Operating Principal has successfully completed the requisite initial training program to our satisfaction. If we determine that the proposed Operating Principal is not qualified to manage the Business, we will allow you to select a substitute Operating Principal to complete the initial training program at an additional expense to you.

We recognize that standard and conversion franchisees joining our system will vary widely in the amount of previous experience they have in the school picture photography industry and photography skills. While no previous photography experience is required to operate an Inter-State Studio business, the amount of training required to achieve the operational benchmarks will vary by individual. We reserve the right to extend or reduce requirements based on the training outcomes achieved and prior experience.

If we do not require your Operating Principal to attend any portion of our initial training program, then we may require you to sign a form acknowledging your Operating Principal’s decision to waive attending Phase I, II, and/or III of initial training, as applicable.



**Phase I:** Your Operating Principal must attend and successfully complete the Phase I initial training program if you are a conversion or a standard franchisee.

### TRAINING PROGRAM – PHASE I

Subject	Classroom Training Hours	Hours of On-the-Job Training	Location
Photography Training	0-40	0	Sedalia, Missouri, or another location we designate.
Operations Training	24	0	Sedalia, Missouri, or another location we designate.
<b>Total</b>	<b>64</b>	<b>0</b>	

**Phase II:** The Operating Principal for a standard franchisee will be required to attend and successfully complete the following Phase II initial training program before opening its Business. Conversion franchisees are not required to attend the Phase II initial training provided that they can demonstrate to our satisfaction that they have sufficient experience in this industry and already possess the requisite knowledge in order to perform the Services and functions that are taught during Phase II. We will offer Phase II and III training at regular intervals throughout the year.

### TRAINING PROGRAM – PHASE II

Subject	Classroom Training Hours	Hours of On-the-Job Training	Location
Photography Training (Varies by Season)	24 – 40	0	Sedalia, Missouri, or another location we designate.
Sales Training	24	16	Sedalia, Missouri, or another location we designate.
<b>Total</b>	<b>48 – 64</b>	<b>16</b>	

**Phase III:** After the Business opens, the Operating Principal for a standard franchisee will also be required to attend and successfully complete 4 additional seasonal photography training sessions throughout the first year of operations. These subsequent photography training sessions will focus on the mechanics of different types of photography shoots that you must offer (undergraduate fall portraits, undergraduate spring portraits, classroom groups, sports and special events portraits, and senior portraits). You may not offer or sell any of the Services or Products that are taught during Phase III until your Operating Principal has successfully completed the Phase III training session for that type of Service or Product. Each of the 4 additional seasonal photography training sessions will consist of 24-40 hours of classroom training in Sedalia, Missouri or another location we designate. Conversion franchisees are not required to attend Phase III training provided that they can demonstrate to our satisfaction that they have sufficient experience in this industry and already possess the requisite knowledge in order to perform the Services and functions that are taught during Phase III. We will offer Phase III training at regular intervals throughout the year.

The entire initial training program is subject to change due to updates in materials, changes or additions to the services offered, introduction of new methods and techniques, manuals and personnel. The subjects and time periods allocated to the subjects actually taught to specific franchisees may vary, based on the experience of the persons being trained.

Our initial training program will primarily be conducted by our or our affiliate's representatives or designees, which currently includes Frank Lombardo, Gig Brzycki, and Kelli Luke, each of which are employees of our affiliate ISS Publishing.

Frank Lombardo, ISS Publishing National Photography Manager, will coordinate all photography training. He has been in the industry for over 25 years, and has been with ISS Publishing for 8 years.

Gig Brzycki, ISS Publishing Corporate Trainer/Facilitator, will coordinate the sales training. He has 27 years of school photography experience in the industry, and has been with ISS Publishing for over 27 years.

Kelli Luke, ISS Publishing National Onboarding Manager, will coordinate the operations training. She has over 32 years' experience in the industry, and she has been with ISS Publishing for 17 years.

In addition, all new or replacement Operating Principals must complete our designated initial training program, and we may charge you a reasonable fee for those new or additional individuals who attend the initial training program.

We may require that the Operating Principal attend all supplemental and refresher training programs that we designate. We may decide the time and place of training and may charge you a reasonable fee for these supplemental and refresher training programs, which is currently \$500 for the first day and \$250 for each additional day, plus our costs and expenses in connection with such training.

We periodically may hold or sponsor franchise conventions and meetings relating to new Services or Products, new operational procedures or programs, training, business management, sales and sales promotion, or any other topic we designate. These franchise conventions and meetings may be optional or mandatory, as we designate. Your Operating Principal must attend, at your expense, all mandatory franchise conventions and meetings we may hold. We reserve the right to charge you our then-current fee for any annual franchise convention or meeting that we sponsor or designate, regardless of your attendance.

We do not charge a fee for your initial Operating Principal to attend Phase I, II or III of the initial training program, regardless if you are a standard or conversion franchisee. You are, however, solely responsible for the compensation, travel, lodging and living expenses your Operating Principal and your employees incur in attending the initial training program, supplemental or refresher training programs, and any franchise conventions or meetings. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for you and your employees, while you and your employees attend training or any franchise conventions or meetings.

#### Computer System.

You must purchase (or lease), use, maintain and update computer and other systems and software programs, a smart phone, and a printer, which meet our specifications as they evolve over time and which, in some cases, may only be available from designated suppliers (the "Computer System"). The Computer System also includes the management and reporting system, including all existing or future communication or data storage systems, applications, and components thereof and associated services, which we have developed or selected for the System (the "Management Software"). The required Computer System can access the internet and has the capabilities to receive a high-speed internet connection. The Computer System will also be used to report and communicate with us for your accounting and record keeping and for other uses as we designate. You must maintain your Computer System's network and you must promptly update and otherwise change your computer hardware and software systems as we require, at your expense. You must pay all amounts charged by any supplier or licensor of the systems and programs used

by you, including charges for use, maintenance, support and/or update of these systems or programs. We will have direct access to the data regarding the Business.

You must pay us our then-current Technology Fee, which we may use for developing, researching, operating, maintaining, implementing, modifying, and/or upgrading any technology used in connection with the System as we deem appropriate in our sole discretion. Additionally, the Technology Fee currently provides access to Google Suite. Your right to use our Management Software is currently included in the Technology Fee.

As of the issuance date of this disclosure document, the required Computer System includes: a laptop computer, smartphone, our proprietary Management Software and certain other software programs provided by third-parties. We estimate that the initial cost for the Computer System will range from \$500 to \$3,000.

We also may independently access financial information and customer data (“Customer Data”) produced by or otherwise located on your Computer System. There are no contractual limitations on our right to access the information and data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You cannot use the Customer Data for any purpose other than the operation of the Business consistent with our standards of use. We will periodically establish policies respecting the Business Customer Data.

You may be required to obtain ongoing maintenance and repairs respecting the Computer System, as well as upgrades or updates respecting the Management Software. We estimate the cost of optional or required maintenance, updates and upgrades will be \$100 to \$500 per year. There are no contractual limitations on the frequency and cost of additional maintenance or repair. You must incorporate these upgrades and updates to the Computer System. We, our affiliates, and third-party suppliers are not currently required to provide any ongoing maintenance, repairs, upgrades or updates to you.

#### Operations Manual.

The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically. The Operations Manual may be in printed or in an electronic format in our discretion. We reserve the right to require you to use an electronic version of the Operations Manual and to require you to access the document using the Internet or an intranet created and supported by us. The Operations Manual currently contains 1929 pages. The Table of Contents for the Operations Manual is attached to this disclosure document as Exhibit J.

## **ITEM 12 TERRITORY**

You will be granted a Territory in which to operate the Business under the Franchise Agreement. Your Territory will generally consist of a student enrollment population containing approximately 30,000 to 50,000 enrolled students (the “Enrollment Population”) at the time of signing your Franchise Agreement, but it may also be based on other demographics and characteristics, including number of schools, proximity of schools, home values or average income, proximity to other Inter-State Studio franchisees or company-owned businesses, and other characteristics of the surrounding area, and the amount and size of urban, suburban and rural areas. Except as provided below, you will maintain rights to your Territory even though the Enrollment Population in your Territory may increase or decrease. We have the exclusive right to determine the boundaries of your Territory in our sole discretion.

You will not receive an exclusive territory. You may face competition from other franchisees, from businesses that we own or from other channels of distribution or competitive brands that we control.

You may be granted, in our sole discretion, express written permission to sell Services or Products to Accounts in an unsold territory adjacent to your Territory (the “Adjacent Territory”). If the Adjacent Territory is subsequently granted to another franchisee, you will be permitted to continue offering and selling Services and Products to your existing Accounts in the Adjacent Territory with our prior written consent.

As a result, an existing Inter-State Studio business may have an existing Account in your Territory at the time you sign the Franchise Agreement (a “Pre-Existing Account”), and therefore: (a) the existing Inter-State Studio business may be permitted to continue soliciting, offering and selling to the Pre-Existing Account(s) in your Territory without compensation to you; and (b) you will not be permitted to solicit, offer, or sell to the Pre-Existing Accounts within your Territory without our prior written consent.

Additionally, if you are a conversion franchisee and, immediately before converting, your business has an existing Account in an existing Inter-State Studio company-owned or franchisee’s territory (the “Occupied Territory”), then subject to certain conditions we specify you will be permitted to continue soliciting, offering and selling Services and Products to those same existing accounts in the Occupied Territory as an Inter-State Studio franchisee (each, a “Conversion Account”), but you may not solicit, offer, or sell to any other prospective Accounts in the Occupied Territory. As a result, a business that becomes a conversion franchisee after you sign the Franchise Agreement will be permitted to continue soliciting, offering and selling to Conversion Accounts in your Territory without compensation to you. You also will not be permitted to solicit, offer, or sell to Conversion Accounts within your Territory without our prior written consent.

If we or another Inter-State Studio business refers a prospective Account to you that is located within your Territory, then within 5 business days of you receiving the referral, you must notify us in writing whether or not you are able and willing to solicit, offer, sell, and perform the Services and Products to that Account. If you notify us that you are unable or unwilling to solicit, offer, sell, and perform the Services and Products to that Account, or if you fail to notify us within those 5 business days whether or not you accept or reject the referred Account, then we, our affiliates, or any other Inter-State Studio franchisee that we designate may solicit, offer, sell and perform the Services and Products to that prospective Account in your Territory with no obligation to compensate you.

We may adopt and implement a territory infringement policy (“Territory Infringement Policy”), which may include provisions for financial penalties in addition to, or in lieu of, termination of this Agreement following a violation of the Territorial Infringement Policy. The Territory Infringement Policy will become part of the System standards, and we expect that all franchisees under the System will abide by this policy. Such financial penalties may include, among other things: (a) your obligation to repay to the local franchisee or operator the gross profit generated by you outside of your Territory, and in our affiliate’s or another franchisee territory; (b) we may deduct from your periodic distributions an amount equal to the Gross Revenue generated from the provision of services outside of your Territory; and/or (c) you pay us a policy infringement fee, which is currently \$1,000 per violation.

Except as otherwise described in this Item 12, we or our affiliate will not operate, or grant franchises for, an Inter-State Studio business within your Territory, unless you do not achieve the Minimum Annual Attendance Quota as set forth below. A “School Year” is measured from July 1<sup>st</sup> to June 30<sup>th</sup> of every year. At the end of your first partial School Year (which is the period starting as of the effective date of your Franchise Agreement through the first June 30<sup>th</sup>), we will calculate the average daily student attendance among your Accounts within your Territory (the “Annual Attendance”). If your Commencement Date is

July 1<sup>st</sup>, then we will calculate your baseline Annual Attendance on June 30<sup>th</sup> of the following year (i.e. at the end of your first School Year). During your first full School Year and each School Year thereafter, you must attain the following increase in the Annual Attendance from the prior partial or full School Year (the “Minimum Annual Attendance Quota”):

<b>Calendar Year</b>	<b>Minimum Annual Attendance Quota</b>
First Full School Year	15% increase
Second Full School Year	10% increase
Third Full School Year and each Full School Year after that	5% increase

The failure to achieve these Minimum Annual Attendance Quotas is a material breach of the Franchise Agreement. If you fail to meet your Minimum Annual Attendance Quota, then we have the right to grant additional franchises within the Territory and/or reduce the size of your Territory.

We reserve the right to modify your Territory at the time you execute a renewal Franchise Agreement to conform the size of your Territory to our then-current standards for protected territories that are being granted to new franchisees, for example, if there has been an increase or decrease in the Enrollment Population or number of qualified schools within your original Territory, or if we use different standards or calculations in determining the size of territories.

Among other rights, we (for ourselves and our affiliates) reserve the following rights, without compensation to you:

1. To own, franchise, or operate Inter-State Studio businesses outside of the Territory, regardless of the proximity to your Business or Territory;
2. To offer and sell Products and Services to, and permit franchises the right to offer and sell Products and Services to, Pre-Existing Accounts and/or Conversion Accounts within and outside of your Territory;
3. To use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution (including channels of distribution such as the Internet, television, mail order, or catalog sales) within or outside of the Territory;
4. To use and license the use of other proprietary and non-proprietary marks or methods, if the marks or methods are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution, at any area including within the Territory, which may be the same as, similar to or different from the Business operated by you;
5. To purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Business, wherever located;
6. To acquire and convert to the System operated by us any businesses offering services similar to the Business including those businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located or operating inside or outside of the Territory;

7. To directly or indirectly offer and sell Services and Products to National Accounts (as defined below) located inside or outside the Territory as described further below; and

8. All other rights not granted to you under the Franchise Agreement.

We may establish a “National Accounts Program” that is designed to generate customer leads as a result of national marketing, strategic alliances and partnerships, or other lead generation efforts we or our affiliates conduct or that otherwise involves National Accounts. The term “National Account” means those customers or accounts we designate, in our sole and absolute discretion, as desiring central billing accounts, or that have 2 or more locations, and such locations are located in more than one franchised or company-owned territory or market. We may permit you to participate in the National Accounts Program and service National Accounts in your Protected Territory under the terms of the National Accounts Program as described in the Operations Manual or as we otherwise describe in writing. You understand that: (1) we will establish the rules under which you may participate, (2) we retain the absolute discretion in determining whether you may participate in the National Accounts Program; and (3) we may terminate, modify, or replace the National Accounts Program at any time. You must pay our then-current fees for participation in the National Accounts Program.

We recommend that you concentrate all marketing and other solicitation of Accounts and customers inside your Territory for your Business. You may not use alternative channels of distribution (such as the Internet, catalog sales, telemarketing, or other direct marketing) to make sales outside of your Territory.

You may not relocate your Territory or establish additional Inter-State Studio businesses without our prior written consent, which we may withhold in our sole discretion. Such requests are evaluated on a case-by-case basis, including consideration of whether you are currently in compliance with your Franchise Agreement, territory availability, and other fact-specific considerations.

We do not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory. You will not have the right to subfranchise or sublicense any of your rights under the Franchise Agreement.

Our affiliate ISS Publishing may sell certain Products that are authorized for sale at an Inter-State Studio business, such as including printed pictures and yearbooks, to businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, within and outside of your Territory. Except as disclosed, neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the Products and Services authorized for sale at an Inter-State Studio business under any other trademark or service mark.

### **ITEM 13 TRADEMARKS**

The Franchise Agreement grants you the nonexclusive right to use the trademark “Inter-State Studio” and other trademarks, service marks, and logos (the “Marks”). Our affiliate, ISS Publishing, owns the following service marks registered on the Principal Register with the United States Patent and Trademark Office (“USPTO”) and it intends to file all required affidavits and renewals:

<b>Principal Trademarks</b>	<b>Registration No.</b>	<b>Registration Date</b>
INTER-STATE	1017707	Aug. 05, 1975
INTER-STATE STUDIO	1981242	June 18, 1996
INTER-STATE STUDIO (and Design)	5321836	Oct. 31, 2017

Our right to use and license others to use the Marks is exercised under a trademark license agreement (the “TM Agreement”) with ISS Publishing dated September 11, 2020. Under the TM Agreement, we are granted the right to use and to permit others to use the Marks. The TM Agreement has a 20-year term, with automatic 1-year renewal terms. If we were ever to lose our right to the Marks, ISS Publishing is required under the TM Agreement to allow our franchisees to maintain their rights to use the Marks in accordance with their franchise agreements. Also, the franchise agreements will be assigned to ISS Publishing. Other than the TM Agreement, there are no agreements in effect which significantly limit our rights to use or license the Marks in any state in a manner material to Inter-State Studio franchises.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website without our prior written approval.

There are currently no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name or trademark of which you become aware. You must not communicate with any person other than us, our affiliates and our respective legal counsel regarding any infringement, challenge or claim. We or our affiliates may take any action we deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement, provided you have notified us immediately upon your becoming aware of such infringement, you comply with our directions in responding to the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Operations Manual, and other directives from us. At our option, we may defend or control the defense of any proceeding arising from your use of any Mark under this Agreement.

You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after we notify you.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents or copyrights currently registered that are material to the franchise. No patents are material to us at this time and we do not have any pending patent applications that are material to the franchise.

We do claim copyright ownership and protection for the Operations Manual as well as our marketing copy and design, written training materials, the content and design of our website, computer software programs, and for certain other written materials we provide to assist you in operating your Business. Although we have not filed an application for copyright registration, we and our affiliates claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information in connection with your operation of your Business, but these copyrights remain our or our affiliates' sole property.

We own certain proprietary or confidential information relating to the operation of Inter-State Studio businesses, including information in the Operations Manual and the Management Software (the "Confidential Information"). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost.

#### **ITEM 15**

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

You must designate an individual we approve and who successfully completes our required training to be the operating principal (the "Operating Principal"). The Operating Principal must be an "Owner" (as defined below). The Operating Principal is responsible for day-to-day Business operations. The Operating Principal assumes his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility or time commitments, or that otherwise may conflict with his/her obligations as an Inter-State Studio franchisee. In addition, at all times, the Business must be under the direct, on-site supervision of the Operating Principal approved by us. If you are an individual, we anticipate that you will be the Operating Principal.

You must own and operate the Business through an entity, and not in your individual capacity. Each individual who owns any legal ownership interest in the franchisee entity is considered an "Owner" and must sign the Personal Guaranty attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17. We may, at our option, require the spouse of any Owner to sign the Personal Guaranty too.

If at any time the Operating Principal does not manage the Business, we immediately may appoint a manager to manage the Business for you and charge you a reasonable fee for these management services.

We, as a matter of policy, will not assist you in any decision-making process that may affect the operations of your Business. The success or failure of the franchise as a business enterprise is dependent on your efforts. The licensing of this franchise should not be considered by anyone who is unfamiliar with standard business practices or is unwilling to accept the responsibilities associated with running a small business.



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

You must offer and sell in your Business, and only offer and sell, those Products and Services that we have approved. You are prohibited from offering or selling products and services not authorized by us. You must at all times maintain an inventory of approved equipment and other items in such quantities and variety that we direct. We may add new Products or Services that you must offer at or use in your Business. Our right to modify the Products and Services to be offered at a Business is not limited.

**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.**

<b>Provision</b>	<b>Section in Franchise Agreement or Other Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 3	5 years from the date you commence operations.
b. Renewal or extension of the term	Section 3	If you are in good standing, you can renew the Franchise Agreement for up to 2 additional 5-year terms.
c. Requirements for you to renew or extend	Section 3	Provide advance notice, comply with current franchise agreement, an Owner and your Operating Principal satisfactorily completes any new/refresher training programs, sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), and sign a general release of claims.
d. Termination by you	Not Applicable	Not applicable.  Franchisees may terminate the Franchise Agreement under any grounds permitted by law.
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 15	We may terminate the Franchise Agreement only if you default.
g. "Cause" defined – curable defaults	Sections 15(B) and (C)	Failure to conform to the material requirements of the System or the material standards of uniformity and quality for the Services and Products as described in the Operations Manual or as we have established under the System; failure to timely pay any obligations or liabilities due and owing to us or our affiliates; violation of any material provision or obligation of the Franchise Agreement; violation of any federal, state or local government law or regulation, and other breaches.  The cure period is generally 30 days, except you have only 10 days to cure a failure to pay amounts due, and you have 15 days after notification of non-compliance by federal, state or local government authorities.
h. "Cause" defined – non-curable defaults	Sections 15(A) and (B)	Bankruptcy; unauthorized transfer; failure to complete initial training; material misrepresentation or omission on franchise application; abandonment; being involved in an act that impairs the Marks; violating restrictive covenants; unauthorized offer or sale of products; insufficient funds on multiple occasions; a threat or danger to the public results from the Business, if you breach the Agreement three or more times in any 12-month period; violating territory policies; violating "no touch" policy; and other violations.

<b>Provision</b>	<b>Section in Franchise Agreement or Other Agreement</b>	<b>Summary</b>
i. Your obligations on termination/nonrenewal	Sections 17 and 13; Exhibit E	Cease operation of the Business and use of Marks, pay all amounts due us, stop using and return Operations Manual and other materials, assign to us the Business telephone number and telephone listing or (at our option) disconnect the telephone number, remove all signs and other materials containing any Marks, cancel all fictitious or assumed name filings, cease using Confidential Information, and agree not to divert Business customers to any competing business for 18 months (also see paragraphs o and r below).
j. Assignment of contract by us	Section 14(A)	Assignee must fulfill our obligations under the Franchise Agreement.
k. "Transfer" by you-defined	Section 14(B)	Includes transfer of Business or its assets, or your interest in the Franchise Agreement or any ownership change.
l. Our approval of transfer by franchisee	Sections 14(B) and (C)	We have the right to approve all transfers, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 14(B)	New franchisee qualifies and completes training, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Franchise Agreement or (at our option) signs then-current agreement, pay transfer fee, assign lease (if applicable), and you and your Owners comply with all non-compete provisions and sign a general release.
n. Our right of first refusal to acquire your business	Section 14(E)	We can match any offer for your Business.
o. Our option to purchase your business	Not Applicable	
p. Your death or disability	Section 14(C)	Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months.
q. Non-competition covenants during the term of the franchise	Section 13(B), (C) and (E)	No involvement in any business that offers or sells school pictures, sports and recreation league pictures, portraits, and other services related products and accessories, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to an Inter-State Studio business. (subject to state law)
r. Non-competition covenants after the franchise is terminated or expires	Sections 13(D) and (E); Exhibit E	No involvement in any business that offers or sells school pictures, sports and recreation league pictures, portraits, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to an Inter-State Studio business in the former Territory of the Business, or within a 25-mile radius of the former Territory of the Business or any other then-existing Inter-State Studio business, for a period of 18 months following the termination or expiration of the Franchise Agreement. (subject to state law)
s. Modification of the agreement	Section 20(F)	No modifications generally, except in writing. We may modify Operations Manual, Marks, System and goods/services to be offered to your Business.
t. Integration/merger clause	Section 20(N)	Only the terms of the Franchise Agreement (including exhibits) are binding (subject to federal and state law). Any other promises may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 19	Except for actions we bring for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes first will be subject to non-binding mediation in the county where our headquarters is located, then (if not resolved) to binding arbitration in the county where our headquarters is located (subject to applicable law).

<b>Provision</b>	<b>Section in Franchise Agreement or Other Agreement</b>	<b>Summary</b>
v. Choice of forum	Section 20(D)	Litigation (to the extent permitted) must be in state or federal court in the in the county where our headquarters is located at the time the suit is commenced (subject to applicable law). We also have the right to file suit where the Business is located (subject to applicable law).
w. Choice of law	Section 20(E)	Missouri law applies (subject to state law).

## ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

Presented below are the historic gross revenue figures and lab fees for the eighteen Inter-State Studios franchised businesses that were open and operating as of December 31, 2024, and had experienced at least one full fall/winter school picture season (the “Franchised Businesses”). Five of the eighteen Franchised Businesses began operations in 2024

Please carefully read all of the information in this Item 19, and all of the notes following the charts, in conjunction with your review of the historical data.

### Gross Revenue and Lab Fees by Franchised Business in the 2024 Calendar Year

<b>Franchised Business</b>	<b>Number of Accounts</b>	<b>Gross Revenue</b>	<b>Lab Fees</b>
1	130	\$1,204,446.63	\$343,167.94
2	46	\$492,261.25	\$136,488.05
3	58	\$372,306.36	\$159,093.87
4	90	\$1,274,254.42	\$423,637.31
5	186	\$1,289,453.66	\$419,669.65
6	58	\$471,121.07	\$167,643.89
7	163	\$1,249,048.93	\$414,954.71
8	39	\$306,591.20	\$86,330.48
9	30	\$209,995.39	\$81,711.43
10	58	\$380,716.10	\$100,556.51
11	34	\$253,689.97	\$109,358.76

Franchised Business	Number of Accounts	Gross Revenue	Lab Fees
12	77	\$201,510.36	\$201,510.36
13	25	\$58,107.22	\$58,107.22
14*	101	\$274,201.10	\$274,201.10
15*	37	\$126,305.94	\$126,305.94
16*	10	\$5,151.68	\$5,151.68
17*	37	\$87,787.88	\$87,787.88
18*	60	\$179,378.85	\$179,378.85

\* Franchised Businesses that were open and operating less than twelve months. However, one of these outlets was a corporate outlet that had been in operation for several years, but was sold to a franchisee in 2024. As a result, that outlet has been operating as a franchised business for less than twelve months, but had been in existence for longer.

Notes to Chart:

**Some outlets have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.**

“Gross Revenue” means the aggregate amount of all sales of all Services and Products, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Franchised Business, including any Products that customers under an Account purchase from us or our affiliate, less the cost of any commissions that the franchisee paid to an Account. The term “Gross Revenue” also does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by a franchised business; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales.

“Account” means a school or other local organization in which the franchisee has the right to be the photographer and publisher for picture day and to provide other services to.

“Lab Fees” means all costs and expenses that the franchisee paid our affiliates in connection with printing pictures during the respective period.

You should conduct an independent investigation of the costs and expenses you will incur in operating your Business.

The financial information we used in preparing the preceding financial performance representations was based entirely upon unaudited information reported to us by each Franchised Business.

Written substantiation of all financial performance information presented in this financial performance representation will be made available to you in our main office upon reasonable request.

Other than the preceding financial performance representations, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by

contacting Chad Schnyder, 3500 Snyder Ave, Sedalia, MO 65301, 207-751-0557, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NUMBER 1**  
**Systemwide Outlet Summary**  
**For Years 2022-2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	8	10	+2
	2023	10	13	+3
	2024	13	18	+5
Company-Owned	2022	33	29	-4
	2023	29	27	-2
	2024	27	26	-1
<b>TOTAL</b>	<b>2022</b>	<b>41</b>	<b>39</b>	<b>-2</b>
	<b>2023</b>	<b>39</b>	<b>40</b>	<b>+1</b>
	<b>2024</b>	<b>40</b>	<b>44</b>	<b>+4</b>

**TABLE NUMBER 2**  
**Transfers of Outlets From Franchisee to New Owners (Other than the Franchisor)**  
**For Years 2022-2024**

State	Year	Number of Transfers
Arizona	2022	0
	2023	1
	2024	0
<b>TOTAL</b>	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>1</b>
	<b>2024</b>	<b>0</b>

**TABLE NUMBER 3**  
**Status of Franchised Outlets**  
**For Years 2022-2024**

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Arizona	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Arkansas	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
California	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Colorado	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Georgia	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Illinois	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Kansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Maine	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Massachusetts	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Michigan	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3
Minnesota	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Montana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New York	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Pennsylvania	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
	2024	0	1	0	0	0	0	1
South Dakota	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Utah	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
<b>TOTAL</b>	<b>2022</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>10</b>
	<b>2023</b>	<b>10</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>
	<b>2024</b>	<b>13</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>

**TABLE NUMBER 4**  
**Status of Company-Owned Outlets**  
**For Years 2022-2024**

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Arizona	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Iowa	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Illinois	2022	4	0	0	0	0	4
	2023	4	0	0	1	0	3
	2024	3	0	0	0	0	3
Indiana	2022	6	0	0	0	0	6
	2023	6	0	0	0	0	6
	2024	6	0	0	0	0	6
Kansas	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Michigan	2022	2	0	0	0	0	2
	2023	2	0	0	0	1	1
	2024	1	0	0	0	0	1
Minnesota	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Missouri	2022	6	0	0	1	0	5
	2023	5	0	0	0	0	5
	2024	5	0	0	0	0	5
Nebraska	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
New York	2022	1	0	0	1	0	0
	2023	0	1	0	0	0	1
	2024	1	0	0	0	0	1
Ohio	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Pennsylvania	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
South Dakota	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0
Tennessee	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Texas	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Utah	2022	1	0	0	0	0	1
	2023	1	0	0	0	1	0
	2024	0	0	0	0	0	0
Wisconsin	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
<b>TOTAL</b>	<b>2022</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>29</b>
	<b>2023</b>	<b>29</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>27</b>
	<b>2024</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>26</b>

**TABLE NUMBER 5**  
**Projected Openings**  
**As of December 31, 2024**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Missouri	0	0	0
Pennsylvania	0	0	0
South Dakota	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

Attached as Exhibit H is a list of all Inter-State Studio franchisees as of December 31, 2024. We have not had a franchisee who has had an Inter-State Studio franchise terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement nor transferred an Inter-State Studio franchise. In addition, no franchisee has failed to communicate with us within the 10-week period before the issuance date of the disclosure document.



We have not had any franchisees sign confidentiality clauses with us during the last three fiscal years.

If you buy an Inter-State Studio franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark-specific franchisee organizations associated with the franchise system that are required to be disclosed in this Disclosure Document.

## **ITEM 21 FINANCIAL STATEMENTS**

Attached as Exhibit A are our audited financial statements for the fiscal year ended December 31, 2024, December 31, 2023, and December 31, 2022.

## **ITEM 22 CONTRACTS**

The Franchise Agreement (including the Personal Guaranty, Conversion Addendum, and Alternative Supplier Addendum) is attached as Exhibit B. The State Addenda are attached as Exhibit D. The General Release Form is attached as Exhibit E. The Transferred Account Purchase Agreement is attached as Exhibit G. The Disclosure Acknowledgment Agreement is attached as Exhibit I.

## **ITEM 23 RECEIPTS**

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (Exhibit L). You should keep one copy as your file copy and return the second copy to us.


**EXHIBIT A**  
**FINANCIAL STATEMENTS**



# **Inter-State Studio Franchise, LLC**

## **Independent Auditor's Report and Financial Statements**

December 31, 2024 and 2023



Contents

Independent Auditor's Report..... 1

Financial Statements

    Balance Sheets ..... 3

    Statements of Operations..... 4

    Statements of Members' Equity (Deficit)..... 5

    Statements of Cash Flows ..... 6

    Notes to Financial Statements ..... 7

## **Independent Auditor's Report**

Members  
Inter-State Studio Franchise, LLC  
Sedalia, Missouri

### ***Opinion***

We have audited the financial statements of Inter-State Studio Franchise, LLC (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 (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 the Company 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 Company's ability to continue as a going concern within one year after the date that these 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 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 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 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 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.

**Forvis Mazars, LLP**

**Kansas City, Missouri  
February 27, 2025**

**Inter-State Studio Franchise, LLC**  
**Balance Sheets**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 24,691	\$ 90,032
Notes receivable	<u>124,341</u>	<u>83,832</u>
Total current assets	<u>149,032</u>	<u>173,864</u>
Accounts receivable - related parties	146,734	-
Notes receivable, net of allowance	<u>46,635</u>	<u>36,733</u>
Total assets	<u><u>\$ 342,401</u></u>	<u><u>\$ 210,597</u></u>
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable - related parties	\$ -	\$ 49,617
Deferred revenue	63,579	64,894
Accrued liability	<u>103,024</u>	<u>-</u>
Total current liabilities	166,603	114,511
<b>Other Liabilities</b>		
Deferred revenue	<u>85,257</u>	<u>128,703</u>
Total liabilities	251,860	243,214
<b>Members' Equity (Deficit)</b>	<u>90,541</u>	<u>(32,617)</u>
Total liabilities and members' equity (deficit)	<u><u>\$ 342,401</u></u>	<u><u>\$ 210,597</u></u>

**Inter-State Studio Franchise, LLC**  
**Statements of Operations**  
**Years Ended December 31, 2024 and 2023**

	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>Net Sales</b>	\$ 1,102,181	\$ 697,136
<b>Costs of Sales</b>	<u>216,436</u>	<u>91,611</u>
<b>Gross Profit</b>	885,745	605,525
<b>Operating Expenses</b>		
General and administrative	<u>677,385</u>	<u>620,384</u>
<b>Operating Income (Loss)</b>	208,360	(14,859)
<b>Other Income</b>		
Interest income	<u>17,822</u>	<u>10,301</u>
<b>Net Income (Loss)</b>	<u><u>\$ 226,182</u></u>	<u><u>\$ (4,558)</u></u>



**Inter-State Studio Franchise, LLC**  
**Statements of Members' Equity (Deficit)**  
**Years Ended December 31, 2024 and 2023**

	<b><u>Members'</u></b> <b><u>Equity (Deficit)</u></b>
<b>Balance, January 1, 2023</b>	\$ (28,059)
Net loss	<u>(4,558)</u>
<b>Balance, December 31, 2023</b>	(32,617)
Repurchase of member interest	(103,024)
Net income	<u>226,182</u>
<b>Balance, December 31, 2024</b>	<u><u>\$ 90,541</u></u>

**Inter-State Studio Franchise, LLC**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Net income (loss)	\$ 226,182	\$ (4,558)
Changes in		
Notes receivable	-	(1,961)
Related party accounts receivable and payable	(196,351)	(1,954)
Deferred revenue	(44,761)	35,257
Accrued liabilities	<u>103,024</u>	<u>-</u>
Net cash provided by operating activities	<u>88,094</u>	<u>26,784</u>
<b>Investing Activities</b>		
Issuance of notes receivable	(178,921)	(106,615)
Payments of notes receivable	<u>128,510</u>	<u>117,930</u>
Net cash provided by (used in) investing activities	<u>(50,411)</u>	<u>11,315</u>
<b>Financing Activities</b>		
Repurchase of member interest	<u>(103,024)</u>	<u>-</u>
Net cash used in financing activities	<u>(103,024)</u>	<u>-</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(65,341)	38,099
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>90,032</u>	<u>51,933</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 24,691</u></u>	<u><u>\$ 90,032</u></u>

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

Inter-State Studio Franchise, LLC (the Company) was formed September 11, 2020, with operations commencing on October 7, 2020. The Company was established to operate as a franchisor of the Inter-State Studio & Publishing Co. trademarks and business model. The potential franchisees offer a variety of services including school portraits, yearbook publishing and commercial printing throughout the United States of America.

The Company began executing franchise agreements with franchisees in 2021. General and administrative expenses consist primarily of administrative support, marketing costs and professional fees.

### ***Use of Estimates***

The preparation of 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.

### ***Cash Equivalents***

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted primarily of operating checking accounts.

### ***Notes Receivable***

Notes receivable are stated at the outstanding principal amount, net of allowance for credit loss on notes. The Company provides an allowance for credit loss on notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor has missed their standard scheduled payments and is only placed on nonaccrual status when the debtor can no longer demonstrate an ability to satisfy payment. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

At December 31, 2024 and 2023, management believes that all notes receivable are fully collectible.

### ***Deferred Revenue***

Revenue from fees for initial franchise fees from customers is deferred and recognized over the periods to which the fees relate.

### ***Revenue Recognition***

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. See *Note 3* for additional information about the Company's revenue.

### ***Income Taxes***

The Company is not directly subject to income taxes under the provisions of the Internal Revenue Code and applicable state laws. Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns and no provision for federal and state income taxes has been included in the accompanying financial statements.

### ***Subsequent Events***

Subsequent events have been evaluated through February 27, 2025, which is the date the financial statements were available to be issued.

## **Note 2. Related Party Transactions**

The Company has entered into a trademark licensing agreement with Inter-State Studio & Publishing Co. ("Publishing"), a related party. The agreement grants a royalty-free license to use and sublicense the trademarks of Inter-State Studio & Publishing Co. The Company is also charged a monthly fee for its use of administrative support, services and technology by Inter-State Studio & Publishing Co. Related party fees incurred for administrative services, marketing and professional fees which are classified as operating expenses on the statements of operations for the years ended December 31, 2024 and 2023, totaled \$675,717 and \$619,560, respectively. Costs of goods sold amounts incurred with the related party for the years ended December 31, 2024 and 2023 totaled \$216,436 and \$91,611, respectively.

Individual franchisees are both a customer of Publishing and the Company. For certain transactions, the franchisee may remit payment for services owed to both entities directly to Publishing, which results in a receivable owed to the Company.

At December 31, 2024 and 2023, the Company has recorded accounts receivable of \$146,734, and accounts payable of \$49,617, respectively, due from and to Inter-State Studio & Publishing Co.

On December 31, 2024, the Company entered into a membership interest purchase agreement where an equity members' interest was repurchased for a purchase price of \$103,024. The Company paid the purchase price in cash in January 2025, therefore the purchase price payable is included as an accrued liability at December 31, 2024.

## **Note 3. Revenue from Contracts with Customers**

### ***Performance Obligations***

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring distinct goods or providing services to customers. The Company's revenue consists substantially of franchise fees, royalty fees and equipment sales, and is reported net of sales discounts, rebates, incentives, returns and other allowances offered to customers.

The Company recognizes franchise fees for the sales of individual territories on a straight-line basis over the initial contract term when the obligations of the Company are substantially complete, not to exceed the estimated amount of cash to be received. Royalties and advertising fees are recognized as franchise territories generate sales. Equipment sales are recognized at the point in time when the title of the assets transfer to the customer.

**Inter-State Studio Franchise, LLC**  
**Notes to Financial Statements**  
**December 31, 2024 and 2023**

---

***Disaggregation of Revenue***

The following table presents the Company's revenues disaggregated by the timing of such revenue recognized during the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Timing of revenue and recognition		
At a point in time	\$ 196,813	\$ 65,493
Over a period of time	<u>905,368</u>	<u>631,643</u>
	<u>\$ 1,102,181</u>	<u>\$ 697,136</u>

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the geographic territories where services reside.

***Contract Balances***

The following table provides information about the Company's contract liabilities from contracts with customers:

	<u>2024</u>	<u>2023</u>
Contract liabilities, beginning of year	\$ 193,597	\$ 158,340
Contract liabilities, end of year	148,836	193,597

***Significant Judgments***

For contracts where control is transferred over time, the Company recognizes revenue over time as progress is made toward satisfying the performance obligations of each contract. The Company measures a contract's progress on a straight-line basis over the term of its franchise agreements.

In respect of contracts for which the transaction price includes amounts contingent on future events, the Company estimates the amount to be included in the transaction price based on its experience with such contracts and only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is eventually resolved.

***Accounting Policies and Practical Expedients Elected***

For incremental costs of obtaining a contract, the Company elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year. This election had an immaterial effect on the Company's financial statements.

The Company has elected to use the practical expedient provided in ASC 952-606 that allows a private-company franchisor that has entered into a franchise agreement to treat certain pre-opening services provided to a franchisee as distinct from the franchise license. The Company has also elected to recognize the pre-opening services that are subject to the practical expedient as a single performance obligation.

#### **Note 4. Notes Receivable**

The Company provides financing to franchisees for the purchase of franchises and operating loans for working capital and equipment needs. The related notes generally are payable over terms ranging from one to four years, with semi-annual payments. Notes bear interest at rates determined by the credit risk of the franchisee, which is based on a variety of credit quality indicators, including prior payment experience and franchisee financial information. The notes are collateralized by the underlying franchise. The debtors' ability to repay the notes is dependent upon the performance of the individual franchise.

Management considers notes receivable to be impaired if the amounts due exceed the fair value of the amounts it expects to collect and estimates an allowance for credit loss based on the excess.

#### **Note 5. Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

##### ***Major Customers***

Approximately 14% of the Company's sales for the year ended December 31, 2024 were from one customer. Approximately 57% of the Company's sales for the year ended December 31, 2023, were from the Company's five largest customers.




---

# **Inter-State Studio Franchise, LLC**

**Independent Auditor's Report  
and Financial Statements**

**December 31, 2023 and 2022**



---

# **Inter-State Studio Franchise, LLC**

## **December 31, 2023 and 2022**

### **Contents**

<b>Independent Auditor's Report.....</b>	<b>1</b>
--	----------

#### **Financial Statements**

Balance Sheets.....	3
Statements of Operations.....	4
Statements of Members' Deficit.....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7





1201 Walnut Street, Suite 1700 / Kansas City, MO 64106

P 816.221.6300 / F 816.221.6380

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Members  
Inter-State Studio Franchise, LLC  
Sedalia, Missouri

### ***Opinion***

We have audited the financial statements of Inter-State Studio Franchise LLC (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, members' deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Inter-State Studio Franchise LLC as of December 31, 2023 and 2022, 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 (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 Inter-State Studio 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 Inter-State Studio Franchise LLC's ability to continue as a going concern within one year after the date that these 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 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 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 Inter-State Studio 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 Inter-State Studio 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 audits.

**FORVIS, LLP**

Kansas City, Missouri  
March 15, 2024

# Inter-State Studio Franchise, LLC

## Balance Sheets

December 31, 2023 and 2022

### Assets

	2023	2022
<b>Current Assets</b>		
Cash and cash equivalents	\$ 90,032	\$ 51,933
Notes receivable	83,832	90,748
Total current assets	173,864	142,681
Notes receivable, net of allowance	36,733	39,171
Total assets	<u>\$ 210,597</u>	<u>\$ 181,852</u>

### Liabilities and Members' Deficit

<b>Current Liabilities</b>		
Accounts payable - related parties	\$ 49,617	\$ 51,571
Deferred revenue	64,894	42,834
Total current liabilities	114,511	94,405
<b>Other Liabilities</b>		
Deferred revenue	128,703	115,506
Total liabilities	243,214	209,911
<b>Members' Deficit</b>	(32,617)	(28,059)
Total liabilities and members' deficit	<u>\$ 210,597</u>	<u>\$ 181,852</u>

**Inter-State Studio Franchise, LLC**  
**Statements of Operations**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Net Sales</b>	\$ 697,136	\$ 547,094
<b>Costs of Sales</b>	<u>91,611</u>	<u>48,575</u>
<b>Gross Profit</b>	605,525	498,519
<b>Operating Expenses</b>		
General and administrative	<u>620,384</u>	<u>486,683</u>
<b>Operating Income (Loss)</b>	(14,859)	11,836
<b>Other Income</b>		
Interest income	<u>10,301</u>	<u>9,470</u>
<b>Net Income (Loss)</b>	<u><u>\$ (4,558)</u></u>	<u><u>\$ 21,306</u></u>

**Inter-State Studio Franchise, LLC**  
**Statements of Members' Deficit**  
**Years Ended December 31, 2023 and 2022**

	<b>Members' Deficit</b>
<b>Balance, January 1, 2022</b>	\$ (49,365)
Net income	<u>21,306</u>
<b>Balance, December 31, 2022</b>	(28,059)
Net loss	<u>(4,558)</u>
<b>Balance, December 31, 2023</b>	<u><u>\$ (32,617)</u></u>

**Inter-State Studio Franchise, LLC**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating Activities</b>		
Net income (loss)	\$ (4,558)	\$ 21,306
Changes in		
Notes receivable	(1,961)	10,136
Accounts payable	(1,954)	(159,316)
Deferred revenue	35,257	5,734
	<u>26,784</u>	<u>(122,140)</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Issuance of notes receivable	(106,615)	(79,199)
Payments of notes receivable	117,930	200,840
	<u>11,315</u>	<u>121,641</u>
Net cash provided by investing activities		
<b>Increase (Decrease) in Cash</b>	38,099	(499)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>51,933</u>	<u>52,432</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 90,032</u></u>	<u><u>\$ 51,933</u></u>

# **Inter-State Studio Franchise, LLC**

## **Notes to Financial Statements**

**December 31, 2023 and 2022**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

Inter-State Studio Franchise, LLC (the Company) was formed September 11, 2020, with operations commencing on October 7, 2020. The Company was established to operate as a franchisor of the Inter-State Studio & Publishing Co. trademarks and business model. The potential franchisees offers a variety of services including school portraits, yearbook publishing and commercial printing throughout the United States of America.

The Company began executing franchise agreements with franchisees in 2021. General and administrative start-up expenses consist primarily of administrative support, marketing costs and professional fees.

#### ***Use of Estimates***

The preparation of 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.

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

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of operating checking accounts.

#### ***Notes Receivable***

Notes receivable are stated at the outstanding principal amount, net of allowance for credit loss on notes. The Company provides an allowance for credit loss on notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor has missed their standard scheduled payments, and is only placed on nonaccrual status when the debtor can no longer demonstrate an ability to satisfy payment. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

At December 31, 2023, management believes that all notes receivable are fully collectible.

#### ***Deferred Revenue***

Revenue from fees for initial franchise fees from customers is deferred and recognized over the periods to which the fees relate.

# **Inter-State Studio Franchise, LLC**

## **Notes to Financial Statements**

**December 31, 2023 and 2022**

### ***Revenue Recognition***

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. See *Note 3* for additional information about the Company's revenue.

### ***Income Taxes***

The Company is not directly subject to income taxes under the provisions of the Internal Revenue Code and applicable state laws. Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns and no provision for federal and state income taxes has been included in the accompanying financial statements.

### ***ASU 2016-03, Financial Instruments – Credit Losses***

Effective January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), Measurement of Credit Losses on Financial Instruments, related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit loss (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including notes receivable.

The adoption of the guidance on January 1, 2023 did not have an effect on the previously stated members' deficit.

### ***Subsequent Events***

Subsequent events have been evaluated through March 15, 2024, which is the date the financial statements were available to be issued.

## **Note 2: Related Party Transactions**

The Company has entered into a trademark licensing agreement with Inter-State Studio & Publishing Co., a related party. The agreement grants a royalty-free license to use and sublicense the trademarks of Inter-State Studio & Publishing Co. The Company is also charged a monthly fee for its use of administrative support, services and technology by Inter-State Studio & Publishing Co. Related party fees incurred for administrative services, marketing and professional fees which are classified as operating expenses on the statements of operations for the years ended December 31, 2023 and 2022, respectively, totaled \$619,560 and \$486,184. Costs of goods sold amounts incurred with the related party for the years ended December 31, 2023 and 2022 totaled \$91,611 and \$48,575, respectively.



# Inter-State Studio Franchise, LLC

## Notes to Financial Statements

December 31, 2023 and 2022

At December 31, 2023 and 2022, the Company has recorded accounts payable of \$49,617 and \$51,571, respectively, due to Inter-State Studio & Publishing Co.

### Note 3: Revenue from Contracts with Customers

#### *Performance Obligations*

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring distinct goods or providing services to customers. The Company's revenue consists substantially of franchise fees, royalty fees and equipment sales, and is reported net of sales discounts, rebates, incentives, returns and other allowances offered to customers.

The Company recognizes franchise fees for the sales of individual territories on a straight-line basis over the initial contract term when the obligations of the Company are substantially complete, not to exceed the estimated amount of cash to be received. Royalties and advertising fees are recognized as franchise territories generate sales. Equipment sales are recognized at the point in time when the title of the assets transfer to the customer.

#### *Disaggregation of Revenue*

The following table presents the Company's revenues disaggregated by the timing of such revenue recognized during the years ended December 31, 2023 and 2022:

	2023	2022
Timing of revenue and recognition		
At a point in time	\$ 65,493	\$ 28,819
Over a period of time	631,643	518,275
	<u>\$ 697,136</u>	<u>\$ 547,094</u>

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the geographic territories where services reside.

#### *Contract Balances*

The following table provides information about the Company's contract liabilities from contracts with customers:

	2023	2022
Contract liabilities, beginning of year	\$ 158,340	\$ 152,606
Contract liabilities, end of year	193,597	158,340

# **Inter-State Studio Franchise, LLC**

## **Notes to Financial Statements**

**December 31, 2023 and 2022**

### ***Significant Judgments***

For contracts where control is transferred over time, the Company recognizes revenue over time as progress is made toward satisfying the performance obligations of each contract. The Company measures a contract's progress on a straight-line basis over the term of its franchise agreements.

In respect of contracts for which the transaction price includes amounts contingent on future events, the Company estimates the amount to be included in the transaction price based on its experience with such contracts and only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is eventually resolved.

### ***Accounting Policies and Practical Expedients Elected***

For incremental costs of obtaining a contract, the Company elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year. This election had an immaterial effect on the Company's financial statements.

The Company has elected to use the practical expedient provided in ASC 952-606 that allows a private-company franchisor that has entered into a franchise agreement to treat certain pre-opening services provided to a franchisee as distinct from the franchise license. The Company has also elected to recognize the pre-opening services that are subject to the practical expedient as a single performance obligation.

### **Note 4: Notes Receivable**

The Company provides financing to franchisees for the purchase of franchises and operating loans for working capital and equipment needs. The related notes generally are payable over terms ranging from one to four years, with semi-annual payments. Notes bear interest at rates determined by the credit risk of the franchisee, which is based on a variety of credit quality indicators, including prior payment experience and franchisee financial information. The notes are collateralized by the underlying franchise. The debtors' ability to repay the notes is dependent upon the performance of the individual franchise.

Management considers notes receivable to be impaired if the amounts due exceed the fair value of the amounts it expects to collect, and estimates an allowance for credit loss based on the excess.

# **Inter-State Studio Franchise, LLC**

## **Notes to Financial Statements**

**December 31, 2023 and 2022**

### **Note 5: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Major Supplier***

Approximately 57 percent and 71 percent of the Company's sales for the year ended December 31, 2023 and 2022, respectively, were from the Company's five and six largest customers.

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

**INTER-STATE STUDIO®**

**FRANCHISE AGREEMENT**

---

You (Franchisee)

---

Effective Date

## **TABLE OF CONTENTS**

<b><u>Section</u></b>	<b><u>Description</u></b>	<b><u>Page</u></b>
1.	DEFINITIONS .....	1
2.	GRANT OF FRANCHISE .....	2
3.	TERM OF FRANCHISE; RENEWAL RIGHTS .....	5
4.	FRANCHISE AND OTHER FEES.....	6
5.	ADVERTISING .....	9
6.	DEVELOPMENT AND OPENING OF THE BUSINESS .....	9
7.	TRAINING AND OPERATING ASSISTANCE .....	11
8.	MARKS.....	13
9.	BUSINESS IMAGE AND OPERATING STANDARDS .....	14
10.	RECORDS AND REPORTS .....	18
11.	INSPECTION AND AUDITS.....	18
12.	CONFIDENTIAL INFORMATION/IMPROVEMENTS .....	19
13.	COVENANTS .....	20
14.	ASSIGNMENT .....	21
15.	OUR TERMINATION RIGHTS .....	24
16.	YOUR TERMINATION RIGHTS .....	26
17.	YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION .....	26
18.	RELATIONSHIP OF THE PARTIES/INDEMNIFICATION .....	27
19.	DISPUTE RESOLUTION.....	27
20.	ENFORCEMENT.....	28
21.	NOTICES .....	31
22.	ACKNOWLEDGEMENTS .....	31

### **EXHIBITS**

A – DATA SHEET

B – GUARANTY AND ASSUMPTION OF OBLIGATIONS

C – EFT AUTHORIZATION

D – CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

E – CONVERSION ADDENDUM

F – ALTERNATIVE SUPPLIER ADDENDUM

## INTER-STATE STUDIO FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into as of the Effective Date set forth on the signature page between Inter-State Studio Franchise, LLC, a Delaware limited liability company with a principal place of business at 3500 Snyder Ave, Sedalia, MO 65301 ("we" or "us"), and \_\_\_\_\_ a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_ with a principal place of business at \_\_\_\_\_ ("you").

### INTRODUCTION

A. We have developed and own a "System" (as defined in Section 1 below) relating to the development and operation of Inter-State Studio businesses offering school photography services and related services and products.

B. We grant qualified persons and entities the right to develop, own and operate an Inter-State Studio business in a specific territory.

D. You desire to obtain a franchise to develop, own and operate an Inter-State Studio business using the System in a specific territory.

### AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

#### 1. DEFINITIONS

A. "Account" means those schools and local organizations with which you enter into an individual service agreement, whether written or oral, for the right to be the photographer for picture day and to offer and sell other Services and Products to the school or organization and the respective families of such schools or organizations. You are required to have a fully executed individual service agreement with each school and local organization before you provide any Services or sell any Products or Services to the school or local organization.

B. "Business" means the Inter-State Studio franchised business developed and operated under this Agreement that offers the Services and Products.

C. "Commencement Date" means the date in which the Franchised Business opens and commences operation. The Commencement Date is set forth in Exhibit A to this Agreement.

D. "Confidential Information" means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, Operations Manual (as defined in Section 7), systems, and knowledge of and experience in the development, operation and franchising of Inter-State Studio businesses that we communicate to you or that you otherwise acquire in operating the Business (as defined in Section 1) under the System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

E. "Gross Revenue" means the aggregate amount of all sales of all Services and Products, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Business, including any Products and Services that customers under an Account purchase from us

or our affiliate. The term “Gross Revenue” also does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Revenue will not be reduced by the amount of your uncollected Accounts. For purposes of calculating Gross Revenue, the sale is made and generated at the time in which we or our affiliate ship the Product to the Account or customer. For example, if your customer pays for a Product in January, but the Product does not ship until February, then the sale is deemed to have been made in February, and as such, the Gross Revenue for that Product was generated in February.

F. “Marks” means the Inter-State Studio trademark and service mark, the related design logo, and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the System.

G. “National Accounts” means those customers or accounts we designate, in our sole and absolute discretion, as desiring central billing accounts, or that have two (2) or more locations, and such locations are located in more than one franchised or company-owned territory or market.

H. “Operating Principal” means the designated Owner responsible for the day-to-day operation of the Business. We must approve the Operating Principal and the Operating Principal must successfully complete our initial training program and all mandatory follow-up training programs.

I. “Owner” means any person or entity who directly or indirectly owns an ownership interest in you.

J. “Person” means any individual or entity.

K. “Products” means pictures, yearbooks, and other products and accessories that we periodically may modify or otherwise approve for sale from the Business.

L. “School Year” means the time period of July 1 to June 30.

M. “Services” means the photography services, and other related services authorized for Inter-State Studio franchised businesses, as we periodically may modify or otherwise approve for sale from the Business.

N. “System” means the Inter-State Studio system which includes the sale of Services and Products under the Marks at Inter-State Studio franchised businesses, using certain distinctive types of products, equipment (including the Management Software (as defined in Section 6 below)), supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

O. “Territory” means the geographic area, identified in Exhibit A, that we determine.

## 2. GRANT OF FRANCHISE; TERRITORY

A. Grant of Franchise, Location and Territory. Subject to the provisions contained in this Agreement, we grant you the right to own and operate a franchised Inter-State Studio Business in a Territory we approve and to use the Marks and other aspects of the System in operating the Business. The location of the Business and your Territory are identified in Exhibit A.



B. Nature of Your Territory.

1. During the term of this Agreement (as described in Section 3), if you are in compliance with the terms of this Agreement, and except as otherwise provided in this Agreement, we will not directly operate or franchise other Persons to operate any other Inter-State Studio business within the Territory. You may not operate your Business or offer or sell Products or Services outside of your Territory without our prior written consent. The license granted to you under this Agreement is personal in nature, may not be used in any area other than within the Territory without our prior written consent, and does not include the right to sell any Services or Products identified by the Marks at any location other than in the Territory without our prior written consent. This Agreement does not include the right to sell any Services or Products identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce).

2. You may be granted, in our sole discretion, express written permission to sell Services or Products to Accounts in an unsold territory adjacent to your Territory (the “Adjacent Territory”). If the Adjacent Territory is subsequently granted to another franchisee, you will be permitted to continue offering and selling Services and Products to your existing Accounts in the Adjacent Territory with our prior written consent in accordance with any inter-Territory policies that we have set forth in our Operations Manual or otherwise in writing.

3. An existing Inter-State Studio business may have an existing Account in your Territory at the time you sign the Franchise Agreement (a “Pre-Existing Account”), and therefore: (a) the existing Inter-State Studio business may be permitted to continue soliciting, offering and selling to the Pre-Existing Account(s) in your Territory without compensation to you; and (b) you will not be permitted to solicit, offer, or sell to those Pre-Existing Accounts within your Territory without our prior written consent. Any Pre-Existing Accounts located within your Territory are described in Exhibit A to this Agreement.

4. Additionally, a business that becomes a conversion Inter-State Studio franchisee after you sign this Agreement who already had a school or local organization as an account located within in your Territory (each, a “Conversion Account”) may be permitted to continue soliciting, offering and selling Products and Services to those Conversion Accounts in your Territory during the term of this Agreement without compensation to you. You also will not be permitted to solicit, offer, or sell to any Conversion Accounts within your Territory without our prior written consent. You acknowledge and agree that we cannot predict which accounts, if any, may subsequently become Conversion Accounts in your Territory, and that a conversion franchisee offering or selling Products and Services to Conversion Accounts in your Territory does not infringe upon your territorial rights granted to you under this Agreement.

5. If we or another Inter-State Studio business refers a prospective Account to you that is located within your Territory, then within 5 business days of you receiving the referral, you must notify us in writing whether or not you are able and willing to solicit, offer, sell, and perform the Services and Products to that Account. If you notify us that you unable or unwilling to solicit, offer, sell, and perform the Services and Products to that Account, or if you fail to notify us within those 5 business days whether or not you accept or reject the referred Account, then we, our affiliates, or any other Inter-State Studio franchisee that we designate may solicit, offer, sell and perform the Services and Products to that prospective Account in your Territory with no obligation to compensate you.

6. We may adopt and implement a territory infringement policy in the Operations Manual or otherwise in writing ("Territory Infringement Policy"), which may include provisions for financial penalties in addition to, or in lieu of, termination of this Agreement following a violation of the Territorial Infringement Policy. The Territory Infringement Policy will become part of the System standards, and we expect that all franchisees under the System will abide by this policy. Such financial penalties may include, among other things: (a) your obligation to repay to the local franchisee or us or our affiliates the gross profit generated by you outside of your Territory, and in our or our affiliate's or another franchisee's territory; (b) we may deduct from your periodic distributions an amount equal to the Gross Revenue generated from the provision of services outside of your Territory; and/or (c) you pay us or our affiliate a policy infringement fee per violation.

7. You will not have the right to subfranchise or sublicense any of your rights under this Agreement. You will not use the Business for any purposes other than the operation of an Inter-State Studio business. You acknowledge that neither the designation of your Territory or selling any Transferred Accounts (as defined below in this Section 2) to you constitutes a representation or guaranty express or implied as to the potential success that your Business may have in the Territory or with respect to any Transferred Account.

C. Transferred Account. Under certain circumstances, we may offer to transfer to you certain accounts owned by us or our affiliates that are located in your Territory (each, a "Transferred Account") in exchange for the payment of our then-current Transferred Account fee, which may vary depending upon the specific Transferred Account being offered to you (the "Transferred Account Fee"). The Transferred Account Fee is non-refundable and is fully earned by us upon payment. If you acquire a Transferred Account, we may require you to honor any previously agreed upon prices and/or Services and Products to be rendered to the Transferred Account. Any Transferred Account that you acquire shall be deemed your Account going forward, and we may require you to sign any documents required by us or the Transferred Account to memorialize the purchase and assignment of the Account. We are under no obligation to offer any accounts owned by us or our affiliates located in your Territory to you. Furthermore, we do not make any promises or guarantees as to the likelihood of success or amount of revenue that you may generate in connection with any Transferred Account, or whether you will secure future service agreements with any Transferred Account. The Transferred Account Fee is in addition to, and not in lieu of, the fees applicable to Accounts described in in Section 4.

D. Rights Reserved to us. We (for us and our affiliates) retain:

1. The right to own, franchise, or operate Inter-State Studio businesses outside of the Territory, regardless of the proximity to your Business or Territory;

2. The right to offer and sell Products and Services to, and grant the right for franchises to offer and sell Products and Services to Pre-Existing Accounts and/or Conversion Accounts within and outside of your Territory;

3. The right to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution (including channels of distribution such as the Internet, television, mail order, or catalog sales) within or outside of the Territory;

4. The right to use and license the use of other proprietary and non-proprietary marks or methods, if the marks or methods are not the same as or confusingly similar to the Marks,

whether in alternative channels of distribution, at any area including within the Territory, which may be the same as, similar to or different from the Business operated by you;

5. The right to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Business, wherever located;

6. The right to acquire and convert to the System operated by us any businesses offering services similar to the Business including those businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located or operating inside or outside of the Territory;

7. The right to directly or indirectly offer and sell Services and Products to National Accounts located inside or outside the Territory as described further below; and

8. All other rights not granted to you under this Agreement.

E. Minimum Annual Attendance Quota. If applicable, at the conclusion of your first partial School Year (which commences as of the Effective Date of this Agreement and concludes on the first June 30<sup>th</sup>) we will calculate the average daily student attendance among your Accounts within your Territory (the “Annual Attendance”). If your Commencement Date is July 1<sup>st</sup>, then we will calculate your baseline Annual Attendance on June 30<sup>th</sup> of the following year. During your first full School Year and each School Year thereafter, you must attain the following increase in the Annual Attendance from the prior partial or full School Year (the “Minimum Annual Attendance Quota”):

Calendar Year	Minimum Annual Attendance Quota
First Full School Year	15% increase
Second Full School Year	10% increase
Third Full School Year and each Full School Year after that	5% increase

If you fail to meet your Minimum Annual Attendance Quota, then we have the right to grant additional franchises within the Territory and/or reduce the size of your Territory.

### 3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. This Agreement will be effective as of the Effective Date and will expire on the fifth (5<sup>th</sup>) anniversary of the Commencement Date.

B. Renewal Terms. You will have the right to enter into a successor agreement for the Business for two (2) additional renewal terms of five (5) years each, provided you satisfy the following conditions respecting each renewal term:

1. You have given us written notice at least one hundred eighty (180) days but no more than three hundred and sixty (360) days before the end of the term of this Agreement of your intention to enter into a successor agreement;

2. You have complied with all of the material provisions of this Agreement and all other agreements between you and us or any of our respective affiliates, including the payment of all

monetary obligations you owe to us or our affiliates, and have complied with our material System standards and procedures;

3. If you operate your Business from a physical location that is separate from a home office, then you must, at your expense, make such reasonable capital expenditures necessary to remodel and refurbish the Business premises so that the Business reflects our then-current standards and specifications for the physical appearance of new Inter-State Studio businesses;

4. Both an Owner we approve and the Operating Principal complete, to our satisfaction, any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You sign our then-current standard Franchise Agreement which may differ materially from the provisions of this Agreement; and

7. You and each Owner sign a general release, in form acceptable to us, of all claims against us and our affiliates, and each of their respective officers, directors, managers, members, shareholders, employees, and agents.

We reserve the right to modify your Territory at the time you execute a renewal Franchise Agreement to conform the size of your Territory to our then-current standards for territories that are being granted to new franchisees.

4. INITIAL FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. You will pay us an “Initial Franchise Fee” in the amount set forth in Exhibit A to this Agreement. The Initial Franchise Fee is payable when you sign this Agreement and is not refundable.

B. Management Fee. You will pay us a non-refundable Management Fee in the amounts described in the below chart. The Management Fee is due and paid on the 15<sup>th</sup> of each calendar month (or as described in the Operations Manual) based on Gross Revenue generated by your Business in the immediately preceding calendar month, with your fee percentage determined by the Annual Gross Revenue.

	<b>Annual Gross Revenue</b>	<b>Management Fee to be paid on Annual Gross Revenue within each Tier</b>	<b>Cumulative Management Fees Paid to Us within each Tier</b>
<b>Tier 3</b>	\$0 - \$249,999	7% of Gross Revenues	\$0 - \$17,499
<b>Tier 2</b>	\$250,000 - \$349,999	5% of Gross Revenues	\$17,500 - \$22,499
<b>Tier 1</b>	\$350,000 and above	3% of Gross Revenues	\$22,500+

1. “Annual Gross Revenue” means the cumulative amount of Gross Revenue that you generate during each full or partial School Year. The Annual Gross Revenue will be calculated each month on a rolling basis in order to determine the applicable Management Fee that you must pay on any given Gross Revenue. The calculation of your Annual Gross Revenue will be reset to \$0 every year beginning July 1.

2. We may require you to provide Gross Revenue reports and other documents and information in the form, manner and frequency that we prescribe.

3. We reserve the right to establish minimum prices for certain Products that you may offer or sell to an Account solely for purposes of calculating the Management Fee that you must

pay us in connection with those Products (“Minimum Attributable Price”). These Minimum Attributable Prices will be set forth in the Operations Manual or otherwise in writing, and the prices that we will use to establish the Minimum Attributable Prices will be based upon our then-current suggested retail price. We reserve the right to modify these Minimum Attributable Prices from time to time. Despite any Minimum Attributable Prices that we may establish, you are permitted to establish your own prices for all Products and Services. If you charge an Account less than or equal to the Minimum Attributable Price, the Minimum Attributable Price will be included in your Gross Revenues (rather than the price you charged the Account). If you charge an Account more than the Minimum Attributable Price, the actual price you charged the Account will be included in your Gross Revenue.

C. Marketing Fee. As further described in Section 5(A)(2) below, you must pay us a monthly non-refundable marketing fee equal to 3% of your Gross Revenue generated by your Business during the immediately preceding month (the “Marketing Fee”). You must pay us the Marketing Fee at the same time and in the same manner as the Management Fee.

D. Technology Fee. You must pay us our then-current monthly technology fee (the “Technology Fee”), which we may use to offset costs related to the Management Software, including one or more proprietary software programs, our website, and for any other purpose we determine in our discretion (currently, \$100 per month). We may increase the Technology Fee upon written notice to you, up to \$500 per month. The Technology Fee (if applicable) for each month is due and payable on the 15<sup>th</sup> day of each month in the same manner as the Management Fee.

E. Interest on Late Payments. All Management Fees, Marketing Fees, and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) eighteen percent (18%) per year; or (2) the maximum contract rate of interest permitted by law in the state in which the Business is located.

F. Collections, Remittance, and Deductions.

1. You hereby authorize us and our affiliates to perform collection services for your Accounts and customers to whom your Business offers and sells Products and Services. All Account and customer payments we and our affiliates collect on behalf of Inter-State Studio franchisees will be deposited into a single bank account used for receipt of all pre-paid Products by Accounts and customers across the entire Inter-State Studio System. All payments you are required to make to us or our affiliates, including the amounts identified below, (the “Deductions”), will be deducted from the amounts (if any) we or our affiliates collect from your Accounts and customers that purchase Products or Services from your Business. We will remit to you on the 15th of each calendar month the balance of the Gross Revenue in the immediately preceding calendar month after the Deductions noted below are made:

- i. Management Fees;
- ii. Marketing Fee;
- iii. Technology Fee;
- iv. Any promissory notes installments due to us (if applicable);

- v. Our and our affiliates costs and expenses for materials, production, and shipping Products to your Accounts and customers; and
- vi. Any other amounts payable to us or our affiliates.

2. If for any reason you collect any payment directly from an Account or customer, you must report it to us and pay all applicable Deductions to us and our affiliates, or we will apply such Deductions from amounts we collect from other Accounts or customers that your Business sells Products to before remitting any balance to you. It is your sole responsibility to ensure that an Account or customer pays for any Products or Services. We and our affiliates will not be required to ship any Products to an Account or customer until we or our affiliates receive full payment for such Products. We will specify in the Operations Manual or otherwise in writing to you, any rights that you may have (if any) to receive advanced payments that we have collected from your Accounts or customers that are not yet classified as Gross Revenue. You will not be entitled to any interest that is generated on any Account or customer payments that we or our affiliates collect on your behalf.

3. You shall not be entitled to any payments or remittance of Gross Revenue from us or our affiliates upon the expiration or termination of this Agreement except in connection with any Products that we already received full payment for as of the expiration or terminate date but such Products had yet to ship as of the expiration or terminate date (the "Final Products"). We will remit such payments and Gross Revenues to you, minus all Deductions, once we ship the Final Products to the customers. You will not be entitled to any payments or remittance of Gross Revenue for any Products that are purchased or paid for by your customers after the expiration or termination date of this Agreement.

G. Electronic Transfer of Funds. We will require you to sign an electronic transfer of funds authorization, attached as Exhibit C to this Agreement, and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all Management Fees, Marketing Fees, and other amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. You must maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein. We may also use this account to remit the balance of any Gross Revenue generated in the immediately preceding calendar month after the Deductions.

H. Application of Payments. We have discretion to apply any payments received from you, or any of your Accounts or customers that purchase Products based upon Services that your Business provided to an Account, toward any amount due to us or any of our affiliates.

I. Withholding Payments Unlawful. You agree that you will not withhold payment of any Management Fees, Marketing Fees, or any other amount due to us or our affiliates, and that the alleged non-performance or breach of any of our obligations under the Franchise Agreement or any related agreement does not establish a right at law or in equity to withhold payments due us for Management Fees, Marketing Fees or any other amounts due.

J. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales, and other taxes that the state in which the Business is located imposes as a result of your operation of the Business or the license of any of our intangible property in the jurisdiction in which the Business is located. If more than one Inter-State Studio business is located in such jurisdiction, they will share the liability in proportion to their Gross Sales from the franchised business, except in the case of sales

taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Management Fee payments described above.

5. MARKETING

A. Marketing.

1. We will develop, and make available to you, marketing packets for prospective Accounts (each, a “Marketing Packet”) upon your request. Marketing Packets may include sample pictures, sample yearbooks, and promotional products, as we may determine in our discretion. If you or an Account provides us with email addresses for your customers, we may also conduct direct marketing to those customers via email. Additionally, we may advertise and conduct marketing on social media and other forms of media that we determine in our discretion.
2. You must pay us the monthly Marketing Fee, which entitles you to receive as many Marketing Packets as you may need for prospective Accounts throughout the term at no additional cost to you, and have customers whose email addresses that we obtain from you or an Account receive marketing emails from us. We may also, but are not required to, use the Marketing Fee for any other means that we determine in our sole discretion. Your payment of the Marketing Fee does not go into and is not a marketing fund, trust, or escrow account. We are under no obligation to spend the Marketing Fees that we collect except as described in this Section 5(A)(2).

B. Local Marketing and Business Promotion. Except for the Marketing Fee, you are not required to spend any amounts on marketing or local advertising. If you elect to conduct any other advertising or marketing for your Business, then all advertisements and marketing materials must comply with our then-current standards and specifications, and you may only use approved advertising and promotional materials in promoting the Business. If you desire to use any advertising or promotional materials in promoting the Business which we have not previously approved, you must submit all materials to us for our written approval before using any such materials, which approval will not be unreasonably withheld. If we do not approve those advertising or promotional materials within 10 days after you submit those materials to us, then they are considered to be disapproved and you may not use the materials.

C. Participation in Certain Programs and Promotions. You must participate in all advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of any gift card and/or loyalty program that we have established or may establish and as we may modify, as further described in the Operations Manual. You also must honor all coupons and discounts as we may reasonably specify in the Operations Manual or otherwise in writing. You must also participate in any mystery shopper program or compliance assessments we require.

6. DEVELOPMENT AND OPENING OF THE BUSINESS

A. Office Premises. You must have a quiet and organized office where you operate the Business. The office may be, and we expect it to be, a home office, and you may store any necessary Products, equipment, supplies, inventory, and other items that are necessary for the operation of the Business at your home office. If you wish to purchase or lease real estate for the operation of your Business, then you must locate a site for your Business that we consent to, and you may not sign a lease for the site until we have given our consent in writing. When evaluating a site for your Business, we may consider items such as size, appearance and other physical characteristics of the site, demographic characteristics, and other commercial characteristics, such as rental obligations and other lease terms.

B. Computer System and Management Software. You must acquire, use, maintain, and update, such computer hardware and software, printer, smartphone, and related items, which meet our standards and specifications as they evolve over time, as set forth in the Operations Manual or otherwise in writing, for your Business (the “Computer System”). The Computer System also includes the management and reporting system, including all existing or future communication or data storage systems, applications, components thereof and associated service, which we have developed or selected for the System (the “Management Software”). The Management Software may include one or more proprietary or other software programs developed or customized for us, which we may require you to use. We may require you to enter into our or our designee’s standard form software license agreement in connection with your use of any Management Software. We reserve the right to assign our rights, title and interest in any Management Software to a third party we designate or to replace the Management Software. In such event, you may be required to enter into a separate computer software license agreement specified by the third-party supplier of the Management Software and pay any separate fees imposed under that agreement. You must participate in our designated Payment Card Industry (“PCI”) compliance program if we establish such a program and pay the then-current fee associated with such program. If we do not designate a separate PCI compliance program, you must take all necessary steps to comply with all applicable PCI data security standards. We also may access financial information and customer data produced by or otherwise located on your Management Software (collectively the “Customer Data”). During the Term, we and you will have joint ownership of the Customer Data that is stored on the Computer System, although you will be responsible for obtaining all customer consents necessary to allow us to use the Customer Data for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach at or in connection with the Business. You will have Internet access with a form of high-speed connection as we require. You will use an e-mail address we designate for communication with us. The computer hardware component of the Computer System must comply with specifications we develop. We have the right to designate a single source from which you must purchase the Computer System, Management Software, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the Computer System. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks.

C. Generative AI. You will not, without our prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models (collectively, “Generative AI”) directly or indirectly in the operation of the Business, including without limitation, in advertising, promotion, or marketing of the Inter-State Studio Business, communications with customers, business planning, analysis or optimization, or in any social media. You acknowledge and agree not to upload or share any Confidential Information (including any inputs of information containing trade secrets, sensitive confidential information or personal information) with any unapproved third-party platforms, including Generative AI, except as authorized in writing by us. In addition, you will prohibit your employees from using any Confidential Information in Generative AI. In the event you utilize any Generative AI, with or without our prior approval, you must comply with all laws applicable to such use, including without limitation, all trademark, copyright, and biometric laws, and must not infringe upon the intellectual property of a third party, or use such intellectual property without appropriate authorization and attribution.

D. Business Opening. You must comply with any Business opening requirements we periodically describe in the Operations Manual. You will not open the Business and commence operations



without our prior written approval. You agree to successfully complete the initial training program described in Section 7 of this Agreement and open the Business and commence operations within six (6) months following the Effective Date. If your Commencement Date is not specified in Exhibit A at the time you sign this Agreement, then we and you will mutually agree upon the Commencement Date and update Exhibit A accordingly after you have successfully completed the initial training program.

E. Relocation of Business. You will not relocate the Territory, your office, or establish additional Inter-State Studio business without our prior written consent, which we may withhold in our sole discretion.

## 7. TRAINING AND OPERATING ASSISTANCE

A. Training. Before the opening of the Business, we will provide to the Operating Principal an initial training program on the operation of an Inter-State Studio business, provided at a place and time we designate. We may also conduct any portion of it via teleconference, video conference, or through other remote/virtual means. The Operating Principal must attend and successfully complete our pre-opening initial training program prior to opening the Business.

1. The initial training program for the Operating Principal will take place over a period of several weeks. The initial training program may include online tutorials, classroom instruction and on-site training relating to Business operations, photography training, understanding the equipment and product use, sales training, and general sales and marketing. If, during the initial training program, we determine that the Operating Principal is not qualified to manage the Business, we will notify you and you must select and enroll a substitute Operating Principal in the initial training program.

2. The initial training program that you must attend and successfully complete before opening your Business will only cover a limited number of the types of Services that you must offer, which will be based upon the time of year that you attend the initial training program. After the Business opens, the Operating Principal will be required to attend and successfully complete 4 additional seasonal photography training sessions throughout the first year of operations. These subsequent photography training sessions will focus on the mechanics of different types of photography shoots that you must offer. You may not offer or sell the Services or Products that are taught during a seasonal photography training session until your Operating Principal has successfully completed the respective seasonal photography training. Each of the seasonal photography training sessions will take place in Sedalia, Missouri or another location we designate.

3. In addition, all new Operating Principals must complete our designated initial training program. We may charge you a reasonable fee for those new or additional individuals who attend the initial training program.

4. We may require that the Operating Principal attend all supplemental and refresher training programs that we designate. We may charge you a reasonable fee for these supplemental and refresher training programs. Currently, we charge \$500 for the first day (up to \$750) and \$250 each day thereafter (up to \$500), plus our costs and expenses.

5. You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the initial training program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for you and your employees, while you and your employees attend training.

6. The entire initial training program is subject to change due to updates in materials, changes or additions to the services offered, introduction of new methods and techniques, manuals and personnel. The subjects and time periods allocated to the subjects actually taught to specific franchisees may vary, based on the experience of the persons being trained.

7. We will determine, in our sole discretion, whether your Operating Principal may forego attending one or more portions of the initial training based upon the Operating Principal's level of school photography experience, familiarity with our System, business acumen, and any other characteristics that we may determine. If we do not require your Operating Principal to attend one or more portions of our initial training program and they waive their right to attend, then we may require you to sign a form acknowledging your Operating Principal's decision to waive attending the respective portion(s) of the initial training program.

B. Opening Assistance. If you are designated as a "Standard Business" on Exhibit A to this Agreement, then we may, in our sole discretion, provide you with the services of one of our representatives for up to three (3) days to assist you in the opening and initial operations of the Business. We will determine the number of days and the time at which our representative is available to you. You must reimburse us for all travel, lodging and living expenses incurred by our representatives to provide such on-site assistance. We do not anticipate providing any such onsite opening assistance if you are designated as a "Conversion Business" on Exhibit A to this Agreement, or if we waive the right for your Operating Principal to attend one or more portions of our initial training program pursuant to Section 7(A)(5) above.

C. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Business as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Services and Products authorized for sale at Inter-State Studio businesses;
2. selecting, purchasing and marketing products, equipment, and other approved materials and supplies; and
3. establishing and operating administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for the proper operation of an Inter-State Studio business.

We will provide such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone conversations and/or meetings at our office or at a location in your Territory in conjunction with an inspection of the Business. In the event you are unable or unwilling to complete a job for an Account of yours, and we, our affiliate, or another Inter-State Studio franchisee performs the Services for that job, then you must reimburse the party their costs and expenses that they incurred in performing such Services.

D. Operations Manual. We will provide on loan to you, during the term of this Agreement, electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the "Operations Manual") for Inter-State Studio businesses. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for Inter-State Studio businesses and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to

take control over those matters that are reserved to you. We may add to, and otherwise modify, the Operations Manual to reflect changes in authorized Services and Products, and specifications, standards and operating procedures of an Inter-State Studio business. The master copy of the Operations Manual that we maintain at our principal office or on our website, and make available to you by hard copy or electronic access, will control if there is a dispute involving the contents of the Operations Manual.

E. Conventions and Meetings. We periodically may hold or sponsor franchise conventions and meetings relating to new Services or Products, new operational procedures or programs, training, business management, sales and sales promotion, or any other topic we determine. These franchise conventions and meetings may be optional or mandatory, as we designate. Your Operating Principal must attend, at your expense, all mandatory franchise conventions and meetings we may hold. We reserve the right to charge you a fee for any annual franchise convention or meeting that we sponsor or designate, regardless of your attendance (up to \$1,000 per person).

## 8. MARKS

A. Ownership and Goodwill of Marks. You acknowledge that you have no interest in or to the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require during the term of the Franchise. You agree that the use of the Marks and any goodwill established exclusively benefits us, and that you receive no interest in any goodwill related to your use of the Marks or the System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other Person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Business, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or trade name or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You have the right to access and participate in our website as further described in Section 9(M) below. Except as we may authorize in writing, however, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Products or Services or similar products or services on the Internet (or any other existing or future form of electronic communication) including e-mail marketing or other digital marketing; (3) create or register any Internet domain name in any connection with the Business; (4) use any e-mail address which we have not authorized for use in operating the Business; and (5) conduct any activity on “social media” or related social networking website other than as we have expressly authorized in writing. You will not register, as Internet domain names, any of the Marks that we now or hereafter may own or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any Person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any Person other than us and our counsel regarding any infringement, challenge or claim. We may take any action we deem appropriate and have the right to exclusively control any litigation

or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

E. Litigation. We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement, provided you have notified us immediately upon your becoming aware of such infringement, you comply with our directions in responding to the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Operations Manual, and other directives from us. At our option, we may defend or control the defense of any proceeding arising from your use of any Mark under this Agreement.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us.

## 9. BUSINESS IMAGE AND OPERATING STANDARDS

A. Condition and Appearance of Business. You agree to maintain the condition and appearance of the Business as we may require modify from time to time. You will replace worn out or obsolete equipment, signs, uniforms, and other items used in connection with your Business. If you lease or purchase property for your Business, you must also replace worn out or obsolete furniture, fixtures, equipment, and décor of the Business premises. If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Business or other fixtures, equipment, furniture or signs do not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency.

B. Business Alterations. If you lease or purchase real estate for the operation of your Business, you cannot alter the premises or appearance of the Business or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Business without our prior written approval. We may, in our discretion and at your sole expense, correct any alterations to the Business that we have not previously approved.

C. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer from the Business any services or products we have not then authorized for use or sale for Inter-State Studio businesses, nor will the Business be used for any purpose other than the operation of an Inter-State Studio business in compliance with this Agreement.

D. Personnel Decisions. You will hire all employees of the Business and be exclusively responsible for the terms of their employment, scheduling, benefits, disciplining, compensation, training, compliance with wage and hour requirements, personnel policies, recordkeeping, supervision, and working conditions related to the health and safety of your employees, and all other personnel decisions, regardless of whether you receive advice from us on these subjects. You acknowledge and agree that all such decisions and actions shall not be, nor be deemed to be, our decision or action by us. You will implement a training program for Business employees in compliance with our requirements. You will maintain at all times a staff of trained employees sufficient to operate the Business in compliance with our standards. You must ensure that all Business employees comply with all licenses and certifications respecting the Business as we may require or as federal, state and/or local authorities may require. At all times, the Business must be under the direct, on-site supervision of the Operating Principal. Further, it is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason. In addition to all other

rights and remedies available to us, if we incur any cost, loss, or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for such loss.

E. Authorized Products, Supplies and Equipment. You agree to offer and sell from the Business all and only the Services and Products that we have approved as being suitable for sale and meeting the standards of quality and uniformity for the System. In addition, you agree to use in the operation of the Business only such products, supplies and equipment which we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have approved (which may include us and/or our affiliates). We periodically may modify the lists of approved products, supplies, equipment, brands and suppliers. If you propose to offer for sale or use in operating the Business any products, supplies or equipment which we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the brand and/or supplier to permit us to determine whether the brand complies with our specifications and standards and/or the supplier meets our approved supplier criteria. We will notify you within sixty (60) days whether the proposed brand and/or supplier is approved. We may develop procedures for the submission of a request for approved items, brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by the approved supplier). Each time you propose a new item, brand, or supplier be approved, you must pay us \$100 plus our reasonable costs and expenses that we incur in connection with inspecting, evaluating, and testing the proposed item, brand, or supplier. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier failing to continue to meet any of our criteria, and require you to cease using, offering, or selling such item or supplier immediately. We may impose limits on the number of suppliers and/or brands for any products, supplies or equipment sold or used in the Business or otherwise related to the Franchise, and we may require that you use only one supplier for any products, supplies or equipment. You agree that certain products, materials, and other items and supplies may only be available from one source, and we or our affiliates may be that source. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED POINT-OF-SALE SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM.

F. Safety Standards. You must comply with all applicable governmental safety standards in operating and maintaining your Business. You also must comply with any higher standards that we prescribe.

G. Business Operation. We will approve the days and hours of operation for the Business, and you may not modify those hours of operation without our prior written consent.

H. Standards of Service. You must at all times give prompt, courteous and efficient service to your customers. You must, in all dealings with your customers and suppliers and the public, adhere to the highest standards of honesty, integrity and fair dealing.

I. Specifications, Standards and Procedures. You acknowledge that each and every detail of the appearance and operation of the Business is important to us and other Inter-State Studio businesses. You agree to maintain the highest standards of quality and service in the Business and agree to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of an Inter-State Studio business, including:

1. type and quality of Services and Products and Product procurement;
2. methods and procedures relating to marketing and customer service;
3. qualifications, dress, general appearance and demeanor of Business employees. Each of your employees will wear only those uniforms which we have approved in writing;
4. conducting criminal background checks on all employees and independent contractors of your Business;
5. the style, make and/or type of equipment (including computer equipment) used in operating the Business; and
6. Business marketing and promotion.

J. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Business, and must operate the Business in full compliance with all applicable laws, ordinances and regulations, including all labor and employment laws. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, or award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of you or the Business. You will not conduct any business or advertising practice which injures our business, the System or the goodwill associated with the Marks and other Inter-State Studio businesses.

K. Management of the Business/Conflicting Interests. The Business must at all times be under the direct supervision of the Operating Principal. The person who is responsible for the day-to-day supervision of the Business (i.e., the Operating Principal) must at all times faithfully, honestly and diligently perform his or her obligations and continuously use best efforts to promote and enhance the business of the Business. The person who is responsible for the day-to-day supervision of the Business must assume his or her responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations.

If at any time the Operating Principal is not managing the Business, we immediately may appoint a manager to maintain Business operations on your behalf. Our appointment of a manager of the Business does not relieve you of your obligations or constitute a waiver of our right to terminate the Franchise under Section 15 below. We are not liable for any debts, losses, costs or expenses you incur in operating the Business or to any of your creditors for any products, materials, supplies or services purchased by the Business while it is managed by our appointed manager. We may charge a reasonable fee for management services and cease to provide management services at any time, up to 20% of Gross Revenue, plus the out of pocket costs and expenses.

L. Insurance.

1. You agree to purchase and maintain in force, at your expense, insurance at a minimum for the following types of coverages, or such other types of coverage and amounts we specify in the Operations Manual or otherwise in writing: (a) comprehensive general liability insurance with limits not less than \$1,000,000 each occurrence and \$2,000,000 in the aggregate; (b) data security/cyber breach liability coverage with limits not less than \$2,000,000 each occurrence and in the aggregate; (c) commercial automobile liability insurance for all owned, hired,

and non-owned vehicles used in connection with the Business with limits of not less than \$1,000,000 combined single limit for bodily injury and property damage; and (d) all minimum insurance requirements required by law in your Territory.

2. All insurance policies will: (a) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (b) will name us and our affiliates, and their respective officers, directors, managers, and employees, as an additional insured on a primary and non-contributory basis; (c) contain a waiver of the insurance company's right of subrogation against us; (d) contain the above-mentioned insurance coverage for each Inter-State Studio business that you operate; and (e) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and approved by us). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to five percent (5%) of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least two (2) weeks before you take possession and commence development of the Business premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. Your obligation to obtain and maintain these insurance policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 18. Your insurance procurement obligations under this Section are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that you are required to purchase will provide you with adequate coverage. The insurance requirements specified in this Agreement are for our protection. You should consult with your own insurance agents, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits we require.

M. Participation in Internet Website. You will participate in an Inter-State Studio website listed on the Internet or other online communications and participate in any intranet system we control. We will, at our discretion, determine the content and use of an Inter-State Studio website and intranet system and will establish rules under which you may or will participate. We will retain all rights relating to the Inter-State Studio website and intranet system and may alter or terminate the website or intranet system upon thirty (30) days' notice to you. Your general conduct on the Internet and the Inter-State Studio intranet system, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we may develop as a result of participation on the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information, including access codes and identification codes. Your right to participate in the Inter-State Studio website or intranet system or otherwise use the Marks or the System on the Internet will terminate when this Agreement expires or terminates.

N. National Accounts. We may establish a "National Accounts Program" that is designed to generate customer leads as a result of national marketing, strategic alliances and partnerships, or other lead generation efforts we or our affiliates conduct or that otherwise involves National Accounts. We may permit you to participate in the National Accounts Program and service National Accounts in your Territory

under the terms of the National Accounts Program as described in the Operations Manual or as we otherwise describe in writing. You understand that: (1) we will establish the rules under which you may participate, (2) we retain the absolute discretion in determining whether you may participate in the National Accounts Program; and (3) we may terminate, modify, or replace the National Accounts Program at any time. You acknowledge and agree that, in addition to the Management Fees described in Section 4(B) above, you must pay our then-current fees for participation in the National Accounts Program (up to \$100 per National Account).

O. Criminal Background Checks. We will require your Operating Principal, and each of your Owners, partners, employees, and independent contractors to undergo and pass, to our satisfaction, a complete criminal background check. You may not hire or engage any employees or independent contractors that have not yet passed the background check to our satisfaction.

## 10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, you will, at your expense, establish and maintain at a business location within the Territory and retain for a minimum of five (5) years from the date of their preparation, an accounting and record keeping system we designate that will generate complete and accurate books, records, and accounts relating to the Business (the "Records"). The accounting and record keeping system will include accounting and reporting software that we periodically direct. The Records must be prepared in the form and manner we direct in the Operations Manual or otherwise in writing, and must include the following: (1) cash receipts journal and general ledger; (2) all tax returns relating to the Business and each of its Owners; (3) monthly balance sheets and profit and loss statements; and (4) such other records and information as we periodically may request. You must preserve the Records and submit reports electronically, consistent with our requirements. You will ensure that we have electronic access at all times to the Records and related reports. If at any time you fail to fully comply with your obligations under this Section 10, we may require that you engage, at your expense, a third-party accounting firm or other service provider that we designate to satisfy the requirements of this Section 10.

B. Reports and Tax Returns. You will deliver or allow us access to the following: (1) daily statements relating to Gross Revenue accompanying your payment of monthly Management Fees; (2) daily statements relating to any amounts that you receive directly from customers, regardless of form of payment (cash, check, or otherwise) for pre-paid Products; (3) at our request, monthly income statements in a format we require; (4) at our request, profit and loss statements for the Business at such intervals as we periodically may require; (5) at our request, an annual profit and loss statement and source and use of funds statement for the Business for the year and a balance sheet for the Business as of the end of the year, prepared in accordance with GAAP; (6) at our request, all tax returns relating to the Business and each of its Owners; and (7) copies of executed services agreements that you have entered into with your Accounts. You also will provide to us copies of all Records and other information and supporting documents as we designate. All financial statements, reports and information must be on forms we approve and that you have signed and verified.

## 11. INSPECTION AND AUDITS

A. Our Right to Inspect the Business. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Business, observe the provision of the Services, and test, sample, inspect and evaluate your supplies, equipment and Products as well as the storage of those items. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Business and to interview employees and customers of the Business.



B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records and state and/or federal income tax records and returns of any Owner. You must maintain all Records and supporting documents at all times at the office premises. You will make financial and other information available at a location we reasonably request and will allow us (and our agents) full and free access to any such information. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Gross Revenue. If any examination or audit discloses an understatement of Gross Revenue, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Management Fees and any Marketing Fees due on the amount of the understatement, plus interest (at the rate provided in Section 4(C) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) an examination or audit is necessary because you failed to timely provide required information; or (2) any examination or audit results in a determination that Gross Revenue for any month are understated by greater than two percent (2%). The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

## 12. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Business pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Business employees; and (5) will sign a Confidentiality Agreement and will require the Operating Principal and other managers, employees and agents with access to Confidential Information to sign such an agreement in a form we approve.

The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, process methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of an Inter-State Studio business or the System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Business, or any advertising or promotion ideas related to the Business (collectively, the “Improvements”) that you, the Owners or your employees or agents conceive or develop during the term of this Agreement. You and your Owners, agents and employees acknowledge and agree that: (1) all Customer Data is jointly owned during the term of this Agreement as further described in Section 6(B) above and becomes our property upon expiration or termination of this Agreement; and (2) any other Improvement immediately becomes our property. You and your Owners, agents or employees must sign all documents necessary to evidence the assignment of each Improvement to us without any additional compensation and cooperate with us and in securing such

right. We may use the Improvement and disclose and/or license the Improvement for use by others. You must not introduce any Improvement or any additions or modifications of or to the System into the Business without our prior written consent.

13. COVENANTS

A. Organization. You and each Owner covenants that:

1. You are organized and validly exist under the laws of the state where you were formed and are qualified and authorized to do business in the jurisdiction where the Territory and Business is located;

2. Your articles of incorporation, certificate of formation, bylaws, operating agreement or other organizational documents (as applicable, the “Authorizing Documents”) at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Business, unless you otherwise obtain our written consent;

3. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

4. You must provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

5. The names of all Owners are accurately stated on the Guaranty attached hereto as Exhibit B; and

6. You will maintain a current schedule of the Owners and their ownership interests (including the Owners’ names, address and telephone numbers) at all times and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. Non-Solicitation of Accounts/Customers. You covenant that, during the term of this Agreement, and for a period of eighteen (18) months after this Agreement expires or is terminated or the date on which you cease to operate the Business, whichever is later, you will not, directly or indirectly solicit or divert, or attempt to solicit or divert, any business, Account or customer of the Business or any other Inter-State Studio businesses or the System to any “Competing Business” (as defined in Section 13(E) below).

C. Covenant Not to Compete During Term. You (and the Operating Principal and each other Owner) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director, manager, member, or shareholder of any other person, firm, entity, partnership or business: (i) solicit or divert, or attempt to solicit or divert, any Accounts, customers, or business of the Business to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any Competing Business (including any e-commerce or Internet-based business), except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate agreement between you and us.

D. Post-Term Covenant Not to Compete. You (and the Operating Principal and each other Owner) will not, for a period of eighteen (18) months after this Agreement expires or is terminated or the date on which you cease to operate the Business, whichever is later, directly or as an employee, agent,

consultant, partner, officer, director, manager, member or shareholder of any other person, firm, entity, partnership or corporation: (1) solicit or divert, or attempt to solicit or divert, any Accounts, customers, or business of the Business to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business which is located in the former Territory of the Business; or (3) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business that is located within a 25-mile radius of any part of the former Territory of the Business or any other then-existing Inter-State Studio business territory, whether the then-existing business is owned by an Inter-State Studio franchisee, us, or our affiliate; provided, however, that this Section 13(D) will not apply to: (i) other Inter-State Studio businesses that you operate under separate Inter-State Studio franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

E. Competing Business. “Competing Business” means any business that offers or sells any school sponsored or related photography services (including, without limitation, school portraits, class or group pictures, school sports or team photographs, school functions and events pictures, or graduation pictures), school sponsored photography accessories (including, without limitation, yearbooks or student identification cards), independent and non-school related sports and recreation leagues photography services, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to an Inter-State Studio business.

F. Covenants from Individuals. In order to protect our legitimate business interests in and to the Confidential Information and trade secrets, each individual who attends our training program or has access to any Confidential Information or trade secrets shall be required to sign a confidentiality and non-competition agreement substantially in the form attached as Exhibit D to this Agreement. You shall be responsible for ensuring compliance with such agreements.

G. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section in that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section. The covenants stated in this Section will survive the termination or expiration of this Agreement.

#### 14. ASSIGNMENT

A. By Us. This Agreement is fully assignable by us and benefits our successors and assigns. Any such assignment will require the assignee to fulfill our obligations under this Agreement. You acknowledge and agree that, following the effective date of any such assignment, you will look solely to the transferee or assignee, and not to us, for the performance of all obligations under this Agreement. Separately, we may assign or delegate to an affiliate or other third party certain of our obligations under this Agreement without assigning our interest in this Agreement. In such instance, we will remain the party ultimately responsible for the performance of such obligation(s).

B. Your Assignment or Sale of Substantially all of Your Assets. You understand that we have granted the Franchise under this Agreement in reliance upon the individual or collective character, aptitude, attitude, business ability and financial capacity of your Owners. You (and your Owners) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, your business, the Business, substantially all or all of the assets of the Business, this Agreement or any interest in you unless you obtain our prior written consent. We will not unreasonably withhold our consent to an

assignment of this Agreement, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

1. All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement and any other agreement between you and us;
2. The transferee (or the Operating Principal, if applicable) is approved by us and demonstrates to our satisfaction that he/she meets our then-current managerial, financial and business standards for new Inter-State Studio businesses, possesses a good business reputation and credit rating, and has the aptitude and ability to operate the Business. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to ensure that the transferee meets our qualifications;
3. The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of your term or, at our option, signs our then-current standard form of franchise agreement (which may contain materially different terms and conditions than this Agreement);
4. The transferee and the new Operating Principal (if applicable) successfully complete the initial training program required of new Inter-State Studio businesses;
5. If applicable and required, the lessor of the Business premises consents to your assignment or sublease of the premises to the transferee;
6. You pay us a transfer fee equal to twenty-five percent (25%) of our then-current standard initial franchise fee applicable to new standard Inter-State Studio businesses, plus our reasonable costs and expenses that we incur in connection with the transfer;
7. You and each Owner sign a general release, in a form and substance satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law; and
8. You and each Owner sign an agreement, in form satisfactory to us, in which you and each Owner covenant to observe the post-termination covenant not to compete and all other applicable post-termination obligations.

We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 14(B) and may do so in the Operations Manual or otherwise in writing.

C. Death or Disability. If the Operating Principal dies or is permanently disabled, the remaining Owners must appoint (if necessary) a competent Operating Principal acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed Operating Principal must satisfactorily complete our designated training program. If an approved Operating Principal is not appointed within thirty (30) days after the Operating Principal's death or permanent disability, we may, but are not required to, immediately appoint an Operating Principal to maintain Business operations on your behalf until an approved assignee can assume the management and operation of the Business. Our appointment of an Operating Principal does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses you incur in operating the Business or to any creditor of yours for any products, materials, supplies or services purchased by the

Business while it is managed by our appointed manager. We may charge a reasonable fee for management services and may cease to provide management services at any time.

If the Operating Principal dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance, will be subject to conditions contained in Section 14(B) above.

D. Public or Private Offerings. Subject to Section 14(B) above, if you (or any of your Owners) desire to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you agree to submit any written information to us before your inclusion of that information in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

“NEITHER INTER-STATE STUDIO FRANCHISE, LLC NOR ANY OF ITS AFFILIATES: (A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, (B) ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN, OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

E. Our Right of First Refusal. If you or your Owners at any time desire to sell or assign for consideration the Franchise, the Business, an ownership interest representing (in the aggregate with any prior transfers) fifty percent (50%) or more of the ownership in you or all or substantially all of your assets, you or your Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Business or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

F. Guaranty. All of your Owners will sign the Guaranty and Assumption of Obligations Agreement in the form attached to this Agreement as Exhibit B (the “Personal Guaranty”). We may also require the spouse of any Owner to sign the Personal Guaranty. Any person or entity that at any time after

the date of this Agreement becomes an Owner of yours under the provisions of this Section 14 or otherwise will, as a condition of becoming an Owner, sign the Guaranty Agreement.

15. OUR TERMINATION RIGHTS

A. Automatic Termination. This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following defaults:

1. If you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or the Franchised Business;

2. If proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or the Franchised Business without your consent, and the appointment is not vacated within 60 days; or

3. If you purport to sell, transfer or otherwise dispose of you or any interest in this Agreement or the Franchised Business in violation of Section 14 hereof.

B. Termination Upon Notice. We have the right to terminate this Agreement upon notice to you without providing you an opportunity to cure for any of the following breaches or defaults:

1. If you or the Operating Principal fail to satisfactorily complete the initial training program or fail to open and commence operations of the Business at such time as provided in this Agreement;

2. If you or any of your managers, directors, officers or any Operating Principal make a material misrepresentation or omission in the application for the Business or any time thereafter, including, without limitation understating Gross Revenue in any report you submit to us by more than 2% in a particular month;

3. If you or any of your managers, directors, officers or any Operating Principal are convicted of, or plead guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or the goodwill associated therewith, or if we reasonably believe that you have committed such a felony, crime or offense;

4. If you voluntarily or otherwise abandon the Business without our prior written consent. The term "abandon" means your failure to operate the Business for a period of 5 consecutive business days without notification to your Accounts or our prior written consent;

5. If you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name Inter-State Studio or any of the Marks or the System, or otherwise violate any provision hereof pertaining to Marks or Confidential Information or misuse the Marks or Confidential Information;

6. If you develop or use an unapproved website in connection with the Business or otherwise conduct any unauthorized activity on the Internet in violation of Section 9(M) above;

7. If you fail to pay us, our affiliate(s), or any approved or designated supplier any amount that is due and owed to that party, and fail to cure such breach within 10 days of the date you receive written notice from us (or any other party that is owed money) regarding such breach;

8. If there are insufficient funds in your designated bank account to cover a check or EFT payment to us 3 or more times within any 12-month period;

9. If you (or any Owner) violate any in-term restrictive covenant set forth in Section 13 of this Agreement, or any of the other restrictive covenants set forth in this Agreement;

10. If you fail, within 15 days after notification of non-compliance by federal, state or local government authorities, to comply with any law or regulation applicable to the Business;

11. If you offer or sell any unauthorized or unapproved products or services at or from the Business;

12. If you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold;

13. If you fail to comply with one or more material requirements of this Agreement on 3 or more separate occasions within any 12-month period, regardless of whether or not those breaches were cured;

14. You violate the Territory Infringement Policy;

15. You violate any “no touching” policy described in the Operating Manual or otherwise in writing; or

16. If the nature of your breach makes it not curable.

C. Termination upon Notice and 30 Days’ Notice to Cure. Except for those defaults set forth in Sections 15(A) and 15(B) of this Agreement, we may terminate this Agreement upon notice to you in the event you: (i) breach or violate any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including your failure to comply with any other term or condition of this Agreement, the Operating Manual, or any ancillary agreement between you and us (or our affiliate); and (ii) fail to cure such default(s) within 30 days after being provided with notice thereof.

C. Management of Business While You are in Default. In addition to our termination rights described in Sections 15(A) and 15(B) above, while you are in default of this Agreement, we may, but are not required to, manage, or designate a third party to manage, the Business on your behalf. Our, or our designee’s, management of the Business does not relieve you of your obligations and neither we nor our designee will be liable for any debts, losses, costs or expenses incurred in operating the Business or to any of your creditors for any materials supplies or services purchased by the Business while we, or our designee, manage it. We, or our designee, may charge you a fee for management services and may cease providing management services at any time.

D. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

16. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

17. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason, you will:

1. immediately cease operation of the Business and using the Marks as well as any confusingly similar trademarks or service marks;
2. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Management Fees, Marketing Fees and accrued interest due under this Agreement;
3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manuals and any other manuals, advertising materials, and all other printed materials relating to the operation of the Business;
4. assign to us or, at our discretion, disconnect the telephone number for the Business. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;
5. remove from the Business all signs, posters, fixtures, decals, and other materials that are distinctive of an Inter-State Studio business or bear the name "Inter-State Studio" or other Marks;
6. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;
7. immediately cease using Confidential Information (including all Customer Data) and return to us all documents in your possession that contain Confidential Information;
8. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

Upon termination or expiration of this Franchise Agreement for any reason, your right to use the name "Inter-State Studio" and the other Marks and the System will immediately terminate, and you (and the Owners) will not in any way associate yourself/themselves as being associated with us. If you fail to immediately remove all signs and other materials bearing the Marks, we may do so at your expense.

B. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.



## 18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. Relationship of the Parties. We and you are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself at the premises of the Business and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Business under a franchise agreement from us, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require.

B. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Business, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 18(B) regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you or the Business. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Business. This obligation does not diminish your indemnification obligations under this Section 18(B).

C. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

D. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

## 19. DISPUTE RESOLUTION

A. Mediation. Except as otherwise stated in this Section 19(A), the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within fifteen (15) days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the county where our headquarters is located. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within sixty (60) days after conferring with the mediator, either party may submit such claim, controversy or dispute to the appropriate court as described in Section 19(B) below. We may bring an action under the applicable provisions of this Section 19 without first submitting the action to mediation under this Section 19(A): (1) for injunctive relief, (2) involving the possession or disposition of, or other relief relating to, real property; or (3) for monies you owe us.

B. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 19(C) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement, the relationship between the parties, the offer or sale of this Agreement or the Business, or the making, performance or interpretation of this Agreement (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 19(A) above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the county where our headquarters is located. Any arbitration proceeding may not be consolidated with any other arbitration proceeding, and you agree not to seek joinder of any claims with those with any other party. The arbitrator(s) will have a minimum of five (5) years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us and will not be expanded to include any other Inter-State Studio franchisee or include any class action claims. This Section 19 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement. The parties agree that all arbitration proceedings, including any arbitration award or ruling, will be confidential in nature, except as otherwise required by law or court order or as necessary to confirm, vacate or enforce the award and for disclosure in confidence to the parties' respective attorneys and tax advisors.

C. Injunctive Relief. Notwithstanding Sections 19(A) and (B) above, you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other Inter-State Studio businesses. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrators.

D. Attorneys' Fees. You will pay all of our costs, expenses, and interest, including reasonable attorneys' fees, that we incur in enforcing any term, condition or provision of this Agreement or in seeking to enjoin any violation of this Agreement by you, your Operating Principal, or any Owner. In the event an action, proceeding, or claim is initiated under Section 19(B) or 19(C), then the non-prevailing party will pay all costs, expenses, and interest, including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce or interpret any provision of this Agreement or to enjoin any violation of this Agreement.

## 20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any

specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. No delay, waiver, omission, or forbearance on the part of us to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by us to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. Subsequent acceptance by us of any payments due to us hereunder shall not be deemed to be a waiver by us of any preceding or succeeding breach by you of any terms, provisions, covenants, or conditions of this Agreement.

C. Rights of Parties Are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Venue. Subject to the provisions of Sections 19(A) and 19(B) above, any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties must be brought exclusively in any state or federal court of competent jurisdiction in the county where our headquarters is located. We also have the right to file any such suit against you in the federal or state court where the Business is located. Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Owners waive any and all rights to proceed on a consolidated, common, or class basis. Each of us and you irrevocably consents to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue.

E. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act, all claims arising out of or relating to this Agreement and/or the parties' relationship will be governed by, and will be interpreted in accordance with, the procedural and substantive laws of the State of Missouri, irrespective of any conflict of laws. The parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met. Franchisee waives, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

F. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both you and us. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

G. References. If you consist of two or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

H. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise “reasonable business judgment” in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of “reasonable business judgment,” even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact) will substitute their judgment for our reasonable business judgment.

I. WAIVER OF PUNITIVE DAMAGES. YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY US.

J. WAIVER OF JURY TRIAL. YOU AND WE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

K. Force Majeure. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

L. Notice of Potential Profit. We advise you that we and/or our affiliates may make available to you goods, products and/or services for use in the Business on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to you or in consideration for services provided or rights license to such Persons. You agree that we and our affiliates will be entitled to such profits and consideration.

M. Limitation of Actions. Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

N. Entire Agreement. The “Introduction” section, the exhibit(s) to this Agreement, and that certain Disclosure Acknowledgment Agreement signed contemporaneously by you are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

21. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be delivered by hand, sent by a recognized overnight delivery service or by registered U.S. Mail, or by other means which provides the sender with evidence of delivery, or of rejected delivery, and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Any notice by a means which provides the sender with evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery.

22. ACKNOWLEDGEMENTS

A. Success of Franchised Business. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Owner's) ability as an independent businessman, and your active participation in the daily affairs of the Business as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross revenues, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this Franchise and sign this Agreement.

C. Existing Business Arrangements. You and each Owner represent and warrant that your execution of this Agreement, and/or your performance of your rights and obligations hereunder, shall not constitute or result in a breach of a previous or existing contract (whether written or oral) entered into between you and/or any Owner, on the one hand, and a third party, on the other hand.

D. Receipt of Documents. Except for filling in the blank provisions and changes made as a result of negotiations that you initiated, you acknowledge that you received a copy of the complete Franchise Agreement, and exhibits attached hereto, at least seven (7) calendar days before the date on which this Agreement was executed. You further acknowledge that you received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled "Franchise Disclosure Document" at least fourteen (14) calendar days prior to the date on which this Agreement was executed. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with any attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

E. Other Franchises. You acknowledge that other Inter-State Studio businesses have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement.

Intending to be legally bound, the parties to this Agreement have executed and delivered this Agreement as of the Effective Date.

**WE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

**YOU:**

\_\_\_\_\_  
Name of corporation or limited liability company

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

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

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

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

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

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

**Effective Date:** \_\_\_\_\_

**EXHIBIT A  
TO FRANCHISE AGREEMENT**

**DATA SHEET**

This Exhibit is attached to and is an integral part of the Inter-State Studio Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "Franchise Agreement"), between Inter-State Studio Franchise, LLC, a Delaware limited liability company ("we" or "us"), and \_\_\_\_\_ a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_ ("you").

1. Type of Inter-State Studio Franchised Business (check only one):

Standard Business

Conversion Business

2. Commencement Date: The Commencement Date of the Franchised Business is \_\_\_\_\_.

3. Territory. The Territory of the Business is as follows (which also may be set forth in a map attached to this Exhibit): \_\_\_\_\_

4. Pre-Existing Accounts in Territory: An existing Inter-State Studio business currently has the following Pre-Existing Accounts (as described in Section 2 of the Franchise Agreement) located within your Territory: \_\_\_\_\_

5. Initial Franchise Fee. You shall pay us an Initial Franchise Fee equal to \$\_\_\_\_\_ in accordance with Section 4(A) of the Franchise Agreement.

6. Business Location. We and you agree that the Business will be operated from the following location: \_\_\_\_\_

7. Defined Terms. All capitalized terms contained in this Exhibit not defined herein will have the same meaning as provided in the Franchise Agreement.

WE:

YOU:

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_  
Name of corporation or limited liability company

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT B  
TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

In consideration of the execution of that certain Franchise Agreement of even date (the "Agreement") by Inter-State Studio Franchise, LLC ("we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that \_\_\_\_\_ ("you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and the other Guarantors of you;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

The provisions of Sections 19 and 20 of the Agreement will apply as to any interpretation or enforcement of this Guaranty, and the provisions of Section 21 of the Agreement will apply to any notice to either party, except that notice to Guarantors will be provided at the following alternative address (if applicable): \_\_\_\_\_. If no address is provided, any notice to Guarantors will be sent to the address designated in Section 21 of the Agreement.



Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

**GUARANTOR(S)**

**PERCENTAGE OWNERSHIP IN YOU**

---

---

---

---

---

---

**EXHIBIT C  
TO FRANCHISE AGREEMENT**

**EFT AUTHORIZATION**

**BY AND BETWEEN INTER-STATE STUDIO FRANCHISE, LLC  
AND  
\_\_\_\_\_ (“FRANCHISEE”)  
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS  
(DIRECT DEBITS)**

The undersigned depositor (“**Depositor**”) hereby authorizes Inter-State Studio Franchise, LLC (“**Company**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below, and the depository designated below (“**Depository**”) to debit such account pursuant to Company’s instructions.

\_\_\_\_\_  
Depositor’s Business Name

\_\_\_\_\_  
Bank Name

\_\_\_\_\_  
Depositor’s Business Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity on which to act. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

\_\_\_\_\_  
**Depositor – Franchisee**

\_\_\_\_\_  
**Depository – Franchisor**

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

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

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

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

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

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

**EXHIBIT D  
TO FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

**(for trained employees of Franchisee or for employees with access to Confidential Information or trade secrets)**

In accordance with the terms of this Confidentiality and Non-Competition Agreement (“**Confidentiality Agreement**”) and in consideration of my being a \_\_\_\_\_ of \_\_\_\_\_ (the “**Franchisee**”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. \_\_\_\_\_ (the “**Franchisee**”), has acquired the right and franchise from Inter-State Studio Franchise, LLC (“**Franchisor**”) to establish and operate a Franchised Business (the “**Franchised Business**”) and the right to use in the operation of the Franchised Business Franchisor’s trade names, trademarks, service marks, including the service mark Inter-State Studios® (the “**Marks**”) and the system developed by Franchisor and/or its affiliates for operation and management of Inter-State Studios businesses (the “**System**”), as they may be changed, improved, and further developed from time to time in Franchisor’s sole discretion.

2. Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes the Operations Manual, trade secrets, and copyrighted materials, methods, and other techniques and know-how (the “**Confidential Information**”).

3. Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Confidentiality Agreement.

4. As \_\_\_\_\_ of the Franchisee, Franchisor and/or Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, Franchisor’s operations manual (the “**Operations Manual**”) and other general assistance during the term of this Confidentiality Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as \_\_\_\_\_ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by Franchisor, I shall not, while in my position with the Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, and continuing for an eighteen (18) month period thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other person, partnership, corporation, or other limited liability company own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business that engages in a Competing Business (as defined below in this Section 7) that is located within a 25-mile radius of any part of the Franchisee's designated territory or any other then-existing Inter-State Studio business territory. This restriction does not apply to my ownership of less than one percent (1%) beneficial interest in the outstanding securities of any publicly held corporation. "Competing Business" means any business that offers or sells any school sponsored or related photography services (including, without limitation, school portraits, class or group pictures, school sports or team photographs, school functions and events pictures, or graduation pictures), school sponsored photography accessories (including, without limitation, yearbooks or student identification cards), independent and non-school related sports and recreation leagues photography services, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to an Inter-State Studio business.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.

9. I understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

10. Franchisor is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Confidentiality Agreement will cause Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay the Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to the Franchisee and Franchisor, any claim I have against the Franchisee or Franchisor is a separate matter and does not entitle me to violate or justify any violation of this Confidentiality Agreement.

11. This Confidentiality Agreement shall be construed under the laws of the State of Missouri. The only way this Confidentiality Agreement can be changed is in writing signed by both the Franchisee and me.

12. With respect to all claims, controversies and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the state courts located in Pettis County, Missouri, and the United States District Court for the Western District of Missouri. I acknowledge that this Confidentiality Agreement has been entered into in the state of Missouri, and that I am to receive valuable information emanating from Franchisor's headquarters in Missouri. In recognition of the information and

its origin, I hereby irrevocably consent to the personal jurisdiction of the state and federal courts of Missouri as set forth above. Notwithstanding the foregoing, I acknowledge and agree that Franchisor or the Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS CONFIDENTIALITY AGREEMENT AS OF THE DATES NOTED BELOW.

**[EMPLOYEE]**

**ACKNOWLEDGED BY FRANCHISEE**

Signature: \_\_\_\_\_

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

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

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

Address: \_\_\_\_\_

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

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

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

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

**EXHIBIT E**  
**TO FRANCHISE AGREEMENT**

**CONVERSION ADDENDUM**

This Conversion Addendum (“Addendum”) is entered into this \_\_\_\_\_, 20\_\_\_\_ by and between Inter-State Studio Franchise, LLC, a Delaware limited liability company (“we” or “us”), and \_\_\_\_\_ a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_ (“you”).

**INTRODUCTION**

A. You are the owner of an independent photography business (the “Prior Business”) that offers and sells school photography services and products, and such other products and services offered and sold by Inter-State Studio businesses.

B. You now wish to convert your Prior Business to an Inter-State Studio franchised business.

C. Contemporaneously with the execution of this Addendum, you and we are entering into that certain franchise agreement (the “Franchise Agreement”), pursuant to which you are granted the right and undertake the obligation to open and operate an Inter-State Studio franchised business (the “Business”) in the geographic area more fully described in the Franchise Agreement (the “Territory”).

D. We and you now desire to modify certain terms of the Franchise Agreement to account for your Prior Business’s operations, subject and pursuant to the terms and conditions of this Addendum.

**AGREEMENTS**

1. **Background; Defined Terms.** The recitals set forth above are incorporated in this Addendum as if fully set forth herein. All capitalized terms contained in this Addendum not defined herein will have the same meaning as provided in the Franchise Agreement.

2. **Protected Accounts.** You represent and warrant that immediately before executing the Franchise Agreement, your Prior Business had an existing contractual relationship with the following schools, local organizations, and other accounts:

a. Inside your Territory (attach separate list if necessary): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. Outside of your Territory (attach separate list if necessary): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c. You further acknowledge and agree that the list of accounts described in Section 2 of this Addendum (the “Protected Accounts”) consists of all of the accounts that your Prior Business had an existing contractual relationship with immediately before executing the Franchise Agreement.

3. Non-Solicitation of Protected Accounts. In the event that you operate the Business for the full initial 5-year term in material compliance with the terms of the Franchise Agreement, you do not continue operating the Business for a renewal period pursuant to Section 3(B) of the Franchise Agreement, and you are not in default upon the expiration of the Franchise Agreement, then Section 13(B) of the Franchise Agreement shall not apply to any Protected Accounts after the expiration of the Franchise Agreement. Notwithstanding the foregoing, you are still required to comply with all other post-term obligations described in the Franchise Agreement, except as otherwise modified by this Addendum.

4. Post-Term Covenant Not to Compete. In the event that you operate the Business for the full initial 5-year term in material compliance with the terms of the Franchise Agreement, you do not continue operating the Business for a renewal period pursuant to Section 3(B) of the Franchise Agreement, and you are not in default upon the expiration of the Franchise Agreement, then Section 13(D) of the Franchise Agreement will also not apply to any Protected Accounts. Notwithstanding the foregoing, you are still required to comply with all other post-term obligations described in the Franchise Agreement, except as otherwise modified by this Addendum.

5. No Rights to Protected Accounts Upon Renewal. This Addendum and the rights granted to you with respect to the Protected Accounts shall automatically terminate if you enter into a renewal term pursuant to Section 3(B) of the Franchise Agreement or if your Franchise Agreement is terminated prior to the expiration of your initial 5-year term. Therefore, if you enter into a renewal term under Section 3(B) of the Franchise Agreement or if your Franchise Agreement is terminated prior to the expiration of your initial 5-year term, then the non-solicitation provisions described in Section 13(B) of the Franchise Agreement and the non-compete provisions described in Section 13(D) of the Franchise Agreement shall apply to all Protected Accounts, in addition to all other Accounts, upon the expiration or termination of your successor franchise agreement.

6. Non-Assignable. The rights granted to you under this Addendum is personal in nature, and you may not assign this Addendum or the rights granted under it. You acknowledge and agree that this Addendum will automatically terminate upon your transfer or assignment as described in Section 14 of the Franchise Agreement.

7. Entire Agreement. Except as specifically provided in this Addendum, all of the terms, conditions and provisions of the Franchise Agreement will remain in full force and effect as originally written and signed. All dispute resolution provisions described in the Franchise Agreement, including, without limitation, those with respect to mediation, arbitration, governing law, venue, and attorneys' fees are hereby incorporated by reference as if fully set forth herein.

The parties have signed this Agreement on the date stated in the first paragraph.

**WE:**

**YOU:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_  
Name of corporation or limited liability company

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT F  
TO FRANCHISE AGREEMENT**

**ALTERNATIVE SUPPLIER ADDENDUM**  
**(Conversion Franchise)**

This Alternative Supplier Addendum (“Addendum”) is entered into this \_\_\_\_\_, 20\_\_\_\_, by and between Inter-State Studio Franchise, LLC, a Delaware limited liability company (“we” or “us”), and \_\_\_\_\_ a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_ (“you”).

**INTRODUCTION**

A. You are the owner of an independent photography business (the “Prior Business”) that offers and sells school photography services and products, and such other products and services offered and sold by Inter-State Studio businesses.

B. You now wish to convert your Prior Business to an Inter-State Studio franchised business.

C. Contemporaneously with the execution of this Addendum, you and we are entering into that certain franchise agreement (the “Franchise Agreement”), pursuant to which you are granted the right and undertake the obligation to open and operate an Inter-State Studio franchised business (the “Business”) in the geographic area more fully described in the Franchise Agreement (the “Territory”).

D. You have requested the right to use designated third-party suppliers in connection with offering and selling certain approved programs as a part of your Business, and we are willing to approve your request, subject and pursuant to the terms and conditions of this Addendum.

**AGREEMENTS**

1. **Background; Defined Terms.** The recitals set forth above are incorporated in this Addendum as if fully set forth herein. All capitalized terms contained in this Addendum not defined herein will have the same meaning as provided in the Franchise Agreement.

2. **Protected Accounts.**

a. You represent and warrant that immediately before executing the Franchise Agreement, your Prior Business had an existing contractual relationship with the following accounts:\_\_\_\_\_

b. You further acknowledge and agree that the list of accounts described in this Section 2 of this Addendum (the “Protected Accounts”) consists of all of the accounts that your Prior Business had an existing contractual relationship with immediately before executing the Franchise Agreement.

3. **Approved Programs for Alternative Suppliers.** Subject to the terms of this Addendum, you shall have the right to use Alternative Suppliers (as defined in Section 4 below) for your Business in connection with offering and selling Products for the following types of Services (collectively, “Approved Programs”):\_\_\_\_\_.



4. Alternative Suppliers. Subject to the terms of this Addendum, you are permitted to offer and sell Products from the following third-party suppliers for the respective Approved Programs listed below (“Alternative Suppliers”):

- a. [Insert Approved Program]:
  - i. [Insert Alternative Supplier]
  - ii. [Insert Alternative Supplier]
  - iii. [Insert Alternative Supplier]
- b. [Insert Approved Program]:
  - i. [Insert Alternative Supplier]
  - ii. [Insert Alternative Supplier]
  - iii. [Insert Alternative Supplier]

5. Fees.

a. Protected Accounts: You shall not be obligated to pay us any Management Fees or Marketing Fees on Gross Revenue that you generate from using Alternative Suppliers for Approved Programs by Protected Accounts.

b. New, Assigned or Transferred Accounts: In lieu of paying us Management Fees and Marketing Fees, you shall pay us a fee equal to 5% of your Gross Revenue generated by your Business in the immediately preceding calendar month on Gross Revenue that you generate from using Alternative Suppliers for Approved Programs by (i) Accounts that you acquired after the Effective Date of your Franchise Agreement, (ii) Transferred Accounts, and (iii), if applicable, all Accounts that we sold to you upon signing your Franchise Agreement (the “Deviation Fee”).

6. Reports. Contemporaneously with the payment of your Deviation Fee and at any other time upon our request, you must provide us with a Gross Revenue report with respect to Gross Revenue that you generated through Alternative Suppliers, copies of all invoices, reports, and other documentation from Alternative Suppliers, and such other information that we may require, for the immediately preceding calendar month, in the form and manner that we prescribe.

7. Revocation of Right. Notwithstanding anything in this Addendum to the contrary, we may immediately revoke your right to use any Alternative Suppliers for any Approved Programs at any time upon written notice to you in the event that: (i) you are in breach of this Addendum or your Franchise Agreement; or (ii) if we determine, in our sole and reasonable discretion, that the use an Alternative Supplier is not to the benefit of, or impairs or otherwise is prejudicial to the goodwill associated with, the Inter-State Studio® System or Marks.

8. Limited Franchisor Support for Alternative Suppliers. You acknowledge and agree that by using an Alternative Supplier, we are not required to, and we do not intend to, provide certain services to you and your customers in connection with Products and Services offered or sold through Alternative Suppliers, including, without limitation, customer support (including use of our call center), technical support, training, samples, digital proofs, access to certain systems and infrastructure, and other services.

9. Non-Assignable. The rights granted to you under this Addendum are personal in nature, and you may not assign this Addendum or the rights granted under it. You acknowledge and agree that this Addendum will automatically terminate upon your transfer or assignment as described in Section 14 of the Franchise Agreement.

10. Entire Agreement. Except as specifically provided in this Addendum, all of the terms, conditions and provisions of the Franchise Agreement will remain in full force and effect as originally written and signed. All dispute resolution provisions described in the Franchise Agreement, including, without limitation, those with respect to mediation, arbitration, governing law, venue, and attorneys' fees are hereby incorporated by reference as if fully set forth herein.

The parties have signed this Addendum on the date stated in the first paragraph.

**WE:**

**YOU:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_  
Name of corporation or limited liability company

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT C**

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

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	Office of the New York State Attorney General Investor Protection Bureau, Franchise Section	28 Liberty Street, 21st Floor New York, New York 10005 212-416-8236 Phone 212-416-6042 Fax
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	Virginia State Corporation Commission Division of Securities and Retail	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219-3630
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760  Department of Financial Institutions Securities Division PO Box 41200 Olympia, WA 98507
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT D**  
**STATE ADDENDA**

## CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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 DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS 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).

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

### Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the 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.

### Item 5, Additional Disclosure:

Franchisor shall postpone the payment of the franchise fee until all of its pre-opening obligations have been met and the franchisee is open for business.

### Item 6, Additional Disclosure:

The highest interest rate allowed by law in California is 10% annually.

### Item 17, Additional Disclosures:

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 there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

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

The franchise agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

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

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

The franchise agreement requires binding arbitration. The arbitration will occur in Missouri with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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 franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Exhibit I, Additional Disclosure:

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.

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.

## CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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 there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement requires application of the laws of Missouri. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Missouri with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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 Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Franchisor shall postpone the payment of the franchise fee until all of its pre-opening obligations have been met and the franchisee is open for business.

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.



2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

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

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

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

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

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

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

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

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

## ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

### Item 5, Additional Disclosures.

Payment of Initial Franchise Fees will be deferred until we have met our pre-opening obligations to you, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial condition.

### Item 17, Additional Disclosures. The following statements are added to Item 17:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

### Franchisee Acknowledgment / Compliance Certification:

The representations under this Franchise Acknowledgment/Compliance Certification are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act.

### Exhibit I, Additional Disclosure:

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.

## ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of initial franchise fees will be deferred until we have met our pre-opening obligations to you, and you have commenced doing business.

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.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

### Item 5

Payment of the initial franchise fee is deferred until such time as the franchisor completes its pre-opening obligations and franchisee is open for business.

### Item 17, Additional Disclosures:

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

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

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

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

### Franchisee Acknowledgment / Compliance Certification:

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

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.

## MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

Payment of the initial franchise fee is deferred until such time as the franchisor completes its pre-opening obligations and franchisee is open for business.

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.

Section 22(A), Section 22(B), and Section 22(D) are deleted from the Franchise Agreement.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

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

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

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

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

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

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

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

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

## MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

### State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of 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 Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

### Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

### Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

### Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

### Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

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.



## MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

The Franchise Agreement contains a liquidated damages provision. This provision may not be enforceable under Minnesota law.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

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.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

### Cover Page, Additional Disclosure.

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 THE 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.

### Item 3, Additional Disclosure.

The last sentence in Item 3 is deleted and replaced with the following:

With the exception of what is stated above, the following applies 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 routing 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 Rev. April 18, 2023 2 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.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 5, Additional Disclosures.

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

Item 17, Additional Disclosures.

The following is added to the Summary sections of Item 17(c) and 17(m): 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 Section 687.4 and 687.5 be satisfied.

The Summary section of Item 17(d) is deleted and replaced with the following language: You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j): No assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

## NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

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

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

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

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

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

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

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

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

## NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

### Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

## NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

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

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

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

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

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

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

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

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



## RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure. The following statement is added to Item 17:

Section 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.”

**RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT**

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 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.”

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## SOUTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the South Dakota Franchise Investment Act, S.D. Codified Laws §§37-5B-53 – 37-5B-53 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

**SOUTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT**

To the extent the South Dakota Franchise Investment Act, S.D. Codified Laws §§37-5B-53 – 37-5B-53 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

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

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

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

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

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

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

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

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

## VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosure:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires franchisor to defer payment of the initial franchise fee and other payments owed by franchisee to franchisor until franchisor has completed its pre-opening obligations under the franchise agreement.

### Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

“According 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 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.”

### Exhibit I, Additional Disclosure:

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.

## VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

“According 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 ground for default or termination stated in the franchise 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.”

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires franchisor to defer payment of the initial franchise fee and other initial payments owed by franchisee to franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

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

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

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

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

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

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

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

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

## WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

### Item 17, Additional Disclosures:

For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**INTER-STATE STUDIO FRANCHISE, LLC**

\_\_\_\_\_

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

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

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

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

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

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

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

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



**EXHIBIT E**  
**GENERAL RELEASE FORM**

## FORM RELEASE OF CLAIMS

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL  
BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT.  
THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, Inter-State Studio Franchise, LLC (“we” or “us”), \_\_\_\_\_ (“you”) and \_\_\_\_\_ (“Guarantors”) enter into this Release of Claims (“Agreement”).

### **RECITALS**

- A. We and you entered into an Inter-State Studio Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”).
- B. [NOTE: Describe the circumstances relating to the release.]

### **AGREEMENTS**

1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
4. **Release of Claims.**

A. Definitions.

1. Franchisor Parties: We and each of our subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives.

2. Franchisee Parties: You and each of the Guarantors and all persons or entities acting on their behalf or claiming under them including each of their respective past and present corporate parents, subsidiaries, affiliates, owners, heirs, executors, administrators, managers, directors, officers, employees, trustees, agents, partners, business entities, attorneys, insurers, successors and assigns.

B. The Franchisee Parties irrevocably and unconditionally waive, release and forever discharge, and covenant not to sue, the Franchisor Parties of and from any and all claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence (collectively, “Claims”), that they may now have, or at any time heretofore had, or hereafter may have, against each or any of the Franchisor Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the [Effective Date] relating to the Franchise Agreement(s), the development or operation of the Business(s), the franchise relationship between the parties, the offer or sale of any franchise, or any agreement between any of the Franchisee Parties and any of the Franchisor Parties.

C. The Franchisee Parties specifically and expressly acknowledge and agree that the consideration accepted under this Agreement is accepted in full satisfaction of any and all injuries and/or damages that have previously arisen and which may hereafter arise respecting any of the claims being released.

D. The Franchisee Parties acknowledge that they have had a reasonable opportunity to consult with an attorney prior to signing this release and they have executed this release voluntarily. Also, the Franchisee Parties represent that they have not assigned or transferred to anyone any claims released by them under Section 4(B) above.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of \_\_\_\_\_ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

**FRANCHISOR:**  
**INTER-STATE STUDIO FRANCHISE, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISOR:**  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**PERSONAL GUARANTORS:**

\_\_\_\_\_  
  
\_\_\_\_\_

**EXHIBIT F**  
**PROMISSORY NOTE**

## PROMISSORY NOTE

\$ \_\_\_\_\_

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

FOR VALUE RECEIVED, the undersigned (the “**Maker**”), promises to pay to the order of Inter-State Studio Franchise, LLC (the “**Holder**”), at 3500 Snyder Ave Sedalia, MO 65301, or at such other place as the Holder may from time to time in writing designate, in lawful money of the United States of America, the principal sum of \$ \_\_\_\_\_ (“**Principal Balance**”), and to pay interest on the principal balance of this Note outstanding from time to time until this Note is fully paid at a fixed rate of \_\_\_\_\_% per annum (the “**Stated Rate**”).

This Note shall be paid in four (4) equal installments of \$ \_\_\_\_\_, with the first installment due on \_\_\_\_\_, 20\_\_\_\_, the second installment due on \_\_\_\_\_, 20\_\_\_\_, the third installment due on \_\_\_\_\_, 20\_\_\_\_, and the fourth installment due on \_\_\_\_\_, 20\_\_\_\_.

The Maker may prepay the Principal Balance in whole or in part at any time without penalty or premium. Any prepayment shall be applied first to accrued but unpaid interest and the remainder to principal.

Failure of the Maker to pay any principal or interest when due under this Note shall constitute a default. Upon the occurrence of a default, the Holder may, at its option, by notice in writing to the Maker, declare immediately due and payable the entire Principal Balance and all interest accrued thereon and the same shall thereupon be immediately due and payable without further notice or demand.

All interest paid or agreed to be paid hereunder shall, to the extent permitted by applicable law, be prorated, allocated and spread throughout the full stated term of this Note so that the rate or amount of interest payable hereunder does not exceed the maximum lawful rate of interest from time to time in effect.

The Maker waives presentment, dishonor, protest, demand, diligence, notice of protest, notice of demand, notice of dishonor, notice of nonpayment, and any other notice of any kind otherwise required by law in connection with the delivery, acceptance, performance, default, enforcement or collection of this Note and expressly agrees that this Note, or any payment hereunder, may be extended or subordinated (by forbearance or otherwise) at any time, without in any way affecting the liability of Maker.

Maker agrees to pay on demand all costs of collecting or enforcing payment under this Note, including attorneys’ fees and legal expenses, whether suit be brought or not, and whether through courts of original jurisdiction, courts of appellate jurisdiction, or bankruptcy courts, or through other legal proceedings.

This Note may not be amended or modified, nor shall any waiver of any provision hereof be effective, except only by an instrument in writing signed by the party against whom enforcement of any amendment, modification, or waiver is sought.

This Note shall be governed by and construed according to the laws of the State of Missouri.

If this Note is signed by more than one person as Maker, the term “Maker” shall refer to each of them separately and to both or all of them jointly and all such persons shall be bound both severally and jointly with the other(s).

No delay or omission on the part of the Holder in exercising any right hereunder shall operate as a waiver of such right or of any other remedy under this Note. A waiver on any one occasion shall not be construed as a waiver of any such right or remedy on a future occasion.

**[FRANCHISEE ENTITY]**

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

[Name]

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

and

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

\_\_\_\_\_, Individually

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

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

\_\_\_\_\_, Individually

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

**EXHIBIT G**  
**TRANSFERRED ACCOUNT PURCHASE AGREEMENT**

## TRANSFERRED ACCOUNT PURCHASE AGREEMENT

THIS TRANSFERRED ACCOUNT PURCHASE AGREEMENT (the "Agreement") is made effective as of [insert date] (the "Effective Date"), by and between Inter-State Studio & Publishing Co., a corporation incorporated under the laws of the State of Missouri (the "Seller"), and [insert company name], a [corporation/limited liability company] [incorporated or organized] in the State of [insert state] (the "Buyer"). Seller is an affiliate of Inter-State Studio Franchise, LLC, a limited liability company organized under the laws of the State of Delaware. Seller's principal place of business is 3500 Snyder Ave., Sedalia, MO 65301. Buyer is a franchisee of Inter-State Studio Franchise, LLC, and its principal place of business is [insert address].

### RECITALS

WHEREAS, the Seller desires to sell and assign, and the Buyer desires to purchase and assume, certain school customer accounts that the Seller currently maintains and services as part of its school photography and publishing business, under the terms and conditions set forth in this Agreement;

WHEREAS, the parties acknowledge the existence of a current franchise agreement between Inter-State Studio Franchise, LLC, and [company], dated [insert date], (the "Franchise Agreement");

WHEREAS, the Seller is not a party to the Franchise Agreement dated [insert date];

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Sale and Assignment of Accounts.** The Seller agrees to sell, and the Buyer agrees to buy, [insert number of accounts] school customer accounts, more specifically those described in Exhibit A attached hereto (the "Transferred Accounts"), for the total purchase price of [insert purchase price] (the "Purchase Price"). Subject to Buyer's payment of the Purchase Price to Seller, which must be paid contemporaneously with the execution of this Agreement, (a) Seller assigns to Buyer all of Seller's rights and interest in and to the Transferred Accounts, and (b) Buyer unconditionally assumes and accepts the assignment of the Transferred Accounts, and Buyer agrees to be bound by all duties, obligations, and liabilities thereunder. Buyer acknowledges and agrees that Seller did not have a formal agreement with the Transferred Accounts, and it will be Buyer's sole responsibility to work with and maintain a relationship with the Transferred Account.

2. **Integration into Franchise Territory.** The Seller agrees to work with Inter-State Studio Franchise, LLC, to assist with the Transferred Accounts being incorporated into the Buyer's existing or expanded territory to be serviced by the Buyer's Inter-State Studio franchised business as contemplated by the Franchise Agreement.

3. **No Guarantee.** The Seller makes no representations or guarantees regarding the financial performance of any Transferred Account or Buyer's ability to maintain a relationship and be an approved vendor with any Transferred Account.



4. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

5. **Counsel Review.** The Buyer acknowledges that it has the opportunity, and is encouraged, to have this Agreement reviewed by legal counsel of its choice.

6. **Entire Agreement.** This Agreement constitutes the entire, full, and complete agreement between the parties concerning the subject matter discussed herein. This Agreement may only be modified in a writing signed by all parties. This Agreement may be executed in more than one counterpart, each of which shall constitute an original copy.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the first date written above.

**SELLER:**

Inter-State Studio & Publishing Co.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BUYER:**

[Insert Buyer's Company Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT H

### LIST OF FRANCHISEES

List of Franchisees as of December 31, 2024:

Franchisee	Street Address	City	State	ZIP	Phone
Wingard Photography, Inc.	50 Short Street	Gassville	AR	72635	807-435-7427
See You Studios, LLC	1806 Concordia Drive	Tempe	AZ	85282	480-474-7741
BNC Images, Inc.	2560 Barbara Way	Turlock	CA	95380	209-480-8675
JDHoeper, LLC	4380 Wordsworth Circle N	Colorado Springs	CO	80916	719-749-6020
AHAIG, LLC	9316 Heritage Oak Court	Tampa	FL	33647	813-752-1000
Burke School Photography, LLC	1433 McCoy Dr	Edwardsville	IL	62025	618-570-5239
SN Photography, LLC	10971 Four Seasons Pl, Suite 200	Crown Point	IN	46307	219-682-4763
HD Photography, LLC	1051 N. Meadow Rd.	Valley Center	KS	67147	316-269-9700
South Shore Studio, Inc.	9 Sandwich Rd.	Plymouth	MA	02360	580-400-2221
Schnyder Photography, Inc.	2 Roos Hill Drive	Freeport	ME	04032	207-242-9137
Dragonfly Productions, Inc.	33790 Lipke St.	Clinton Township	MI	48035	586-557-2061
Memories Studios, LLC	2433 13 <sup>th</sup> St	Menominee	MI	49858	906-295-1474
Nostalgic Earth, LLC	3507 Ugstad Rd.	Hermantown	MN	55810	218-591-0646
High Mountain Photography, LLC	2327 Sturnella Lane	Belgrade	MT	59714	406-223-4839
SLR Photography, LLC	1159 Pittsford-Victor Rd, STE LL	Pittsford	NY	14534	585-310-7781
KBC Photo, LLC	108 Dubbs Lane	Butler	PA	16001	724-584-3181
Timberline Photography, LLC	5424 Timberline Trail	Rapid City	SD	57702	605-390-6716
Evann Andrea, LLC	14497 S. Stone Road	Herriman	UT	84065	307-287-2923

List of Franchisees that Left the System During the year ended December 31, 2024:

None.

**EXHIBIT I**  
**DISCLOSURE ACKNOWLEDGMENT AGREEMENT**

**DISCLOSURE  
ACKNOWLEDGMENT AGREEMENT**

As you know, Inter-State Studio Franchise, LLC (“we” or “Franchisor”) and you are entering into a Franchise Agreement for the operation of an Inter-State Studio franchised business (“Business”). The purpose of this Acknowledgment Agreement is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

**This Questionnaire does not apply to franchisees who intend to operate the franchised business in the State of California. Do not complete this Questionnaire or respond to any of the questions contained in the Questionnaire if you intend to operate the franchised business in the State of California.**

**Acknowledgments and Representations.**

1. Did you receive a copy of our franchise disclosure document (“FDD”) (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Yes \_\_\_\_\_ No \_\_\_\_\_
2. Did you sign a receipt for the FDD indicating the date you received it? Yes \_\_\_\_\_ No \_\_\_\_\_
3. If we materially altered the provisions of the Franchise Agreement (except as a result of negotiations you initiated), did you receive a copy of the Franchise Agreement at least 7 calendar days before signing it.? Yes \_\_\_\_\_ No \_\_\_\_\_
4. Have you personally reviewed our FDD, Franchise Agreement and related exhibits attached to them? Yes \_\_\_\_\_ No \_\_\_\_\_
5. Do you understand all of the information contained in the FDD, Franchise Agreement and related exhibits provided to you? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the disclosure document, Franchise Agreement and related exhibits do you not understand? (Attach additional pages, as needed.)

---

---

---

6. Do you understand that the Franchise Agreement contains a number of provisions that may affect your legal rights, including those with respect to the Business for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations? Yes \_\_\_\_\_ No \_\_\_\_\_
7. Have you reviewed the FDD and Franchise Agreement with an attorney, accountant, or other professional advisor and discussed the benefits and risks of establishing and operating the Business with these professional advisors? Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so? Yes \_\_\_\_\_ No \_\_\_\_\_

8. Do you understand that the success or failure of your Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors? Yes \_\_\_\_\_ No \_\_\_\_\_

9. Has anyone speaking on the Franchisor's behalf made any statement or promise to you concerning the revenues, profits or operating costs of an Inter-State Studio business operated by the franchisor (or its affiliates) or its franchisees that is different from the information contained in the FDD? Yes \_\_\_\_\_  
No \_\_\_\_\_
10. Has anyone speaking on our behalf made any statement or promise to you about the amount of money you may earn in operating the Business that is different from the information contained in the FDD? Yes \_\_\_\_\_ No \_\_\_\_\_
11. Has anyone speaking on our behalf made any statement or promise concerning the total amount of revenue your Business will or may generate that is different from the information contained in the FDD? Yes \_\_\_\_\_ No \_\_\_\_\_
12. Has anyone speaking on our behalf made any statement or promise regarding the costs you may incur in operating your Business that is different from the information contained in the FDD? Yes \_\_\_\_\_  
No \_\_\_\_\_
13. Has anyone speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating Business? Yes \_\_\_\_\_ No \_\_\_\_\_
14. Has anyone speaking on our behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance the Franchisor will provide to you (for example, concerning advertising, marketing, training, and support) that is different from the information contained in the FDD? Yes \_\_\_\_\_ No \_\_\_\_\_
15. Have you entered into any binding agreement with us concerning the purchase of this franchise before today? Yes \_\_\_\_\_ No \_\_\_\_\_
16. Have you paid any money to us concerning the purchase of this franchise before today? Yes \_\_\_\_\_  
No \_\_\_\_\_
17. If you have answered "Yes" to any of questions 9-16, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "no" to each of questions 9-16, then please leave the following lines blank.

---

---

---

---

---

---

---

18. Do you understand that the territorial rights you have been granted are subject to limitations and exceptions? Yes \_\_\_\_\_ No \_\_\_\_\_
19. Do you understand that we may eliminate your territory or terminate the Franchise Agreement if you fail to meet annual student attendance quotas? Yes \_\_\_\_\_ No \_\_\_\_\_

20. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise rights for the Business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Yes \_\_\_\_\_ No \_\_\_\_\_

21. Do you acknowledge and represent to Franchisor that (a) you or the entity that you form to be a franchisee will be the employer of all of your employees and will have sole discretion and authority to hire, fire, discipline, compensate and schedule working hours for, all of your employees; and (b) us and our affiliates will have no control, or right to control, any of the employment actions or decisions in your business? *We recommend that you retain employment law counsel to advise you with your employment issues and questions.* Yes \_\_\_\_\_ No \_\_\_\_\_

22. Do you understand that:

- a. this franchise business may be impacted by other risks, including those outside your or our control such as local, national or global economic, political or social disruption, such as the 2020 COVID-19 outbreak? Yes \_\_\_\_\_ No \_\_\_\_\_
- b. that such disruptions, and any preventative, protective, or remedial actions that federal, state, and local governments may take in response to a disruption may result in a period of business disruption, reduced customer demand, and reduced operations for Inter-State Studio business, and may require that we take actions that might not be contemplated under the Franchise Agreement? Yes \_\_\_\_\_ No \_\_\_\_\_
- c. the extent to which any such disruption impacts the Inter-State Studio system, and your franchise business, will depend on future developments which are highly uncertain and which we cannot predict? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please comment: \_\_\_\_\_  
\_\_\_\_\_

23. I signed the Franchise Agreement and Addenda (if any) on \_\_\_\_\_, 20\_\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.**

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

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

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

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

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

**PROSPECTIVE MARYLAND FRANCHISEES:**

\*Do not sign this Questionnaire if you are a Maryland resident, or the franchise is to be located in Maryland.

## **EXHIBIT J**

### **OPERATIONS MANUAL TABLE OF CONTENTS**

# OPERATIONS MANUAL

## Table of Contents - 1,929 Pages

- About Us – (10)
  - Plant Tour Video
  - Letter from Aric Snyder, Jr.
  - From Capture to Parent Video
  - ISS Story Show & Tell Video
  - 1933 - Present Day Milestones
  - 2023 Inter-State Studio 90<sup>th</sup> Anniversary
    - Podcast Part 1
    - Podcast Part 2
- Legal (2)
  - Confidential and Proprietary
  - Disclaimer
- Requirements (77)
  - Insurance
  - Branding Guidelines
  - Criminal Background Check
  - Customer Service
  - Data Retention Policy
  - Drug & Alcohol Policy
  - Equipment Repair SOP
  - Image Direct Marketing – Data Repair Policy
  - Invoiced Revenue
  - No Touch Posing Policy
  - Outside Sales Detail Report
  - Rebooking Reporting
  - Tax Reporting
  - Territory Infringement Policy
- Operations - (745)
  - Office Operations (343)
    - Company Support - 10
    - Customer Service -12
    - Guy Processes -247
      - Guy Updates – 2
    - Special Events – 72
    - Sport Processing - 25



- Non GUY Work Orders - 45
  - InfoSpot - 28
  - Email Communication - 181
  - Resources Sites & Links - 335
- Photography Operations (165)
  - Fall Prep & Equipment
  - Training
    - Fall Training
    - Retake Training
    - Spring Training
    - Sports & Group Photography
    - Milestone Photography
    - Panoramic Photography
    - Photo Booth
    - Prom & Dance
  - Week in Focus
  - Job Bags
  - Photography Binders
  - Camdex Training
    - Camdex Updates
- Yearbooks (210)
  - Who is my Representative -
  - Organization
  - GUY Process
  - Pricing Calculator
  - New Programs
  - Plc Books
  - Pixami
  - Yearbook Covers
  - Communication
- Sales (165)
  - Product Knowledge Slides

**EXHIBIT K**  
**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:

<b>State</b>	<b>Effective Date</b>
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Wisconsin	Pending

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

**EXHIBIT L**

**RECEIPT**

## RECEIPT

### (Your Copy)

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

If Inter-State Studio Franchise, LLC offers you a franchise, Inter-State Studio Franchise, LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Inter-State Studio Franchise, LLC or its affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If Inter-State Studio Franchise, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit C.

Issuance Date: March 18, 2025

The franchisor is Inter-State Studio Franchise, LLC, located at 3500 Snyder Ave, Sedalia, MO 65301. Its telephone number is 660-826-1766.

Inter-State Studio Franchise, LLC's franchise sellers involved in offering and selling the franchise is Aric Snyder Jr., or Chad Schnyder, 3500 Snyder Ave, Sedalia, MO 65301, 660-826-1766, or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:\_\_\_\_\_

Inter-State Studio Franchise, LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for Inter-State Studio Franchise, LLC in the particular state.

I have received a disclosure document with an issuance date of March 18, 2025, that included the following Exhibits:

- |  |   |
|--|---|
| A. Financial Statements  | G. List of Franchisees                    |
| B. Franchise Agreement (and Exhibits)                          | H. Transferred Account Purchase Agreement |
| C. List of State Administrators, Agents for Service of Process | I. Disclosure Acknowledgment Agreement    |
| D. State Addenda   | J. Operations Manual Table of Contents    |
| E. General Release Form  | K. State Effective Dates                  |
| F. Promissory Note   | L. Receipt                                |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Entity))

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

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

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Individuals))

Signature \_\_\_\_\_

## RECEIPT

### (To Send to Inter-State Studio Franchise, LLC)

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

If Inter-State Studio Franchise, LLC offers you a franchise, Inter-State Studio Franchise, LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Inter-State Studio Franchise, LLC or its affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If Inter-State Studio Franchise, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit C.

Issuance Date: March 18, 2025

The franchisor is Inter-State Studio Franchise, LLC, located at 3500 Snyder Ave, Sedalia, MO 65301. Its telephone number is 660-826-1766.

Inter-State Studio Franchise, LLC's franchise sellers involved in offering and selling the franchise is Aric Snyder Jr. or Chad Schnyder, 3500 Snyder Ave, Sedalia, MO 65301, 660-826-1766, or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:\_\_\_\_\_

Inter-State Studio Franchise, LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for Inter-State Studio Franchise, LLC in the particular state.

I have received a disclosure document with an issuance date of March 18, 2025, that included the following Exhibits:

- |  |   |
|--|---|
| A. Financial Statements  | G. List of Franchisees                    |
| B. Franchise Agreement (and Exhibits)                          | H. Transferred Account Purchase Agreement |
| C. List of State Administrators, Agents for Service of Process | I. Disclosure Acknowledgment Agreement    |
| D. State Addenda   | J. Operations Manual Table of Contents    |
| E. General Release Form  | K. State Effective Dates                  |
| F. Promissory Note   | L. Receipt                                |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Entity))

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

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Individuals))

Signature \_\_\_\_\_

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Chad Schnyder at [cschnyder@inter-state.com](mailto:cschnyder@inter-state.com).