FRANCHISE DISCLOSURE DOCUMENT
FRANLOGIC SCOUT DEVELOPMENT, LLC
a Pennsylvania limited liability company
640 Freedom Business Center Drive, Suite 131
King of Prussia, PA 19406
610-768-0114
info@scoutandmollys.com
www.scoutandmollys.com

The Franchisee will own and operate a business offering women's clothing, jewelry, handbags and accessories in brick and mortar retail location. Franchisor, FRANLOGIC SCOUT DEVELOPMENT, LLC, provides services to Franchisees including assistance with training, operations, advertising, purchasing and promotional techniques.

The total investment necessary to begin operation of a Scout & Molly's franchise is between $319,000 and $388,000. This includes $70,000 that must be paid to the franchisor or its affiliate. We also offer multi-unit franchises, where you can purchase the right to develop between two (2) to five (5) units. The total investment necessary to begin operation of a Scout & Molly's multi-unit franchise is between $353,000 to $502,000. This includes $110,000 to $190,000 that must be paid to the franchisor or its 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, 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 availability of disclosures in different formats, contact the Franchise Administration Department of FRANLOGIC SCOUT DEVELOPMENT, LLC, 640 Freedom Business Center Dr., Suite 131, King of Prussia, PA 19406. The phone number for FRANLOGIC SCOUT DEVELOPMENT, LLC is 610-768-0114.

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 contracts 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 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: April 30, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	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 Exhibits C and D.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Scout & Molly's Business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Scout & Molly's franchisee?	Exhibits C and D list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 E.

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. **<u>Out-of-State Dispute Resolution</u>.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Pennsylvania. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Pennsylvania than in your own state.

2. **<u>Financial Condition</u>.** 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.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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EXHIBITS

ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

THE FRANCHISOR

To simplify the language in this Disclosure Document, "we," "SCOUT & MOLLY'S," or "us" means FRANLOGIC SCOUT DEVELOPMENT, LLC. "You" means the person or company that buys the franchise, including, if any, such company's owners, partners, members, controlling shareholders, and guarantors. We were formed as a Pennsylvania limited liability company on March 4, 2014. Our principal business address is 640 Freedom Business Center Drive, Suite 131, King of Prussia, PA 19406.

Our sole business since inception is selling Scout & Molly's Franchised Businesses and providing training and other services to Scout & Molly's Franchisees. We have never sold franchises of any other kind. We do business and intend to do business under the names SCOUT & MOLLY'S.

We began selling franchises being offered in this disclosure document on May 16, 2014. We are not currently engaged in any other business activities and have never offered franchises in any other line of business. Neither we nor any of our predecessors, our parent, or affiliates has ever offered franchises other than in connection with Scout & Molly's Franchised Businesses.

PARENTS, PREDECESSORS, AND AFFILIATES

We were organized to acquire, directly or indirectly, substantially all of the assets of our predecessors, SCOUT & MOLLY'S FRANCHISE ORGANIZATION, LLC, a North Carolina limited liability company, and SCOUT & MOLLY'S INCORPORATED, a North Carolina corporation, both with an address of 421 Fayetteville Street, One Bank of America Plaza, Suite 1100, Raleigh, North Carolina 27605, pursuant to a Contribution Agreement dated as of March 7, 2014 (as may be amended, supplemented or modified, the "Contribution Agreement").

SCOUT & MOLLY'S, INCORPORATED was originally formed as a North Carolina limited liability company on January 23, 2002 under the name SCOUT & MOLLY'S LLC. On May 25, 2005, SCOUT & MOLLY'S, INCORPORATED was converted to a North Carolina corporation.

Both SCOUT & MOLLY'S FRANCHISE ORGANIZATION, LLC and SCOUT & MOLLY'S, INCORPORATED are owned by Ed Samane. Previously, from 2008 to 2013, SCOUT & MOLLY'S, INCORPORATED and SCOUT & MOLLY'S FRANCHISE ORGANIZATION, LLC offered licenses for operating retail locations using our trademarks and we treat those licensees as franchisees for purposes of this disclosure document except that such licensees may have different obligations and responsibilities subject to their license agreements. On March 7, 2014, these license agreements were assigned to us. FRANLOGIC SCOUT DEVELOPMENT, LLC has never offered franchises in any other business.

Our affiliate, FRANLOGIC CORPORATION, is a franchise development company in the business of growing, marketing and developing different franchise concepts including the SCOUT & MOLLY'S system owned by us. Its address is 640 Freedom Business Center Drive, Suite 131, King of Prussia, PA 19406.

Our affiliate, 76 Franchise Group LLC, dba 76 Fence, is a franchisor company that has been offering franchises that sell, furnish, and install wood, steel, aluminum, and vinyl fencing for residential and commercial customers. There is currently one company-owned location in the 76 Fence system in the United States. 76 Fence has been offering franchises since January 2024. Its principal business address is 640 Freedom Business Center Drive, Suite 131, King of Prussia, PA 19406.

We operate no businesses of the type being franchised. SCOUT & MOLLY'S, INCORPORATED formerly owned one retail store of the type we franchise located in Raleigh, North Carolina, but this location closed in 2021.

We have no parent companies at this time.

Exhibit E lists our agent for service of process in your state.

THE FRANCHISE OFFERED

As a Scout & Molly's Franchisee, you will own and operate a retail store selling women's clothing jewelry, handbags, shoes and accessories. Scout & Molly's Franchised Businesses are characterized by a unique system that includes: distinctive designer relationships, distinctive design, décor, color scheme, and furnishings; hardware and software programs; standards, specifications, and procedures for operations; training and assistance; and advertising and promotion programs; all of which we may improve, amend, and further develop from time to time, including adding or removing product offerings, (the "Franchised Business"). You are required to purchase inventory and certain supplies such as business cards, bags and other exclusive items from us, designers and vendors we select. The typical Franchised Business is operated in leased space consisting of 1,000 to 1,200 square feet located in shopping centers or shopping malls (the "Premises"). If you purchase a Franchised Business, pursuant to the terms of a Franchise Agreement, you will be entitled to a protected territory.

You will compete with other national chains of retail clothing and accessory stores, direct marketing businesses and other independent or franchised boutiques. Your ability to succeed with this franchise will in part be determined by your ability to compete with these other businesses.

There are no regulations known to us specific to the operation of a retail business of this type. However, state and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your business, including those that (a) establish general standards, specifications, and requirements for the construction, design, and maintenance of the premises; (b) regulate matters affecting the health, safety, and welfare of your customers, restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate the proper use, storage, and disposal of waste, insecticides, and other hazardous materials; (f) govern labor practices for your employees; and (g) regulations governing the application of the Affordable Care Act. The Americans with Disabilities Act also may apply to the operation of your business. You should investigate whether there are regulations and requirements that may apply to the geographic area in which you are interested in locating your franchise and should consider both the effect and cost of compliance. You may employ salaried help and/or independent contractors and will be required to observe general employment laws and regulations.

MULTI-UNIT OFFERING

We also offer qualified individuals the right to open and operate up to three (3) Franchised Businesses within a defined geographical area (the "Designated Marketing Area") by: (i) executing our current form of development agreement (the "Development Agreement") attached as Exhibit J to this Disclosure Document; and (ii) paying our then-current development fee upon execution of your Development Agreement, which will depend on the number of stores you agree to open (the "Development Fee"). This Development Fee represents a significant discount from the total Initial Franchise Fees you would otherwise be required to pay to open multiple stores without entering into a Development Agreement.

You must enter into our then-current form of Franchise Agreement for each of the stores you open under the Development Agreement, and you must execute the Franchise Agreement for your initial store contemporaneously with the execution of your Development Agreement. You must then ensure that you open and commence operations of each additional store in the Designated Marketing Area according to the schedule and timeline designated by us (the "Development Schedule").

ITEM 2. BUSINESS EXPERIENCE

Ed Samane, Chief Executive Officer.
Chief Executive Officer: March 2017 to present.
Chief Executive Officer for 76 Franchise Group LLC: June 2023 to Present.
Co-Chief Executive Officer for FranSave LLC: January 2019 to November 2023.
Chief Executive Officer of Pro Martial Arts Franchise Corporation (King of Prussia, PA): January 28, 2008 to present.

Michael Mercado, Chief Operating Officer
Chief Operating Officer: April 2024 to present.
Chief Operating Officer, Presto Fast Italian, April 2023 to April 2024.
Vice President of Operations, Code ninjas, August 2022 to April 2023.
Vice President of Operations, Soccer Shots, January 2018 to August 2022.

Howard Soloway, Director of Finance
Director of Finance: March 2014 to present.
Director of Finance for Pro Martial Arts Franchise Corporation (King of Prussia, PA): January 28, 2008 to present.
CEO, Principal at Titanium Wealth Advisors, LLC (West Chester, PA): June 2014 to present.

Steve Pruitt, Senior Director and Chief Retail Officer
President of Retail, January 2015 to Present.
CEO, Black's Consulting, Inc. (Hampden, PA): 2004 to present.

John Simon, Vice President of Operations
Vice President of Operations August 2024 to present.
Executive Vice President, April 2014 to August 2024.
Chief Operations Officer, December 2017 to July 2021.

Judimarie Thomas, Vice President of Marketing and Communications
Vice President of Marketing and Communications, July 2022 to present.
Director of Marketing and Administration, FranSave, LLC, July 2018 to November 2023.

Melissa Novel, Vice President of Merchandising
Vice President of Merchandising, April 2019 to present.

ITEM 3. LITIGATION

Scott Holdings, Inc. v. FranLogic Scout Development, LLC, et.al. (U.S. District Court, Northern District of California, 3:16-CV-5317-JCS). Scott Holdings, Inc. purchased a multi-unit franchise to develop three Scout & Molly's locations in California. Scott Holdings, Inc. filed suit against franchisor and its officers and directors alleging violations of the California Franchise Investment Law, seeking rescission of the multi-unit development agreement and franchise agreement and other monetary damages, due alleged misleading and false advertising of the franchise opportunity. On June 6, 2018, the San Francisco Division of the United States District Court for the Northern District of California entered a stipulated judgment wherein Franchisor agreed to pay to the plaintiff a principal sum of $240,000, with interest, and the parties entered into a general release.

PeopleShare, LLC v. Scout and Molly's Boutique (Court of Common Pleas of Montgomery County, Pennsylvania, No. 2018-06889. (2018). On April 9, 2019, PeopleShare LLC, brought an action against FranLogic Scout Development, LLC and FranLogic Corporation (collectively "FranLogic") claiming breach of an oral contract, unjust enrichment and quantum meruit in connection with FranLogic's alleged failure to pay wages owed to two temporary employees placed by PeopleShare, which is a staffing company, pursuant to an oral contract between the parties. PeopleShare demanded $50,000 in damages, plus attorneys' fees, costs and interest. FranLogic disputed the claims due to the lack of a written contract between the parties. On November 7, 2019, the case was discontinued in the Court because it was sent to arbitration. On June 21, 2022, the arbitrator ordered that the defendants pay to plaintiff an amount of $48,112.90. On July 28, 2022, the parties entered into a settlement agreement whereby FSD agreed to pay the amount of the arbitration award in installment payments in lieu of PeopleShare taking any collection action on the judgment. This action took place under the management of the previous president. Mr. Samane was not part of the previous management and did not contract the PeopleShare relationship.

Lisa Kornstein Kaufman, et al. v. Edward Samane, et al. (Court of Common Pleas of Montgomery County, Pennsylvania, Case No. 2018-28243). On December 13, 2018, Kornstein, a former owner of the Scout & Molly's franchise system, brought a lawsuit against Ed Samane, FranLogic Corp., Pro-Martial Art Franchise Corporation, the Crush Agency, LLC, FranLogic Kiawah, LLC, ZorHoldings, LLC, Mr. Thomas Kent (acting as trustee to a trust of Mr. Samane), and FranLogic Scout Development, LLC, alleging breach of fiduciary duty, breach of contract, tortious interference with contractual relations, voidable transactions, fraud, negligent misrepresentation, unjust enrichment, conversion, civil conspiracy, and failure to provide accounting and records. Kornstein sought damages of at least $800,000, recovery of all voidable transactions, judicial dissolution, rescission of certain contracts, punitive damages, attorneys; fees and costs, judgment interest, and declaratory relief. On June 14, 2022, the parties agreed to settle the claims, which included a payment of $312,500 to Kornstein by the defendants, a release of $200,000 that was previously owed by FranLogic Corporation to Kornstein, and Samane acquiring Kornstein's outstanding equity shares in FranLogic Scout Development, LLC as part of the settlement.

No other litigation is required to be disclosed in this item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5. INITIAL FEES

The Initial Franchise Fee for your franchise is $60,000. The entire Initial Franchise Fee is due in lump sum upon execution of the Franchise Agreement and is non-refundable.

If you are granted the right to operate more than one Scout & Molly's Franchised Business then you will pay the following Development Fee, which is based on the number of Scout & Molly's Franchised Businesses you will operate:

Number of Scout & Molly's Franchised Businesses	Development Fee
2	$110,000
3	$140,000
4	$170,000
5	$190,000

The Development Fee is deemed fully earned upon execution of your Development Agreement, and is not refundable under any circumstances. Upon payment of your Development Fee, you will not be required to pay any additional Initial Franchise Fee under the Franchise Agreement(s) you enter into for each Franchised Business that you open under the Development Agreement.

You will also be required to pay to us a fee of $10,000 (opening assistance) for certain onsite, opening assistance that we will provide. This fee will be due to us 90 days prior to the opening of the Franchised Business. You are required to use us and our resources for these services.

All of the fees described in this Item are each payable in lump sum, unless we agree to an installment arrangement, in our sole discretion. All of the fees are non-refundable. All fees in this item are uniformly applied.

ITEM 6. OTHER FEES

Name of Fee (1)	Amount	Due Date	Remarks
Royalty	7% of Gross Sales	The royalties will be transferred via electronic funds transfer (EFT) weekly.	See Note 2 for definition of "Gross Sales."
Local Advertising Fees and Expenses	Combined amount of $1,000 per month	$200 of the monthly payment is made to us via EFT on the 1st of each month $800 of the monthly payment is made directly to our approved vendor placing advertising	Shall be paid directly to us or our approved vendor, as applicable. You place remaining advertising directly in approved mediums through our approved vendor.
Brand Development Fund	1% of Monthly Gross Sales	Payment made by EFT weekly.	Funds are used for marketing development and franchisee retail growth consultants for franchisees' businesses.
Transfer Fee	$7,500	When we approve franchise transfer.	Transfer fee shall be paid by Seller of franchise. Fee is earned when the transfer is approved and paid at closing.
Audit Fee	The cost of audit.	At once, if audit shows 3% or greater underpayment of any monthly fees due to Franchisor.	You also pay the underpayment, if any. We pay for the audit if underpayment is 3% or less.
Proprietary Software and POS User Fee	Approximately $450 per month, but subject to change based upon vendor pricing	Payment by the 1st of the month	POS User Fee payable to vendor
Collection and Interest Charges	18% per year or highest lawful rate, whichever is lowest.	Immediately if payments not made when due.	This charge is in addition to other remedies such as late payment fees.

Name of Fee (1)	Amount	Due Date	Remarks
Initial Training	No cost for up to three people trained at the same time; for each additional trainee $20 per hour per person with a minimum of 8 hours.	Prior to training	The business shall be managed full time by a person, identified to us who has undergone Initial Training. In addition, Franchisee remains responsible for paying own lodging, transportation, and food expenses incurred for all training. We will travel to your location for training if you pay our travel and lodging expenses.
Additional Training	Our then-current, per diem training fee, plus expenses. Our current per diem fee is $500	Prior to training	
New Supplier/Product Evaluation Fee	Actual Cost	On Demand	If requested by you, you will pay all fees and costs incurred by us to obtain the necessary information and evaluate designers and vendors prior to giving approval for new suppliers and products.
Unauthorized Supplier Fee or Failure to Attend a Required Event Fee	$1,000	On Demand	If you use any unapproved supplier without prior written consent of Franchisor. If you fail to attend any conference or event hosted by Franchisor in which your attendance is required.
Indemnification	Varies	Immediately upon receipt of invoice	You indemnify and hold us harmless from all damages (including reasonable attorneys' fees and costs, even if incident to appellate, post-judgment or bankruptcy proceedings), from claims brought by third parties involving your ownership or operation of your stores. This indemnity obligation continues in full effect after the expiration or termination of your Franchise Agreement.
Enforcement Costs	Varies	Immediately upon receipt of invoice	See Note 3.

Name of Fee (1)	Amount	Due Date	Remarks
Insurance Premium Reimbursement	Costs of the insurance, interest on the monies we advance and a reasonable fee	Immediately upon receipt of invoice	If you fail to maintain the insurance required by the Franchise Agreement, we may obtain the required insurance and charge you the cost of the insurance, interest on the monies we advance, and a reasonable fee for our efforts.
Insufficient Funds	$50 plus any fee charged Franchisor for uncollected funds	Upon notice	Failure to have sufficient funds available for payments to Franchisor.
Technology Fee	$300 subject to increase based upon vendor pricing	Monthly	Fee is payable to Franchisor or directly to supplier; includes JOOR platform and corporate website. Software and user fee varies based upon the number of franchisees purchasing the software and whether franchisee chooses to pay such fee in advance to vendor.
Fail to Provide Access Fee	$250 per month	Monthly	If you fail to provide us with access to your accounting software, we may charge a fee of $250 per month until you provide us with access. See Item 11.
Accounting Service Fee	$450 per month	Monthly.	Paid directly to our approved vendor.
Accounting Software Fee	$200 per month	Monthly.	Paid directly to our approved vendor. Franchisor must have access to this software and Franchisee must share all data with Franchisor upon its request, and, at least, each month.

NOTES:

1. All fees and expenses described in this Item 6 are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. All flat fees described in this Item 6 are subject to adjustment due to inflation. Unless we have noted differently, we may increase these amounts based upon changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees. Unless we have noted differently, all fees are uniformly applied to all franchisees.

2. "Gross Sales" means the entire amount of all of your revenues from the ownership or operation of your Store or any business at or about the Premises including the proceeds of any business interruption insurance and any revenues received from the lease or sublease of a portion of the Premises, whether the revenues are

evidenced by cash, credit, checks, services, property, or other means of exchange. Cash refunded and credit given to customers and receivables uncollectible from customers will be deducted in computing Gross Sales only to the extent that the cash, credit, or receivables represent amounts previously included in Gross Sales where Royalty Fees and Advertising Contributions were paid. Gross Sales are deemed received by you at the time the goods, products, merchandise or services from which they derive are delivered or rendered or at the time the relevant sale takes place, whichever occurs first. Gross Sales does not include sales taxes, nor does it include sales to other franchisees and company-owned businesses. Currently, royalties on gift cards are assessed when the gift card is redeemed, but this policy may be modified by Franchisor at any time, based upon vendor practices. In the event Franchisee uses a gross buying service such as Groupon or Living Social, gross sales shall include the total gross amount paid by the customer, whether or not such amount is ultimately paid to the Franchisee or the group buying service.

3. If any arbitration, legal action, or other proceeding is begun for the enforcement of your Franchise Agreement, or for an alleged dispute, breach, default, or misrepresentation, under any provision of your Franchise Agreement, the prevailing party is entitled to recover reasonable attorney's fees, arbitration/court costs and all expenses even if not taxable as court costs. If we engage legal counsel for your failure to pay when due any monies owed under your Franchise Agreement or submit when due any reports, information or supporting records, or for any failure otherwise to comply with your Franchise Agreement, you must reimburse us for all of the Enforcement costs we incur.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
SINGLE UNIT FRANCHISE

Type of Expenditure	Amount (1)		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
(a) Initial Franchise Fee	$60,000	$60,000	Immediately available funds	Franchise fee is due on signing franchise agreement	Franchisor
(b) Opening inventory; branded bags, promotional items (2)	$45,000	$60,000	Vendor terms	Within 0-30 days of order	Approved vendors
(c) Lease (3)	$12,000	$20,000	Landlord's terms. Based on estimate of 1,000 – 1,200 square foot space	Landlord's terms	Vendor and contractors
(d) Upfit, furniture, signage, and fixtures (4)	$94,000	$129,000	Vendor Terms	Vendor Terms	Vendor and contracts
(e) Equipment, POS applications, software, web based	$4,000	$6,000	As required by supplier	Varies depending on contract with supplier	Approved vendors

Type of Expenditure	Amount (1)		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
memberships and telephones (5)					
(f) Deposits and Licenses (6)	$500	$7,500	As required by landlord of Company	Usually before opening	Landlord, utilities, phone company, Gov't. authorities
(g) Training Expenses	$1,500	$3,500	As required by servicer	Before opening	Air, travel, hotels, meals, incidentals
(h) Opening Assistance (7)	$10,000	$10,000	Lump Sum	90 days before opening	Franchisor
(i) Initial Marketing	$6,000	$6,000	As incurred	$5,000 at time of lease signing; $1,000 on the first day of the month you open	Approved vendors
(j) Additional Funds – 3 months (8)	$70,000	$70,000	As incurred	As Incurred	Vendors, employees, utilities, landlord, suppliers, tradesmen, city, county
(k) Construction Project Management Fee	$16,000	$16,000	As incurred	As incurred	Approved vendor
Total	**$319,000**	**$388,000**			

YOUR ESTIMATED INITIAL INVESTMENT
MULTI-UNIT FRANCHISE AGREEMENT

ITEM	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
(a) Initial Fee	$110,000 to $190,000	Immediately available funds	Upon execution of the Franchise Agreement	Franchisor
(b)-(j)	$243,000 to $312,000	As stated in the above chart.	As stated in the above chart.	As stated in the above chart.
TOTAL	**$353,000 to $502,000**			

NOTES:

1. Unless otherwise specified, each payment is non-refundable and neither we, nor any of our affiliates,

finance the fees and costs listed in this table.

2. The inventory estimate is for an initial supply of inventory. As inventory is used, more inventory will need to be purchased with the capital allocated to inventory.
3. These estimates are for three months' rent.
4. These estimates are for a leased space that is or is close to a "vanilla box" at the time of leasing. These are expenses to improve the space to brand-specific standards. Furnishings and fixtures include, but may not be limited to, vintage mirrors, shelves, bar, stools, table, cases, hooks, hangers, jewelry necks, mannequin, display lights, etc.
5. You are required to use a particular Point of Sale system and related hardware and software. Other equipment includes credit card processor, computer, printer, price tagging gun, money drawer, jewelry tools, etc. The costs for this equipment are included in the high-end estimate.
6. Market conditions will dictate whether landlord can obtain last month's rent and security deposit up front.
7. We will provide, for a fee paid, certain onsite opening assistance. You must use our resources for those services.
8. You will need additional funds during the start-up phase of your business to pay employees, purchase supplies and insurance, and pay other expenses. We estimate the start-up phase to be 3 months from the date you open your business. These amounts do not include any estimates for debt service. You must also pay the royalty and other related fees described in Item 6 of this Disclosure Document. These figures are estimates and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience and business acumen. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. We relied upon the experience of our existing franchisees and our founder as reported to us. You should review these figures carefully with your business advisor.
9. Initial Fee includes onsite staff coaching, merchandising, display set up and fashion collection creation.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

A. Authorized Vendors. You must purchase all supplies and equipment you use in the Franchised Business from us or from vendors we approve. For example, you may not use group buying services such as Groupon or Living Social without our prior approval. You will be required to purchase certain promotional items, bags and other branded supplies from us at our then-current published prices.

You must purchase the merchandise you sell from the vendors we authorize or approve. You will purchase your merchandise from our then-current list of authorized designers and vendors. You will select the particular merchandise you purchase from each vendor. Other than providing a list of authorized vendors, we do not issue specifications and standards regarding the inventory you must purchase to you or to the vendors. We do not derive any revenue from sales by vendors to you. In some instances, some vendors may be unavailable to you, for example, if they already have an exclusive distributor in that territory. Additionally, retail stores may be restricted from using some vendors due to the vendor's existing market presence either by us or by the vendor due to the vendor's existing market presence. We do not guarantee the availability of any vendor to your store.

You are required to purchase the point-of-sale system and such related hardware, software and other related electronic and office equipment as we require. You are also required to use our designated accounting software and accounting services vendor. Franchisor must have independent access to your computer system, accounting software and credit-card processing software. Although we are not currently an approved vendor, in the future, certain POS hardware or software may be required to be purchased from us. In addition, you may be required to pay an authorized vendor a monthly technology fee for support and maintenance of your POS system among other equipment as well as an additional amount for digital marketing and associated tasks to be paid to our authorized vendor or directly to us.

You must purchase certain branded logo items and promotional items from our approved suppliers.

You are required to use our resources for certain onsite opening assistance.

Other than as described above, neither we, nor any affiliate or our owners are currently approved suppliers or own an interest in any other approved supplier. However, we reserve the right to do so in the future.

If you do not own your business premises, we must approve your lease. It is your responsibility to select your own location. We have the right to require you and your landlord to provide in the lease that we shall have the right at our option and without compensation to you to take assignment of the lease should you materially default under the lease or should your franchise terminate or not be renewed for any reason. You are not allowed to relocate the business premises without our prior written approval. We do not derive any income based on any purchase or lease required of any Franchisee.

We will designate a vendor who will provide, for a fee to the franchisee, certain site selection and lease negotiation assistance. You must use our designated vendor for those services.

We do not derive any revenue based on any lease required of any Franchisee.

We may negotiate purchase agreements with suppliers and vendors, including price terms, for the benefit of the franchisees; however, we are not required to do so.

We do not provide Franchisees with any material benefits based upon a Franchisee's use of approved suppliers.

The amount of all required purchases of products and services that meet standards and specifications will represent approximately 51% to 60% of your overall purchases in opening the franchise and less than 10% to 20% of your overall purchases in operating the franchise.

As of the issuance date of this disclosure document, no purchasing or distribution cooperatives exist. However, we reserve the right to create such cooperatives and to require your participation in them.

B. Method of Approving Suppliers. If you want to use a supply or equipment source that we have not approved, you must comply with our then-current approval process as set forth in the Operations Manual. You may not contract with alternative suppliers who meet our criteria without first obtaining our written approval. Currently, for approval of merchandise, you must first submit to us information on the vendor, including contact information, and photographs of the relevant merchandise. You must pay for any costs we incur in gathering the necessary information and/or assessing the fitness of a supplier. We will evaluate the proposed product by factors including design, appearance, product and vendor reliability, durability, and compatibility with our image. We will advise you in writing of our decision within forty-five (45) days. Any request not approved within forty-five (45) is deemed unapproved. We impose these restrictions to safeguard the integrity of both the Franchise System and our trademarks. Approval of any supplier may be revoked by us at any time, and will be communicated to franchisees in the Operations Manual or other written communication.

C. Unauthorized Suppliers. Where we have designated only one approved supplier, you must use that supplier. Not purchasing your business's equipment, inventory, computer hardware and software, merchandise, or any other items where we have designated an approved supplier, would put you in violation of the Franchise Agreement.

D. Revenue Derived. Some third-party vendors/suppliers pay us a rebate or any other consideration in connection with required franchisee purchases. We derive revenue from franchisees' purchase of branded/logo bags and other items from our designated vendors. In the fiscal year ending December 31, 2024, we received $5,568.80, which is less than 1% of our total revenue of $1,198,883.00, from franchisees for required purchases.

We do not presently require franchisees to enter into leases for required goods or services. We reserve the right to receive compensation from suppliers for creating or maintaining purchasing relationships. If we create an arrangement with an approved supplier where the approved supplier pays to us rebates or other compensation based on purchases by our franchisees, we cannot estimate the amount of these potential rebates or payments. If we receive these rebates or payments, there will be no restriction on our use of these monies.

E. Required Purchase Percent of Revenue. You are required to purchase your inventory and products you sell in the Store from suppliers that are authorized and approved by us. The cost as a percentage of revenue will vary depending on the product mix you sell to your clients, the revenue achieved by your business, and your business's cost structure. In the future, we may have other approved suppliers where we receive no compensation from your relationship with them.

F. Warranty and Customer Service Requirements. Our franchisees guaranty the satisfaction of our customers. Therefore, if a customer complains about any aspect of their experience, we have established certain procedures you are required to follow to resolve the concern, which could result in discounting merchandise or providing discounts for future purchases.

G. Insurance. You are obligated to obtain and maintain at your own expense, such insurance that we require from time to time from a nationally recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of public liability insurance with complete operations coverage, with limits of liability for bodily injury, personal injury of not less than One Million Dollars ($1,000,000) with limits of liability for property damage of not less than One Million Dollars ($1,000,000) in each occurrence, One Million Dollars ($1,000,000) of public and product liability coverage, and non-owned vehicle coverage of at least Five Hundred Thousand Dollars ($500,000). The Franchise Agreement further outlines the types, amounts, terms and conditions of insurance coverage required for your business, including, but not limited to standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend a claim; and similar matters relating to insured and uninsured claims. You are currently required to maintain, in the amounts we prescribe from time to time, comprehensive liability insurance coverage, including, but not limited to, property damage, bodily injury, business interruption, automobile liability, and workers' compensation insurance coverage. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payments and your history. All insurance policies must name us as an additional insured party. Your obligations relating to insurance coverage are defined in section 16 of the Franchise Agreement.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Franchise Agreement §§ 1, 2(b)(vi), 6(a) and 10; Site Selection Addendum Development Agreement §5 and Ex A	Items 7, 8, and 11

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
b. Pre-opening purchases/leases	Franchise Agreement §§ 4, 6, 8(a)(i), 10, 11, and 12 Development Agreement, not applicable	Item 8
c. Site development and other pre-opening requirements	Franchise Agreement §§ 2(b)(vi), 6(b) and (d), 7, 8(a)(i), 10, 11(a)(ii), 11(d), 11(e), 11(m), 12(a); Site Selection Addendum Development Agreement §1, 5 and Ex A	Items 7, 11
d. Initial and ongoing training	Franchise Agreement § 11(a)(ii) and (d) Development Agreement, not applicable	Item 11
e. Opening	Franchise Agreement §§ 1, 8(a)(i), 4(d) Development Agreement §1, 5 and Ex A	Items 5, 7, 11
f. Fees	Franchise Agreement §§ 2(b)(vii), 3, 8, 13(d)(vii), and 21(c) Development Agreement §2	Items 5, 6, 7, and 17
g. Compliance with standards and policies/Operations Manual	Franchise Agreement §§ 2(b), 4(a) - (g); 11; and Operations Manual Development Agreement, not applicable	Items 13 and 15
h. Trademarks and proprietary information	Franchise Agreement §§ 7 and 11(e); Operations Manual Development Agreement, not applicable	Items 13 and 14
i. Restrictions on products/services offered	Franchise Agreement §§ 11(c) and (f), and 12 Development Agreement, not applicable	Item 16
j. Warranty and customer service requirements	Franchise Agreement §§ 11 (f), (i) and (j), and 17(b)(ix)	Item 15

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
	Development Agreement, not applicable	
k. Territorial development and sales quotas	Franchise Agreement N/A Protected Area, Sec. 5 Development Agreement §1, 5 and Ex A	Item 12
l. Ongoing product/service purchases	Franchise Agreement § 12 Development Agreement, not applicable	Item 8
m. Maintenance, appearance and remodeling requirements	Franchise Agreement §§ 10, 11 (b) - (c) Development Agreement, not applicable	Item 9
n. Insurance	Franchise Agreement § 16 Development Agreement, not applicable	Items 6 and 9
o. Advertising	Franchise Agreement §§ 8, and 9 Development Agreement, not applicable	Items 6 and 9
p. Indemnification	Franchise Agreement § 19 Development Agreement, not applicable	Item 6
q. Owner's participa-tion/management/ staffing	Franchise Agreement §11 (a) - (b) Development Agreement §5	Item 15
r. Records and reports	Franchise Agreement §11(m) Development Agreement, not applicable	Items 6, 16 and 17
s. Inspections and audits	Franchise Agreement § 11(m)(iv), (n) Development Agreement, not applicable	Item 6
t. Transfer	Franchise Agreement §§ 13 and 14 Development Agreement §8	Item 17

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
u. Renewal	Franchise Agreement § 2(b) - (d) Development Agreement, not applicable	Item 17
v. Post-termination obligations	Franchise Agreement §§ 7(d), 11(e), 14, 15, 17, 18 and 19	Item 17
w. Non-competition covenants	Franchise Agreement §§ 11(e), 14, 15, and 18 Development Agreement, not applicable	Item 17
x. Dispute resolution	Franchise Agreement §§ 19 and 21 Development Agreement §12, 13	Items 6 and 17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or other obligations.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as disclosed below, we need not provide any assistance to you.

1. After you sign your franchise agreement, but before you open your business, we will provide you with the following assistance and services:

2. Site Selection Assistance. We must approve the proposed site for your store in writing before you sign your lease or begin any construction of improvements. Our site selection criteria are explained in Sections 1, 4, and 10 of the Franchise Agreement. We will designate a vendor who will provide, for a fee to the vendor, certain site selection and lease negotiation assistance. You must use our designated vendor for those services. Franchisor may approve or disapprove the site proposed by the franchisee in its sole discretion, but considers factors such as demographic and economic factors, and competition from other businesses. Franchisor will approve or disapprove the site selected by the franchisee within sixty (60) days. If Franchisor and Franchisee do not agree on a site and the Franchised Business is not opened within twelve (12) months of execution of this Agreement, Franchisor may terminate the Franchise Agreement.

3. Plans and Specifications. We will loan to you our standard recommended floor plan. (Franchise Agreement, Section 4(a)).

4. Design Specifications. We will loan to you our specifications for design decoration, layout, equipment, furniture, fixtures and signs for your store. (Franchise Agreement, Section 4(a)).

5. Grand Opening Advertising. The Store will have an official Grand-Opening, with Grand Opening Advertising. You shall pay, to Franchisor's approved supplier, a fee of $6,000, to fund the Grand Opening advertising campaign, which will be developed by Franchisor and/or Franchisor's approved

vendor during the construction of the Store and the Grand Opening Period. Opening advertising will be conducted from sixty (60) days prior to opening and will continue for thirty (30) days after opening. (Franchise Agreement, Section 8(a)(i)).

6. Lists, Forms and Schedules. We will loan to you a list of required equipment, supplies, materials, inventory and other items necessary to operate your store, a list of approved suppliers, of all items, and an initial set of forms, including the various operation forms, including standardized periodic reporting forms for reporting accounting information, cost analysis and purchase order forms, We will also make available to you a schedule of items that must be purchased from us and/or third-party suppliers. These forms and schedules are listed in the Manuals. We do not warrant the completeness, legality or enforceability of any agreements or forms. You must retain your own counsel to review and conform such agreements and documents to all applicable federal and state laws. (Franchise Agreement, Section 11(e)).

7. Training. Both you and a Store Manager or Managers must attend training. If a Manager resigns or is otherwise terminated from your employment, we must approve the replacement and the replacement must be trained pursuant to our then-current standards. We plan to conduct the training program as needed. It is currently conducted at, our corporate office in King of Prussia, Pennsylvania, at your Franchised Business, or at a location we designate. The length of training is generally forty-eight (48) hours, over a six (6) day period. The Operations Manual will be utilized as a training material. Training will be conducted by Melissa Novell, Kim Pagano, John Simon, Steve Pruitt, and Kim Douris, as well as other staff members. Below is a chart with the trainers and their years' of experience:

Trainer	**Experience with Us**	**Experience in Industry**
Melissa Novell	6	32
Kim Pagano	5	30
John Simon	10	46
Steve Pruitt	2	42
Kim Douris	<1	22

Training must be completed to Franchisor's satisfaction. (Franchise Agreement, Section 4(c)).

8. If you buy the franchise from us, your initial franchise fee includes the cost of initial training for up to 3 persons pre-opening. Training for additional staff member is $20 per person, per hour. You bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals, and other living expenses you and your designee incur.

9. No additional training or refresher courses are required at this time, however, we may offer such mandatory or optional trainings in the future, during the term of your Franchise Agreement, and reserve the right to require your participation in such programs. We will provide re-training to franchisees or managers if requested by franchisee, however, franchisee must pay the cost of training and all costs and expenses associated with such re-training.

10. The training program covers the following information:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Sales Training	6	6	King of Prussia, Pennsylvania, at your Franchised Business, or at a location we designate
Marketing/Merchandising	6	6	King of Prussia, Pennsylvania, at your Franchised Business, or at a location we designate
Franchisee Responsibilities	6	6	King of Prussia, Pennsylvania, at your Franchised Business, or at a location we designate
Software Functionality	6	6	
TOTAL	24	24	

A. Operations Manual. We lend you our Operations Manuals. They contain mandatory and suggested specifications, standards, and procedures. They are confidential and remain our property. Your employees are to see them only on a need to know basis, subject to confidentiality agreements. We may modify this material from time to time and its modified terms are binding on you. (Franchise Agreement Section 11(e).)

SECTION	NUMBER OF PAGES	TITLE & CONTENTS
1.	8	Introduction to the Manual
2.	13	Introduction to the Scout & Molly’s Franchise System
3.	28	Getting Ready! Your Pre-Opening Procedures
4.	39	Personnel
5.	35	Scout & Molly’s Daily Operating Procedures
6.	26	Marketing
7.	19	Exhibits

- List of Approved Vendors and Suppliers. Before you open your location, we will provide you with a copy of our list of approved or authorized vendors and suppliers for certain supplies, equipment, signage, décor, inventory items and other goods and services. (Franchise Agreement—Section 12(a)).

- We are not required to provide you other supervision, assistance or services prior to the opening of the Franchised Business. (Franchise Agreement - Section 4). However, if requested, we will advise on additional topics related to the opening of your Franchised Business, including but not limited to purchasing inventory and hiring and training employees.

During the operation of the Franchised Business under your Franchise Agreement, we will:

1. Provide advice and consultation services to you. If you request advice or consultation service that requires us to make our staff present at your Franchised Business, we will or may charge to provide such service at the per diem cost set forth in the Operations Manual, plus expenses. (Franchise Agreement - Section 4).

2. Make available to you from time-to-time advertising materials we prepare for use by Scout & Molly's Franchisees generally. You may use such materials in any local advertising. You will pay for all associated costs. (Franchise Agreement - Section 8).

3. You are required to follow our instructions in connection with any advertising or promotional materials we provide for your use. (Franchise Agreement Section 8(d)). Failure to follow our instructions regarding pre-approval of advertising materials will result in a default-triggering event, such as that described at Franchise Agreement Section 17(c)(v).

4. <u>Brand Development Fund</u>. With the conversion to a franchise system, we have implemented a program for marketing development that includes franchisee retail growth consultants that will assist you in promoting your business, which is partially funded by franchisee monthly contributions ("Brand Development Fund"). The Brand Development Fund is currently supported by a fee of 1% of franchisees' gross sales. All franchisees must contribute to the Fund. Other franchisees' Brand Development Fund contributions may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay Brand Development Fund fees. We administer the Fund in our sole discretion, to benefit the System as a whole. With any brand development funds paid, we have the sole discretion how and where the money is spent to promote, enhance, or further the growth of the System. Additionally, we can use the Brand Development Fund to pay for expenses incurred in developing and maintaining non-franchise sales portion of our website. We are not required to spend any brand development funds in your specific area or territory. Materials provided by the Brand Development Fund to all Franchisees may include video and audio tapes, mats, posters, banners, and miscellaneous point-of-sale items. You will receive one sample of each at no charge. If you want additional copies, you must pay duplication costs. (Franchise Agreement Section 8(a)(ii)).

5. We occasionally provide for placement of advertising on behalf of the entire System, including franchisees. However, most placement is on a local basis, typically by local advertising agencies hired by individual Franchisees or advertising cooperatives, or through our approved advertising vendor. While we have not yet done so, we have the right in the future to use advertising fees paid by our Franchisees to place advertising in national media (including broadcast, print or other media). Brand Development funds are used to promote the products sold by Franchisees. Brand Development funds are not used to promote franchise sales.

6. Currently, the brand development funds are payable to us. We have the right to establish in the future a nonprofit corporation or other business entity to collect Brand Development Fund advertising contributions from our Franchisees. The Brand Development Fund is administered by our accounting and marketing personnel under our direction. You will be able to obtain an accounting annually upon written request to our President at our principal place of business. If Brand Development funds are not exhausted in the year they are collected, the funds are carried over and applied to expenses in the following year. In the fiscal year ending December 31, 2024, the Fund contributions were expended as follows: Production: 15%; Media Placement: 10%; Administrative: 30%; and Other 45%.

7. Currently, there is no advertising council comprised of franchisees. You are not currently required to participate in any local or regional advertising cooperatives, however we reserve the right to create such cooperatives in the future, and you may be required to participate in them during the term of your Franchise Agreement.

8. Additional Training. We may offer to new or replacement managers (or to those of someone who buys your business from you) a training program designed for new Franchisees. We charge you for this at the rate set forth in our Operations Manual. You must pay for it at the time of the training, unless alternative billing arrangements are agreed to. Also, you bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals and other living expenses you and your designee incur. While most additional training is optional, you may be required to attend the additional training. If you are required to attend the additional training, no tuition fee will be charged to the Franchisee, although the Franchisee will be responsible for all transportation, lodging, food, and other costs incurred in attending the training. (Franchise Agreement, Section 4(c)).

9. Market, Conferences and Conventions. While we are not required to do so, from time to time we may offer conferences and other training courses relating to our industry and to the conduct of the Franchised Business. For example, we regularly attend fashion markets and trade shows elsewhere in the country. We may have an annual meeting which you, and/or your Store Manager, if applicable, are required to attend if we designate such attendance as required. Franchisees are required to attend all conferences and other required training courses designated as required. These courses may be conducted by our employees and/or by other trainers and will address various aspects of our business and other topics of interest to Franchisees. We have the right to charge the Franchisee a tuition fee for each attendee, whether or not the attendee is required to attend. Additionally, the Franchisee will be responsible for all transportation, lodging, food and other costs incurred by the manager in attending such event. If you do not attend a scheduled required event, you will be charged a $1,000 fee. (Franchise Agreement, Section 4(c)).

10. Social Media. We also may maintain one or more social media sites (e.g., www.twitter.com; www.facebook.com, or such other social media sites). You may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles to be maintained by you. You must adhere to the social media policies established from time to time by us and you will require all of your employees to adhere to the social media policy as well. (Franchise Agreement, Section 8(h) and 8(j)).

11. Website. We will maintain a website (the "Website"), which may include any account, page or other presence on a social and business networking media site (such as Facebook, Twitter, LinkedIn) and online blogs and forums ("Networking Media Site") in order to promote the Marks, or any or all of the Franchised Businesses within the System. We will have the sole right to control all aspects of the Website, including its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. (Franchise Agreement, Section 8(h)).

    Unless you obtain our prior written consent, you are prohibited from establishing or maintaining a separate website, or otherwise maintaining a splash page or other presence on the Internet including social networking sites, including but not limited to Facebook, LinkedIn, Instagram, TikTok, MySpace, Twitter, Pinterest, YouTube, and Plaxo. However, we may include a link on our Internet pages that includes information about your store, and we may require you to prepare all or a portion of the page for your store, at your sole expense, using a template we provide. You may not make changes to or create any new sites or pages without the written consent of Franchisor.

You are also required to spend at least $1,000 per month on local advertising ("Local Advertising Minimum") for the Franchised Business. Currently, you are required to pay to us $200 of this fee each month and the remainder of the payment is currently made to an approved supplier.

We may require that you maintain and utilize a specific e-mail account in connection with the franchised business. The Marks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums or Networking Media Sites, unless specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to a Networking Media Site relating to us, the System, the Marks, or the Store that (a) does not comply with our social networking guidelines described in the Operating Manuals, (b) is derogatory, disparaging, or critical of us, the System, or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. You may not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer generated advertising or communication arrangement which we may create. We retain the right to all online sales. We will be solely responsible for the development of all online ordering. Upon the termination or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, you may not upload, content, onto, or otherwise use, the Subpage shall immediately cease and we may cease to make the Subpage available to you.

We reserve the right to modify our policies regarding both our and your use of the Internet websites as we deem necessary or appropriate for the best interests of the System. We or our affiliate will be the sole registrant of any other domain names we decide to register in connection with the System in the future. (Franchise Agreement Sections 7(b), 8(h)).

12. Computer System/Point of Sale. You are required to use point of sale software approved by us and hardware approved by us and you are required to provide access to your accounting system through QuickBooks Online. The cost to purchase the required equipment and software will range from $3,500 to $4,000 depending on the type of franchise and hardware selection. We may be a vendor for certain computer/POS hardware or software. You are required to use specific software to process transactions. You will use software to track staff schedules and payroll. You will be given one Scout & Molly's email address that must be monitored and managed by you and/or your Store Manager. The software for your point of sale system is commercially produced software but we retain the right to require you to use proprietary software in the future should it be developed. Current computer system requirements are also updated from time to time in the Operating Manual. As the current computer system requirements change, you may be required to upgrade or update your hardware and software. There are no restrictions on the frequency or the cost of upgrading. You agree to maintain a connection of your POS System to the internet and pay all expenses including hardware and software licenses to maintain that connection. You must have access to a computer loaded with Excel and Word, or which can export into Excel or Word compatible files. You must make available to us in the format we request the data from your POS and computer system, or otherwise, if we request, at your expense, allow us to directly connect to your system. (Franchise Agreement - Section 11(m) and (o)). We will have independent access to the information generated and stored in the systems. If you fail to provide us with access, we may charge a fee of $250 per month until you provide us with access.

Development Schedule. The typical length of time we estimate between your signing of the Franchise Agreement (or first paying us money) and opening your Franchised Business is 6 to 9 months. The following factors may affect that time period:

Factors. The factors that may increase or decrease the time periods discussed above are: the amount of time and effort you commit to the site selection process and the construction of your Store; the availability of acceptable sites within the geographical area you choose; your ability to obtain a lease, financing and building permits; your credit and personal financials, and zoning and licensing requirements. Delays or a lack of effort by you, your contractors or your prospective landlord will increase these time periods. If you change your employment, business or financial status before the opening of your Store, you do so at your own risk. Any and all such changes should be made only as a result of careful thought and advanced planning after obtaining advice from appropriate professional advisors.

ITEM 12. TERRITORY

A. Territory. The franchise offered is for a single location to be approved by the Franchisor. Upon the latter of your execution of the Franchise Agreement or Site Selection Addendum for a retail location, you will receive a non-exclusive, protected territory ("Territory"). Our Standard Territory consists of a radius around your location encompassing approximately three (3)-miles within which we will not operate nor allow any other party to operate a Franchised Business using the Trademarks of the kind being licensed to you as long as you are not in default under your Franchise Agreement ("Standard Territory"). For locations franchised in major metropolitan areas, your Territory will consist of a geographic area with a population of 50,000 people ("Major Metropolitan Territory"). We will use maps deemed reliable by us in determining your Territory. This area constituting your Territory is occasionally expanded but only by written agreement. You lose your Territory's protections only if you fail to open your store in a timely fashion or fail to operate it for any period of 10 days or more, excluding "Acts of God," without our prior written permission or if your Franchise Agreement is terminated due to defaults by you that are not timely cured. Your territorial protections are not dependent upon the achievement of a certain sales volume, market penetration, or other contingency. Opening the store in timely fashion means within twelve (12) months of signing the Franchise Agreement, plus such extensions, if any, as we may agree to in writing. You may not relocate the business premises without our written approval. Other than timely opening your store within twelve (12) months of signing your Franchise the continued protection of the territories granted under the Franchise Agreement are not contingent upon achieving a certain sales volume, market penetration, or any other contingency and cannot be altered.

   Your Territory is protected only to the extent that no one may locate another Franchised Business within its geography. You will not receive an exclusive territory. You may face competition from other franchisees outside your territory, from Stores that we own, or from other channels of distribution or competitive brands that we control. All Franchised Businesses may sell their products and services to any customer. The Franchised Business, however, is to be operated as a retail business, and you agree not sell any items through telemarketing, mail order catalogs, computer and/or internet marketing, or any other such system. Also, we retain the right to sell any products in any channel of distribution except as expressly otherwise agreed. For example, we can sell products and services using the trademarks by wholesale, mail order, telemarketing, delivery sales, internet sales, and catalog sales. Unless we agree in writing otherwise, the Territory excludes enclosed malls, airports, hotel gift shops, and spas ("Non-traditional Locations"). Unless we agree otherwise in a rider or amendment to the Franchise Agreement, we have the right to license Franchised Businesses at any Non-traditional Locations that are otherwise located within the geographic area of your Territory. We are not obligated to provide you with any compensation for products we may sell in your Territory. Although we do not presently sell products, services, or franchises other than under the Trademarks, we have the right to do so.

B. Relocation. If your landlord terminates your right to possession of your approved business premises before the Franchise Agreement's term expires, then you and we must select and approve a new location within 60 days. You may not relocate the site of the original Franchised Business without our express written permission. Should you relocate the Franchised Business without such permission the new location will be treated as an entirely new franchise sale subject to new initial franchise fees as provided in Section 3(a) of the Franchise Agreement and to such other provisions as would apply to new franchise sales. Franchise relocation will be approved at Franchisor's discretion considering such factors as neighborhood, visibility, foot and car traffic patterns, popularity of the area, nearby competitors, etc.

C. Right to Additional; Locations. You may purchase additional franchises from us on the then-current terms. To do so you must pay an initial franchise fee equal to the initial franchise fee currently charged if the following conditions are satisfied: (a) You must then not be in default under any provision of this agreement; (b) you must satisfy us that you are capable of successfully staffing, financing, and operating the additional business; and (c) you must satisfy us that adding the new business will be in the best interests of the Scout & Molly's System.

D. Development Territory. In the event that you purchase a multi-unit development agreement, the same rights, territorial protections and obligations above will be granted to you, however the territory granted will be larger in size than both a Standard and Metropolitan Standard, but such size will depend upon a variety of factors, including the number of units you agree to open and the size and population of the area. The Development Territory will not be exclusive. There is no minimum or maximum size for a Development Territory. Such Development Territory will be agreed upon by the parties. The territory will ultimately be for a territory approved by the Franchisor. Relocation of the units once opened must be requested in writing, and must be approved by us, in our sole discretion. You will have no option to open additional units than what is provided in the Development Agreement, to renew the Development Agreement, or to acquire additional franchises, however you may request to enter into a new Development Agreement at any time, to be approved in our sole discretion. Unless we agree otherwise in a rider or amendment to the Franchise Agreement, we have the right to license Franchised Businesses at any Non-traditional Locations that are otherwise located within the geographic area of your Territory. Although we do not presently sell or have plans to sell products, services, or franchises other than under the Trademarks, we have the right to do so.

E. Besides the rights listed herein, you have no other rights of first refusal or option rights on additional territory.

ITEM 13. TRADEMARKS

Scout & Molly's Incorporated owns all of the trademarks used by us and our franchisees. Scout & Molly's Incorporated has granted us the exclusive and unlimited license to use and sublicense all of Scout & Molly's Incorporated's intellectual property that is or may be associated with the system or the proprietary marks (the "Scout & Molly's License Agreement"). The trademarks and service marks listed below and any additional trademarks and service marks are referred to herein as the "Proprietary Marks". The Scout & Molly's License Agreement grants us the right to sublicense the Proprietary Marks to franchisees. All rights in and goodwill from the use of our Proprietary Marks ultimately accrue to Scout & Molly's Incorporated as the trademark owner. Upon execution of our Franchise Agreement, we will sublicense to you the limited right to use the following Trademarks:

MARK	REGISTRATION NO.	DATE OF REGISTRATION
SCOUT & MOLLY'S	3771167	April 6, 2010
	7148963	August 29, 2023

In addition to the principal marks, we license other secondary trademarks used to promote the business, including certain design marks using our logo and trade dress. We claim common law trademark protection in these secondary marks.

Presently, there are no agreements in effect that significantly limit our rights to use or license the use of the trademark listed in this Item in a manner material to the franchise. All uses of the Proprietary Marks of which we are aware occur with our permission. We know of no infringing use of the Proprietary Marks that could materially affect your use of them.

With respect to the above federal registrations, all affidavits of use have been timely filed. We intend to file all necessary affidavits of use and renewal applications when they become due. There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court, nor are there any pending infringement, opposition, or cancellation proceedings or material litigation, involving any of the above Proprietary Marks. None of the registrations are due for renewal. There have as yet been no presently effective determinations of any trademark office, administrator, or court. There are no pending interference, infringement, opposition, or cancellation proceedings, nor any currently effective material determinations of the United States Patent and trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending litigation involving any of the above marks or names.

A federal or state trademark or service mark registration does not necessarily protect the use of the concerned mark against a prior user in a given relevant market area. Therefore, prior to entering into the Franchise Agreement, you should check and be sure that there are no existing uses of our mark or names or any marks or names confusingly similar to any of them within the market area where you want to do business. If you find any similar names or marks, you must immediately notify us. Any action to be taken in that event is strictly within our discretion.

You must follow our rules and regulations with respect to the use of the Proprietary Marks. You cannot use any of the Proprietary Marks or any other marks, names, or indicia of origin that are or may be confusingly similar to the Proprietary Marks as part of a corporate name or other legal name.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by other that may constitute infringement of the Proprietary Marks. We have no obligation to defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If there is any litigation relating to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

We reserve the right to substitute different proprietary marks for use in identifying the System and the business operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must comply with such change, revision, or substitution and bear all expenses associated with them.

You must immediately notify us of any claim of infringement by or challenge to your use of any names or marks licensed to you by the Franchise Agreement. You must cooperate with us fully and communicate concerning such matter with no one but our counsel and us. We have the sole discretion to determine what action to take, if any, regarding the matter. Should we elect to take legal or administrative action, you agree to join as a party to such action, or allow the action to be brought solely in your name, as and only if we so direct. We will indemnify and reimburse you for damages obtained by a third party based on your use of the Proprietary Marks provided you have at all times fully complied with the indemnification provisions of the Franchise Agreement. We have the right, and you agree at our direction, to modify or discontinue the marks or names in question, or to add marks, names, logotypes and/or commercial symbols. Whenever we make a decision to modify, add, or discontinue the marks, names, logotypes, and/or commercial symbols and we retain the right to license the modified or discontinued marks, you agree to make, at your expense, such modifications as may be necessary to comply with our decisions related to use of our marks. If you fully comply with the indemnification provisions of the Franchise Agreement and we lose the right to license the SCOUT & MOLLY’S mark or logo or other proprietary marks to you, we will pay the reasonable cost of changing over your signage, business cards, and stationery in an amount not to exceed your initial investment in these items.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright registration, but you can use the proprietary information in our Operations Manual and our business processes all of which are trade secrets owned by us. The Operations Manual is described in Item 11. Although we have filed no applications for a copyright registration for the Operations Manual, we claim a copyright and the information is proprietary. Item 11 describes limitations on the use of this manual by you and your employees. Furthermore, as previously discussed, there are significant copyrights and trademarks that are material to this franchise and we will protect the proprietary nature of those items to the full extent of the law.

If you or your Principals, officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, formulae, products, packaging or other concepts and features relating to business operations, business practices or the manufacturing, production, marketing or sale of women's clothing, jewelry, handbags, accessories, or related goods in connection with the Franchised Business (the "Innovations"), you (or they) will be deemed to have assigned all of your (or other) rights, title and interests in the Innovations, including any intellectual property rights, to us . You and your Principals, officers, managers and employees also must cooperate with us in connection with protecting the Innovations.

If you reproduce any items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by us. You must use the proprietary information only in the manner required by us and in no other manner. This information is strictly confidential. You may not disclose to any person, or use any of that information for any purposes, except disclosure to a person who has signed and delivered to us a confidentiality agreement and whose use is necessary in connection with the operation of your Franchised Business. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets.

You will not have the exclusive right to use the Innovations or any of our patents or patent applications, copyrights or proprietary information, nor will you acquire, by use or otherwise, any right, title or interest in or to the Innovations, the copyrights or the proprietary information, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the proprietary information is limited and temporary. Upon expiration or termination of the Franchise Agreement, you may not, directly or indirectly, use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights or the proprietary information in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the proprietary information. We will decide, in its sole discretion, whether to institute any action in connection with infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the proprietary information, and will control any proceedings and litigation. We are not required to protect your right to use the Innovations, the patents or patent applications, the copyrights or the proprietary information. We will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of our Innovations, claimed subject matter of any patents or patent applications, copyrights and proprietary information in compliance with the Franchise Agreement.

We may, in our sole discretion, modify or discontinue use of the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the proprietary information and/or use other information and/or rights in their place. If we decide to do so, you must do so also, at your expense. However, if we required you to modify or discontinue use of any material Innovation, the claimed subject matter of any patents or patent applications, the copyrights or proprietary information and/or use other information and/or rights in their place at any time other than upon renewal of the franchise, and that requirement is a direct result of proceedings or litigation that determined that we and our franchisees' use of such Innovation, claimed subject matter of any patents or patent applications, copyright or preparatory information infringed upon a third party's rights, we will bear the cost of those modifications or discontinuances.

During the term of the Franchise Agreement, you must maintain, to the extent collected, a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers who supply you this information (the "Customer List"). You must provide the Customer List to us upon request. The Customer List will be our property at all times, and you must not disclose the Customer List to any person or entity other than us, or sell the Customer List (or any portion of it) to any person or entity without our express written consent.

The franchisee and each Principal, officer, manager and employee will be bound by certain provisions protecting our proprietary rights.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not our employee but you are your own independent business, subject to our rights under the Franchise Agreement. We require that you devote full-time efforts to the Franchised Business (equivalent to at least 40 hours per week). However, if you have hired a manager, who will work full-time (at least 40 hours per week) and dedicate his/her full efforts to operating the Store ("Store Manager"), then you are only required to devote part-time (equivalent to 20 hours per week) to the Franchised Business.

Unless we otherwise agree in writing, you must be one of the initial trainees. Any of the trainees may act as the Store Manager for your store. The Store Manager must devote his or her full-time efforts to the management and operation of your store. Any replacement or additional Store Manager that you hire must satisfactorily complete Initial Training before managing your store, unless we otherwise agree in writing. Your Store Manager need not have any equity interest in your franchise.

If the Store Manager fails to satisfy his or her obligations to operate the Franchised Business due to his/her death, disability, termination of employment or for any other reason, you must satisfy these obligations yourself until you designate a new Store Manager acceptable to us who has successfully completed the Initial Training, at your expense.

You may hire and retain Store Managers that meet the hiring criteria set by us and the System-wide recommendations in the Manuals.

If you are a corporation, partnership, or limited liability company, all shareholders, limited partners or members owning 10% or more of your ownership interests must personally guarantee your obligations under the Franchise Agreement by signing the Personal Guaranty attached to the Franchise Agreement. In addition, your partners, owners, officers, directors, managers, and members must also agree to be personally bound by, and personally liable for the confidentiality and non-competition provisions of the Franchise Agreement, and sign the Confidentiality Agreement, all as described in Item 14 and Item 17. Your owners must also agree to certain restrictions on the transfer of their ownership interests.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Under the Franchise Agreement, you must sell only the products and services authorized or approved by us or from vendors authorized or approved by us, which presently include women's apparel, jewelry, handbags and accessories, and associated approved services. You must sell a selection of your choice of products purchased from our authorized vendors. You are not required to sell all of the items a vendor offers, but we encourage you to provide a broad selection of merchandise. The Franchise Agreement prohibits you from offering any merchandise that is not purchased from the approved vendor list or approved product list, as periodically revised, without first obtaining our written permission. In addition, we have the right to add or eliminate vendors, products or services at any time. We impose these requirements to control the quality and uniformity of the goods and services you and other franchisees may offer through use of our trade name and trademarks.

You may request permission to sell merchandise from an unapproved vendor; however, you are required to have all such vendors and inventory items approved by us prior to selling such items at your store in accordance with our then-current approval process. We will approve or deny all requests for new suppliers within thirty (30) days of proper application by franchisee. Any request not approved within thirty (30) days is deemed unapproved.

You must operate the Franchised Business solely as a retail business. You agree not to sell any items through telemarketing, computer marketing, internet sales, mail order catalogs, or any other such system other than the method for which your franchised business is intended. Although there are no restrictions on the retail customers or trade area you may serve from your Franchised Business, as a practical matter, you will be limited to serving customers who choose to visit the retail location. Upon receiving Franchisor's prior written consent, you may be permitted to engage in trunk shows and other on-location sales events.

You will be obligated to offer and sell those new products and to participate in all local, regional and promotional program initiatives and campaigns adopted by us that we require you to participate in. We have the right to designate which of our franchises may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may, from time to time, develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on rights to require you to offer and sell those new products or to participate in those programs, initiatives and campaigns.

ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	Franchise Agreement § 2(a)	Initial term is 20 years
b. Renewal or extension of the term	Franchise Agreement § 2(b)	Two 5-year renewal terms provided you remain a franchisee in good standing. "Renewal" means entering into a consecutive term to operate the same SCOUT & MOLLY'S location for a term of five (5) years. You will be required to sign our then-current form of Franchise Agreement which may contain materially different business terms than your initial agreement.

PROVISION	SECTION IN AGREE-MENT	SUMMARY
c. Requirements for Franchisee to renew or extend	Franchise Agreement § 2(b)	You must give us written notice of your intention to exercise the option, which grants you additional renewal terms of five years each; you must complete to our reasonable satisfaction all maintenance, refurbishing, renovating, and upgrading we require, or relocate your store within your territory if renovation and maintenance is not feasible or permitted; you must not be in default of your Franchise Agreement or any other agreement with us; you have not received more than two (2) notices of default during any 12 month period of time; you must execute a renewal Franchise Agreement, which may vary materially in business terms to your original Franchise Agreement; you must sign a general release in favor of Franchisor. We may choose not to grant a renewal Franchise Agreement if" (i) we provide you with at least 180 days' notice, (ii) we have no more than one Franchise operating in your Territory, and (iii) our refusal is not for the purpose of converting the store to a Company owned store.
d. Termination by Franchisee	n/a	You cannot terminate the Agreement
e. Termination by Franchisor without cause	n/a	We cannot terminate except for cause.
f. Termination by Franchisor with cause	Franchise Agreement §§ 17(a) and 17(b)	Section 17(b) describes causes for termination upon notice, including your cure rights. Section 17(a) deals with automatic termination. The laws of your state may provide additional rights to you concerning termination of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
g. "Cause" defined – curable defaults	Franchise Agreement §§ 17(a), 17(b), and 17(c)	If you breach the Franchise Agreement, and the breach is considered curable, and you do not cure the breach within 30 days after notice from us, or any longer time period require by applicable law.
h. "Cause" defined – non-curable defaults	Franchise Agreement §§ 17(a), 17(b), and 17(c)	2 otherwise curable defaults within 12 months; willful and material falsification books or records; deny us the right to inspection; failure to timely transfer on your death or incapacity; you, owners, or Store Manager are convicted of a felony or a crime of moral turpitude;

PROVISION	SECTION IN AGREE-MENT	SUMMARY
		authorized transfer or assignment; you engage in conduct that might materially adversely affect the System; breach of confidentiality or other restrictive covenants; uncured default under your lease, willful and repeated customer deception; non-complying purported or attempted assignment; default under a security interest; loss of right to possess store premises; bankruptcy, insolvency, receivership, attachment and the like, entrance of a judgment of $25,000 or more that remains unsatisfied, sale of your assets after levy, filing a foreclosure suit; threat to public safety or failure to comply with applicable laws including anti-terrorism laws; failure to open within 12 months of signing Franchise Agreement or abandonment of the franchise meaning failing to operate your retail location for a period of 10 days, or by failing to respond to communications for a period of 10 days. A provision in the Franchise Agreement that terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, U. S. Code Section 101
i. Franchisee's obligations on termination/ non-renewal	Franchise Agreement §§ 11(e), 14, 15, and 18	Pay us sums due without set-off; return our property including Operations Manuals and business data; discontinue use of Licensed Marks; cooperate with our lease assignment rights, if any; unless we take over the premises, remove all signs with Marks immediately; cease representing self as a present or past SCOUT & MOLLY'S franchisee; destroy or surrender marks, names, indicia; discontinue ads; assign us phone numbers; sell us such inventory and other business assets as we request.
j. Assignment of contract by franchisor	Franchise; Agreement § 13(a)	We may freely assign our rights and duties under the Agreement. However, no assignment will be granted except to an assignee who in the good faith judgment of the franchisor is willing and able to assume our obligations.
k. "Transfer" by franchisee – defined	Franchise Agreement § 13(b) - (g)	Any sale, assignment, transfer, conveyance, or gift, whether voluntary or involuntary, directly or indirectly, by operation of law or otherwise, of any direct or indirect interest in you Franchise Agreement, the assets of the Store, or in you if you are a corporate entity.

PROVISION	SECTION IN AGREE-MENT	SUMMARY
l. Franchisor's approval of transfer by franchisee	Franchise Agreement § 13(c)(i)	Our prior written agreement is required for all transfers. The franchise can be terminated for non-compliance. We will not unreasonably withhold approval.
m. Conditions for franchisor's approval of transfer	Franchise Agreement § 13(d)	We do not exercise our right of first refusal, you are not in default of any Agreement with us, Transferee be interviewed by us, must assume your obligations under the Franchise Agreement and your Lease, attend and successfully complete our training, pay the transfer fee, renovate the store as we specify, and execute a franchise and collateral agreements in the then current form; and you must release us of all claims. Guarantees and share restriction agreements are required if to a corporation or LLC. Proposed transferee must have an acceptable credit rating, moral character, reputation and business qualifications satisfactory to us, and meet all then current requirements of new Franchisees.
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement § 13(c)	We have the option to purchase your business or assets on the same terms as contained in the third party offer made to you and will give you written notice within 30 days after receipt of the offer of whether we choose to purchase your business or assets on the same terms contained in the offer.
o. Franchisor's option to purchase franchisee's business	Franchise Agreement: § 18(i) and (k)	We have the right but not the duty to purchase all or a portion of the assets of the store at their book value after termination of the Franchise Agreement. Upon termination you must assign your lease and phone numbers to us without compensation.
p. Franchisee's death or disability	Franchise Agreement § 13(g)	You or your representative must provide a replacement Store Manager satisfactory to us, and upon your death, your Store must be transferred within 12 months of your death according to the transfer provisions of the Franchise Agreement

PROVISION	SECTION IN AGREE-MENT	SUMMARY
q. Non-competition covenants during the term of the franchise	Franchise Agreement §§ 14(a) and (b)	You must not own or otherwise engage as an owner, partner, officer, advisor, or otherwise in any other competitive business; influence a business associate of ours to modify its relationship with us, interfere with our business or that of another franchisee.
r. Non-competition covenants after the franchise is terminated/ expires	Franchise Agreement §§ 14(a), (b) and (c), 18(j)	For 2 years after termination or expiration of the franchise, you must not own or engage in any other similar business located twenty-five (25) miles of your Store or ten (10) miles of any business location licensed by us that sells women's clothing, jewelry, handbags, or accessories that are the same as or substantially similar to those sold by SCOUT & MOLLY'S stores. You will be required to get your managerial staff to agree to follow this same non-competition covenant.
s. Modification of the agreement	Franchise Agreement §§ 11(e) and 24(f)	We reserve the right to amend this Agreement if a Franchise Agreement change proposed by us is agreed to by 75% of the then-current Franchisees. Otherwise, no modifications to the Agreement other than in writing.
t. Integration/ merger clause	Franchise Agreement § 24(c)	No modifications to the Agreement other than in writing, but we can change the Operating Manual. Also, your agreement terms automatically change if 75% of the then-current franchisees agree with a change proposed by us. Only the terms of the franchise agreement are and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.

PROVISION	SECTION IN AGREE-MENT	SUMMARY
u. Dispute resolution by arbitration or mediation	Franchise Agreement § 21(a)	Except for certain claims involving the Marks and proprietary information, any lease of sublease, your obligations upon termination, transfer, and matters involving public safety, all disputes not first settled informally requires that the principal(s) of the franchisee: (1) first meet with an officer in King of Prussia, Pennsylvania executive of FranLogic Scout Development, LLC to discuss a resolution; (2) if a mediated settlement conference is not successful, the dispute shall be arbitrated in Montgomery County, Pennsylvania, under rules of the American Arbitration Association.
v. Choice of forum	Franchise Agreement §§ 21(a) and 21(b)	AAA, The U.S District Court for the Eastern District of PA, or any court of competent jurisdiction in Montgomery County, Pennsylvania, subject to state law.
w. Choice of law	Franchise Agreement § 21(i)	Pennsylvania law, except federal Lanham Act and federal Arbitration Act, which choice of law is subject to the subjectivity of individual state laws.

THE FRANCHISE RELATIONSHIP:
DEVELOPMENT AGREEMENT

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the development term	Development Agreement § 6	From execution until the last day of Development Schedule, depending on schedule agreed to by the parties
b. Renewal or extension of the term	n/a	Renewal is not offered
c. Requirements for Franchisee to renew or extend	n/a	Renewal is not offered
d. Termination by Franchisee	n/a	You cannot terminate the Agreement
e. Termination by Franchisor without cause	n/a	We cannot terminate except for cause.
f. Termination by Franchisor with cause	Development Agreement §6	With cause, upon written notice to Franchisee
g. "Cause" defined – curable defaults	Development Agreement §6	failure to meet development obligations and failure to cure within 30 days

PROVISION	SECTION IN AGREEMENT	SUMMARY
h. “Cause” defined – non-curable defaults	Development Agreement §6	(i) if you cease to actively engage in development activities, (ii) insolvency, bankrupt, reorganization, or assignment for benefit of creditors, (iii) termination of any franchise agreement entered into pursuant to Development Agreement
i. Franchisee’s obligations on termination/ non-renewal	n/a	n/a
j. Assignment of contract by franchisor	Development Agreement § 8	Franchisor may assign the contract in its sole discretion
k. “Transfer” by franchisee – defined	n/a	n/a
l. Franchisor’s approval of transfer by franchisee	Development Agreement § 8	Contract is not transferrable by franchisee, except to a corporation or other business entity wholly owned by Franchisee
m. Conditions for franchisor’s approval of transfer	n/a	n/a
n. Franchisor’s right of first refusal to acquire franchisee’s business	n/a	n/a
o. Franchisor’s option to purchase franchisee’s business	n/a	n/a
p. Franchisee’s death or disability	n/a	n/a
q. Non-competition covenants during the term of the development	n/a	n/a
r. Non-competition covenants after the development agreement is terminated/ expires	n/a	n/a
s. Modification of the agreement	Development Agreement § 27	No modifications to the Agreement other than in writing.
t. Integration/ merger clause	Development Agreement § 27	No modifications to the Agreement other than in writing. Only the terms of the development agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise or development agreement may not be enforceable.

PROVISION	SECTION IN AGREEMENT	SUMMARY
u. Dispute resolution by arbitration or mediation	Development Agreement § 12, 13	Internal dispute resolution, then arbitration are required prior to court intervention. For Illinois franchisees, Pennsylvania law will apply, unless inconsistent with Illinois law, whereby Illinois law will apply.
v. Choice of forum	Development Agreement §15	The U.S. District Court for the Eastern District of PA, or any court of competent jurisdiction in Montgomery County, Pennsylvania, subject to state law. Illinois franchisees may bring claims it may have against Franchisor under Illinois law in the courts of the State of Illinois.
w. Choice of law	Development Agreement § 11	Pennsylvania law applies, subject to state law. For Illinois franchisees, Illinois law will apply where inconsistent with Pennsylvania law

ITEM 18. PUBLIC FIGURES

We use no public figures to promote the 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.

This Item 19 presents the historical financial performance information of the thirteen (13) Franchised Businesses that operated for the entire 2024 calendar year and provided us with their financial records. Excluded from this Item 19 are all Company/Affiliate-owned locations. We have also excluded the six (6) franchisees that did not provide their financial information, one (1) franchisee that was not open for a full calendar year, and three (3) franchisees that closed during the 2024 calendar year. We have divided the franchisee data into thirds, based on Gross Sales, with both the Top Third and Middle Third each containing four (4) franchisees, and the Bottom Third containing five (5) franchisees.

Scout & Molly's 2024 Top/Middle/Bottom Averages						
	Top 1/3		Middle 1/3		Bottom 1/3	
Net Sales	$952,669	100.00%	$779,036	100.00%	$543,465	100.00%
Cost of Goods Sold	$479,951	50.40%	$397,336	51.00%	$275,858	50.80%
Gross Profit	$472,718	49.60%	$381,700	49.00%	$267,607	49.20%

Notes:

1. “Gross Sales” means the entire amount of all of your revenues from the ownership or operation of your Store or any business at or about the Premises including the proceeds of any business interruption insurance and any revenues received from the lease or sublease of a portion of the Premises, whether the revenues are evidenced by cash, credit, checks, services, property, or other means of exchange. Cash refunded and credit given to customers and receivables uncollectible from customers will be deducted in computing Gross Sales only to the extent that the cash, credit, or receivables represent amounts previously included in Gross Sales where Royalty Fees and Advertising Contributions were paid. Gross Sales are deemed received by you at the time the goods, products, merchandise or services from which they derive are delivered or rendered or at the time the relevant sale takes place, whichever occurs first. Gross Sales does not include sales taxes, nor does it include sales to other franchisees and company-owned businesses. Currently, royalties on gift cards are assessed when the gift card is redeemed, but this policy may be modified by Franchisor at any time, based upon vendor practices. In the event Franchisee uses a gross buying service such as Groupon or Living Social, Gross Sales shall include the total gross amount paid by the customer, whether or not such amount is ultimately paid to the Franchisee or the group buying service.

2. The COGS includes material and freight only and does not include employee payroll.

3. All of the 13 locations reported in this Item 19 pay a royalty of 6% and contribute to the Brand Fund at 1% of gross sales.

Some outlets have earned this amount. Your individual results may differ. There is no insurance that you’ll earn as much.

This information was provided to us by the franchisees. We have not audited or independently verified the data submitted by the franchisees and no assurance can be offered that the data does not contain inaccuracies that an audit might disclose. We will provide you with written substantiation for the financial performance representation upon reasonable request.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business. Other than the above, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned, licensed, 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 Ed Samane, 640 Freedom Business Center Drive, Suite 131, King of Prussia, PA 19406, 610-768-0114, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20. LIST OF OUTLETS AND FRANCHISE INFORMATION

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

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	24	23	-1
	2023	23	22	-1
	2024	22	20	-2
Company-Owned	2022	1	0	-1
	2023	0	0	0
	2024	0	0	0
Total Outlets	**2022**	**25**	**23**	**-2**
	2023	**23**	**22**	**-1**
	2024	**22**	**20**	**-2**

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

State	Year	Number of Transfers
All States	**2022**	**0**
	2023	**0**
	2024	**0**
Total	**2022**	**0**
	2023	**0**
	2024	**0**

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

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Colorado	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Connecticut	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Florida	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Georgia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
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
Kentucky	2022	0	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
	2024	2	0	0	0	0	0	2
Maryland	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
North Carolina	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Ohio	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Oklahoma	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	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
South Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Texas	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	1	0	0	1	2
Virginia	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Wisconsin	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
Total	**2022**	**24**	**0**	**0**	**0**	**0**	**1**	**23**
	2023	**23**	**0**	**0**	**0**	**0**	**1**	**22**
	2024	**22**	**1**	**0**	**0**	**0**	**3**	**20**

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Pennsylvania	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	**2022**	**1**	**0**	**0**	**1**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**
	2024	**0**	**0**	**0**	**0**	**0**	**0**

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

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Maryland	1	0	0
North Carolina	1	0	0
New Jersey	1	0	0
Virginia	1	0	0
TOTALS	1	0	0

Among the attached Exhibits you will find:

A. Exhibit B-1 Listing of Current Franchisees lists the names of all current franchisees and the addresses and telephone numbers of their Stores as of December 31, 2024.

B. Exhibit B-2 Listing of Certain Past Franchisees lists the name, city, state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had a Store terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this FDD. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed confidentiality clauses with any current or former franchisees.

There are no trademark-specific franchisee organizations associated with the franchise system being offered which we have created, sponsored, or endorsed.

There are no independent franchisee organizations that have been asked to be included in this disclosure document.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit C are our audited financial statements for the 2024, 2023, and 2022 fiscal years. Our fiscal year end is December 31.

ITEM 22. CONTRACTS

Copy of the following contracts or documents are also attached as Exhibits hereto:

Exhibit A SCOUT & MOLLY'S FRANCHISE AGREEMENT
With Exhibit A (Franchise Fees), Exhibit B (Site Selection Addendum/Lease Rider/Territory Identification), Exhibit D (Personal Guaranty), Exhibit E (Nondisclosure and Noncompetition Agreement), Exhibit F (Telephone Listing and Internet Authorization Agreement)

Exhibit B FRANCHISE DIRECTORY/LISTING OF CURRENT FRANCHISEES and CERTAIN PAST FRANCHISEES

Exhibit C FINANCIAL STATEMENTS
Exhibit D STATE SPECIFIC INFORMATION
Exhibit E FEDERAL AND STATE REGULATORS AND AGENTS FOR SERVICE OF PROCESS
Exhibit F GENERAL RELEASE AGREEMENT
Exhibit G ACH/EFT TRANSFER AGREEMENT
Exhibit H AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER
Exhibit I FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT
Exhibit J DEVELOPMENT AGREEMENT
Exhibit K STATEMENT OF PROSPECTIVE FRANCHISEES

ITEM 23. RECEIPT

You will find copies of a detachable receipt in Exhibit L at the very end of this disclosure document. Please sign both acknowledging receipt of this disclosure document and return one of them to us for our files.

EXHIBIT A

FRANCHISE AGREEMENT

FRANLOGIC SCOUT DEVELOPMENT, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of the _____ day of _________________, 20______ by and between FRANLOGIC SCOUT DEVELOPMENT, LLC, a Pennsylvania limited liability company ("Franchisor"), with its principal office located at 640 Freedom Business Center Drive, Suite 131, King of Prussia, Pennsylvania, 19406, and __________________, a _____________________ together with the undersigned Shareholders and Guarantors (hereafter collectively referred to as the "Franchisee"), with its principal office located at ______________________________.

RECITALS:

A. Franchisor has expended time, money and effort to develop a unique system for operating a brick and mortar retail store specializing in the retail sale of women's clothing, jewelry, handbags and accessories. (The methods of operation are referred to herein as the "System"; the chain of current and future **SCOUT & MOLLY'S** stores are referred to herein as the "Chain".)

B. The distinguishing characteristics of the System include the name "**SCOUT & MOLLY'S,"** quality and distinctive retail lines of women's clothing, jewelry, handbags and accessories, and consistency and uniformity of products and services, all of which may be improved, amended and further developed by Franchisor from time to time.

C. Franchisor identifies its goods and services with certain service marks, trade names and trademarks, including, but not limited to, the "**SCOUT & MOLLY'S"** trademark (federal registration number 3,771,167) and the SCOUT & MOLLY'S logo, (federal registration number 7,148,963), as well as certain other trademarks, service marks, slogans, logos and emblems which have been and which may hereafter be designated by Franchisor for use in connection with the System (the "Marks").

D. Franchisee desires to obtain a license from Franchisor for use of the Marks and the System solely for the operation of a business utilizing a combination of the concepts provided for in this Agreement at the location listed below (the "Franchise"), and Franchisee desires to use the Marks and the System, and to obtain and use, the methods, know how, experience and form of operation acquired, devised and/or established by Franchisor and other benefits derived from this license relationship strictly in accordance with the provisions set forth below.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Grant. Franchisor hereby grants to Franchisee, on the terms and conditions contained in this Agreement, and Franchisee accepts from Franchisor, a license to establish, own, and operate under the System, one brick and mortar retail store ("Store") at the location specified either on Exhibit A ("Location") or in the Site Selection Addendum attached hereto as Exhibit B ("Site Selection Addendum"), and the right to use Franchisor's Marks and other intellectual property and proprietary information and products owned by Franchisor. Franchisee agrees to identify the Store and all of the items Franchisee sells or offers for sale only by the Marks. Franchisee has no right to use the System or the Marks for any purpose other than expressly provided herein.

Pursuant to this grant, Franchisee, at its own expense, shall construct or remodel, and equip, staff, open and operate the Store at the Location, in accordance with this Agreement. Unless otherwise agreed in a writing executed by Franchisor, Franchisee shall commence operating the Store within twelve (12) months after the execution of this Agreement, and shall diligently operate such business in accordance with this Agreement and the Manual, as defined in Section 11 herein, for the Term stated herein. Failure to timely open the Store shall constitute an event of default under the Agreement.

2. **<u>Term, Expiration, and Renewal</u>.**

(a) **<u>Initial Term</u>.** The initial term of this Agreement shall commence upon the execution of this Agreement, and shall expire at midnight on the day preceding the twentieth (20th) anniversary date of execution of this Agreement (the "Term" or the "Initial Term"), unless this Agreement has been sooner terminated in accordance with the terms and conditions herein.

(b) **<u>Renewal Term</u>.** Upon expiration of the Initial Term, Franchisee will have the right to be granted a renewal of the Franchise for two (2) additional consecutive periods of five (5) years from date of expiration of the Initial Term or the first Renewal Term (each a "Renewal Term"), provided the following conditions have been met:

(i) Franchisee has given Franchisor written notice of its intent to renew the Franchise not less than six (6) months nor more than nine (9) months prior to the expiration of the Initial Term; provided that if Franchisor has not received notice from Franchisee of its desire to renew within such period, Franchisor will notify Franchisee in writing and Franchisee shall have a period of ten (10) days from the date notice is given to provide Franchisor with notice of its intent to renew;

(ii) Franchisee is not in default of any of the provisions of this Agreement or any other Agreement with Franchisor both at the time Franchisee gives notice of its intent to exercise its rights under the terms of this **Section 2(b)** and at the commencement of the Renewal Term;

(iii) All debts and obligations of Franchisee under this Agreement shall be current, including but not limited to Franchisee's obligations to make contributions to the Brand Development Fund (as defined herein) and each Cooperative (as defined herein) of which Franchisee is a member;

(iv) Franchisee has not received more than two (2) notices of default during any consecutive twelve-month (12) month period during the Initial Term;

(v) Franchisee executes and delivers to Franchisor, within thirty (30) days after delivery to Franchisee, the form of the **SCOUT & MOLLY'S** Franchise Agreement being offered to new franchisees on the date Franchisee gives the notice under **Section 2(b)(i)**, including all exhibits and Franchisor's other then-current ancillary agreements, which agreements shall supersede this Agreement in all respects, and the terms and conditions of which may substantially differ from this Agreement;

(vi) Franchisee secures the right to continue possession of the Premises (as defined herein) for a period at least equal to the term of the Franchise Agreement to be executed as provided in **Section 2(b)(v),** or alternatively Franchisee secures premises at another location approved by Franchisor for the same period;

(vii) Franchisee executes and delivers to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest extent permitted by law, all claims that Franchisee may have against Franchisor and its affiliates and subsidiaries, and their respective officers, directors, shareholders and employees in both their corporate and individual capacities in a form and content satisfactory to Franchisor; and

(vii) Franchisee shall make or provide for in a manner satisfactory to Franchisor, such renovation and re-equipping of the Store as Franchisor may require, including, without limitation, renovation or replacement of signs, equipment, furnishings, fixtures and decor, to reflect the then-current standards and image of the System.

(c) **Expiration.** Renewal of the Franchise after the Initial Term shall not constitute a renewal or extension of this Agreement, but shall be conditioned upon satisfaction of the above provisions and shall, upon expiration of the Initial Term, be governed by the Franchise Agreement then executed by Franchisee. If Franchisee fails to meet any of the conditions under **Section 2** with respect to renewal of the Franchise, then the Franchise shall automatically expire at the end of the Initial Term.

(d) **Non-renewal**. Franchisor may choose not to grant Franchisee's renewal request if (i) Franchisor provides Franchisee with 180 days' notice, (ii) the Franchise System has no more than one Franchise then operating in the Territory you serve and (iii) the refusal is not for the purpose of converting the Franchise to a company-owned store.

3. Franchise Fees and Payments.

(a) **Initial Franchise Fee, Royalties and Technology Fee.** In consideration of Franchisor's execution of this Agreement and the services that Franchisor will perform, Franchisee agrees to pay to Franchisor, at its principal office as set forth on the first page of the Agreement, or at such other place as Franchisor may from time to time designate, the following fees:

(i) Upon execution of this Agreement, an initial franchise fee of Sixty Thousand and 00/100 Dollars ($60,000.00) (the "Initial Franchise Fee") shall be paid as set forth on Exhibit A attached hereto. Franchisee acknowledges that the initial grant of the Franchise constitutes the sole consideration for the payment of the Initial Franchise Fee which shall be earned upon execution of this Agreement and shall not be refundable under any circumstances.

(ii) In further consideration of the grant of the Franchise and in consideration of Franchisor's ongoing services to Franchisee, Franchisee agrees to pay to Franchisor a weekly continuing royalty fee (the "Continuing Royalty"), as set forth on Exhibit A attached hereto. The Continuing Royalty is due and payable weekly via an Electronic Funds Transfer ("EFT") withdrawal from an account you designate ("Due Date"). If Franchisee fails to pay the full amount of the Continuing Royalty when due or Franchisee has insufficient funds to cover the electronic transfer when initiated by Franchisor, Franchisee shall pay interest on the amount due and unpaid at an interest rate equal to the lower of eighteen percent (18%) per year or the maximum interest rate allowed by law, whichever is lower.

(iii) In addition to the Continuing Royalty and in consideration of the technology and support services provided by Franchisor and/or its designated vendor, Franchisee agrees to pay to Franchisor a monthly technology fee (the "Technology Fee"), as set forth on Exhibit A attached hereto. The Technology Fee is due and payable monthly via an EFT withdrawal from an account you designate. Franchisee is also required to pay a POS User Fee to an approved supplier designated by Franchisor, which is currently $450 per month but is subject to change as per the vendor pricing. Franchisee is also required to pay a monthly accounting software fee (the "Accounting Software Fee") and monthly accounting service fee (the "Accounting Service Fee") as set forth on Exhibit A attached hereto. The Accounting Software Fee and Accounting Service Fee are due and payable monthly and are paid directly to Franchisor's approved vendor. If Franchisee fails to pay the full amount of the fees listed above when due or Franchisee has insufficient funds to cover the electronic transfer when initiated by Franchisor, Franchisee shall pay interest on the amount due and unpaid at an interest rate equal to the lower of eighteen percent (18%) per year or the maximum interest rate allowed by law, whichever is lower. Franchisor reserves the right to modify the manner of payment, the recipient of the payment, and the amount of the fees listed above upon notice to Franchisee.

(iv) On each Due Date, Franchisor will transfer from the Franchisee's bank operating account ("Account") the amount reported to Franchisor in Franchisee's sales report or determined by Franchisor by the records obtained by Franchisor, as well as any other amounts due to Franchisor under this Agreement or any other agreement between Franchisor and Franchisee. If a transfer from Franchisee's Account is refused, an administrative fee of Fifty Dollars ($50) will be assessed, as well as reimbursement to Franchisor of any fee its bank charges for uncollected deposit funds. If Franchisee has not reported Gross Sales to Franchisor for any fiscal period, Franchisor will transfer from the Account an amount calculated in accordance with its estimate of the Gross Sales during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported its Gross Sales, or underpaid the royalty fee or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after, Franchisor and Franchisee determine that such credit is due. Alternatively, the Franchisor shall have the right in lieu of the royalty report submission procedure outlined above to obtain Gross Sales data derived directly from electronic communication with any point of sale system established by Franchisee.

In connection with payment of the royalty fee by EFT, Franchisee shall: (1) comply with procedures specified by Franchisor in the Manual; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by EFT as described in this Section; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the royalty fee and other amounts payable under this Agreement, including any interest charges; and (4) make sufficient funds available in the Account for withdrawal by EFT no later than the Due Date for payment thereof; and (5) maintain a single bank account to make all payments required by this Agreement. Franchisee must advise Franchisor at least fifteen (15) business days prior to any change in Franchisee's bank account or financial institution; no such change will be permitted without the prior written authorization of Franchisor. To ensure the orderly electronic transfer of the royalties and all other fees as outlined in this Section 3, Franchisee will enter into and maintain a banking agreement with the financial institution which will be responsible for the transfer and payment of the fees owed by Franchisee to Franchisor, and a copy of that agreement will be submitted to Franchisor prior to the effective date of this Agreement. Franchisee shall not withhold any payments required to be made under this Agreement on any grounds, including any allegations of Franchisor's non-performance.

Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as hereinafter set forth. Franchisee shall not be entitled to set off, deduct or otherwise withhold any royalty fees, advertising contributions, interest charges or any other monies payable by Franchisee under this Agreement on grounds of any alleged non-performance by Franchisor of any of its obligations or for any other reason.

4. **<u>Franchisor Services</u>.** During the Term, Franchisor agrees to provide to Franchisee the following services:

(a) provide Franchisor's general specifications for the design of the Store and related facilities to be used in the operation of the Store;

(b) provide specifications for initial store fixtures, furniture, equipment (including telephone), supplies and POS/computer system, etc., necessary to open your Store in a timely manner and according to standards and specifications; specifically, standards and specifications for all merchandise to be sold in the operation of the Store, as well as other products and materials used in connection with the operation of the Store;

(c) provide a single pre-opening management training program for the owner of the Franchisee (if any) and/or the Store Manager (as defined in **Section 11(a)**) and one or more managers approved by Franchisor, and such other training for employees of Franchisee at the locations and for such periods as may be designated by Franchisor from time to time; provided that Franchisee shall be responsible for all expenses incurred by such persons in connection with training, including, without limitation, all cost of travel, lodging, meals and wages;

(d) Franchisee hereby grants Franchisor and its agents the right to enter the Premises and/or the Franchised Business at any time prior to occupancy by the Franchisee in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, designs, purchased and installed equipment, operations and the performance of any and all services by Franchisee and/or Franchisee's employees, invitees or agents. Franchisee shall cooperate with Franchisor's representatives with those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview any architect, designer, vendor, contractor, sub-contractor or Franchisee employee. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee, at its sole expense, shall take such steps as deemed to be necessary by the Franchisor to immediately correct any and all deficiencies detected during any such inspection, including without limitation, correcting construction deficiencies or defects, replacing equipment and supplies, and requiring the Franchisee to desist from the further use of any equipment, designs, advertising materials, products, and/or supplies that do not conform with Franchisor's then-current plans and specifications, standards or requirements.

(e) Franchisor shall communicate to Franchisee information relating to the operation of a SCOUT & MOLLY'S store, and to the extent necessary or pertinent to the operation of the Store, Franchisor's know-how, new developments, techniques and improvements in the areas of management, employee training, inventory management, marketing, sales and customer service.

5. <u>Territorial Provisions</u>.

(a) <u>Territory</u>. Subject to the provisions of this Section 5, provided Franchisee is not in default, Franchisor agrees that during the Term it will not locate nor license another to locate a SCOUT & MOLLY'S Store within a radius around the Location as set forth in the Site Selection Addendum encompassing approximately a three (3) mile radius for a Standard Territory (the "Standard Territory"). In major metropolitan areas, the Territory will be a geographic region with a population of 50,000 people ("Major Metropolitan Territory). Whether or not the Territory is a Standard Territory or Major Metropolitan Territory shall be set forth on Exhibit A and shall be determined at the sole discretion of Franchisor. Until such time as the Location is identified and agreed upon in the Site Selection Addendum, no Territory will be granted to Franchisee and Franchisor shall have the right to locate other franchises anywhere Franchisor determines without interfering with any territorial rights of Franchisee. Franchisee expressly acknowledges that by purchasing solely the Store that Franchisee may not sell merchandise or otherwise operate their franchised business at any location other than Premises as defined in Section 6 below and in the Site Selection Addendum. Franchisee expressly acknowledges that all SCOUT & MOLLY'S stores (whether owned by Franchisor, Franchisee or other System franchisees) may solicit business from customers without regard to the customers' geographic location. Franchisor does not warrant or represent that no other SCOUT & MOLLY'S store will solicit or make any sales within the Territory, and Franchisee hereby expressly acknowledges and agrees that such solicitations or sales may occur within the Territory. Franchisor shall have no duty to protect Franchisee from any such sales, solicitations, or attempted sales. Franchisee recognizes and acknowledges that (i) it will compete with other SCOUT & MOLLY'S stores which are now, or which may in the future be, located near or adjacent to Franchisee's Territory, and (ii) that such stores may be owned by Franchisor or third parties, or both.

The Territory excludes enclosed malls, airports, hotel gift shops, and spas ("Non-traditional Locations"). Unless Franchisor agrees otherwise in a rider or amendment to the Franchise Agreement, Franchisor has the right to license SCOUT & MOLLY'S Franchisees at any Non-traditional Locations that are otherwise located within the geographic area of your Territory.

(b) **Other Businesses.** Franchisee understands and agrees that Franchisor has the right, either directly or through affiliated entities, to operate or franchise or license others to operate businesses other than SCOUT & MOLLY'S stores, whether similar or dissimilar to the business operated under the SCOUT & MOLLY'S concept, and Franchisee agrees that Franchisor and its affiliates may do so within the Territory.

(c) **Other Methods of Distribution.** Franchisee understands and agrees that Franchisor has the right, directly or through third parties, to manufacture or sell, or both, within Franchisee's Territory, services and products which are the same as or similar to those sold or provided by SCOUT & MOLLY'S using brand names which are the same as or similar to the Marks, provided that such items are not sold through a brick and mortar SCOUT & MOLLY'S retail store located within Franchisee's Territory.

6. **Premises.**

(a) **Leased Premises.** Franchisor is not obligated to assist Franchisee in locating a site location, however, Franchisor may designate an approved vendor or vendors that Franchisee must use to assist Franchisee with site selection. Franchisee shall submit to Franchisor letters of intent of possible locations where the Franchisee intends to operate the Store (the "Premises") for Franchisor's approval. After Franchisee's site is approved, Franchisee shall provide Franchisor with an executed copy of the lease immediately after execution and at such other times as Franchisor may request. The term of the leases plus all options for Franchisee to renew shall together equal or exceed the Term. All leases pertaining to the Premises shall also include an Addendum in the form of Exhibit 1 of Exhibit B attached hereto, or shall contain terms and conditions substantially similar to those contained in Exhibit 1 of Exhibit B which Franchisor has approved in writing.

(b) **Owned Premises.** If Franchisee intends to own the Premises, Franchisee shall obtain approval of the Premises from Franchisor and furnish Franchisor proof of ownership prior to the date Franchisee commences any construction, build-out or remodeling of the Premises. In the event that the Franchisee proposes to lease the Premises from any owner, member, manager, partner, director, officer or other Principal of Franchisee, or from any person or entity related to or affiliated with Franchisee or one or more of Franchisee's owners, partners, directors, officers or other Principals (the "Related Party"), Franchisor may require the Related Party to sign this Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of this Agreement, as determined by Franchisor. Franchisee shall also execute a written lease agreement approved by the Franchisor with the Related Party and deliver a copy to Franchisor.

(c) **Premises Identification.** Regardless of whether the Premises are owned or leased, Franchisee shall remove all signs and other items and indicia which serve, directly or indirectly, to identify the Premises as a SCOUT &MOLLY'S store within ten (10) days of the expiration or termination of this Agreement. In the event Franchisee does not comply with this requirement, Franchisor may enter the Premises, without being guilty of trespass and without incurring any liability to Franchisee, to remove all signs and other items identifying the Premises as a SCOUT & MOLLY'S store and to make such other modifications as are reasonably necessary to protect the Marks and SCOUT & MOLLY'S, and to distinguish the Premises from SCOUT & MOLLY'S stores. Provided, however, that this obligation of Franchisee shall be conditioned upon Franchisor giving Franchisee prior written notice of the modifications to be made and the items to be removed.

(d) Suitability of Premises. Regardless of whether the Premises are owned or leased, it shall be the responsibility of Franchisee to determine that the Premises can be used, under all applicable laws and ordinances, for the purposes provided herein and that the Premises can be constructed or remodeled in accordance with the terms of this Agreement. Franchisee shall obtain all permits and licenses that may be required to construct, remodel and operate the Store. Franchisee agrees that the Premises will not be used for any purpose other than the operation of the Store in compliance with this Agreement.

(e) Relocation; Assignments. Franchisee shall not, without first obtaining Franchisor's written consent, which shall not be unreasonably withheld: (**i)** relocate the Store; or **(ii)** renew or materially alter, amend or modify any lease, or make or allow any transfer, sublease or assignment of its rights pertaining to the Premises.

7. Proprietary System and Marks; Franchisor Property Rights.

(a) Ownership; Use by Others. Franchisor and its affiliates shall have and retain all rights associated with the Marks other than those expressly licensed herein, including, but not limited to the following: (a) to use the Marks in connection with selling products and services; (b) to grant licenses to others for the Marks, in addition to those licenses already granted to existing Franchisees; (c) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee; and (d) to sell and distribute products via alternate distribution channels bearing the Marks. Franchisee acknowledges that any unauthorized use of the System or the Marks is and shall be deemed an infringement of Franchisor's rights. Franchisee shall execute any documents deemed necessary by Franchisor or its counsel for the protection of the System and the Marks or to maintain their validity or enforceability, or to aid Franchisor in acquiring rights in or in registering any of the System and the Marks or any trademarks, trade names, service marks, slogans, logos and emblems subsequently adopted by Franchisor. Franchisee shall give notice to Franchisor of any knowledge that Franchisee acquires of use by others of the same or similar names or marks or of any claim or litigation instituted by any person or legal entity against Franchisee involving the System or any of the Marks. Franchisee shall cooperate with Franchisor in any suit, claim or proceeding involving the System or the Marks or their use to protect Franchisor's rights and interest in the System and the Marks. In the event of any settlement, award or judgment rendered in favor of Franchisor relating to the use or ownership of the System or the Marks, such settlement, award or judgment shall be the sole property of Franchisor and Franchisee shall not be entitled to or make any claim for all or any part of it.

(b) Use of Marks. During the term of this Agreement or thereafter, directly or indirectly, Franchisee shall not commit any act of infringement or contest or aid in contesting the validity or ownership of the System or the Marks, or take any other action to disparage them. Franchisee shall use the Marks only in connection with the operation of the Store, and shall use them only in the manner authorized by Franchisor. Franchisee shall prominently display the Marks in the manner prescribed by Franchisor on all signs, paper products, and other supplies and packaging materials designated by Franchisor. Franchisee shall not fail to perform any act required under this Agreement, or commit any act which would impair the value of the Marks or the goodwill associated with the Marks. Franchisee shall not at any time engage in any business or market any products or service under any name or mark which is confusingly or deceptively similar to any of the Marks. Franchisee shall not use any of the Marks as part of its corporate or trade name and shall not use any trademark, trade name, service mark, logo, slogan or emblem in connection with the Store that has not been authorized by Franchisor. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or applicable state law. Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name, website or URL containing or utilizing any of the Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Marks. Franchisee also acknowledges that its use of the marks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the Marks, except the license granted by this Agreement.

(c) **Designation as Franchisee.** Franchisee shall take such additional action as may be necessary under the laws of the state in which the Store is located to make clear to the public that Franchisee is an independent franchisee of Franchisor and not owned by Franchisor. Franchisee shall post in a conspicuous location at the Premises, as well as on invoices, purchase orders, marketing materials and the like that "This SCOUT & MOLLY'S Franchise is an independently owned and operated Franchisee of FranLogic Scout Development, LLC.

(d) **Discontinuance of Use: Additional Marks.** Franchisor has the right to change, revise, or substitute different Marks for use in identifying the System, the Store, and the products or services sold or offered for sale through the Store, if Franchisor, in its sole discretion, determines that change, revision, or substitution of different Marks will be beneficial to the System. In such circumstances, the use of the substitute proprietary marks shall be governed by the terms of this Agreement. Franchisee shall comply with each such change, revision, or substitution and bear all expenses associated therewith. In the event that a court of competent jurisdiction should order, or if Franchisor in its sole discretion should deem it necessary or advisable, Franchisee shall modify or discontinue use of any Mark. Franchisee shall comply with the Franchisor's directions regarding any such Mark within thirty (30) days after receipt of notice from Franchisor or, if such modification or discontinuance is court-ordered, immediately. Franchisor shall not be obligated to compensate Franchisee for any costs or expenses incurred by Franchisee in connection with any such modification or discontinuance. Franchisee shall also use such additional or substitute Marks as Franchisor shall direct.

(e) **Changes in Law Affecting Marks.** In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, Franchisee shall sign any documents and do such other act and think as in the opinion of Franchisor may be necessary to affect the intent and purpose of the provisions of this Agreement.

(f) **Copyrights**. Franchisee acknowledges that as between Franchisee and Franchisor, any and all present or future copyrights relating to the System or the SCOUT & MOLLY'S concept, including, but not limited to, women's apparel, accessories, jewelry, handbags, the Manuals, construction plans and specifications and marketing materials, (collectively, the "Copyrights") belong solely and exclusively to Franchisor. Franchisee has no interest in the Copyrights beyond the nonexclusive license granted in this Agreement.

(g) **Ideas and Innovations.** All inventions, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that Franchisee may develop, invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Term that relate in any way, either directly or indirectly, to the Franchised Business and/or the System (collectively referred to as "Inventions and Ideas") developed by the Franchisee and/or any personal guarantors, either in whole or in part during the Term, shall be the exclusive property of Franchisor. Franchisee must promptly disclose the existence of any and all Inventions and Ideas to Franchisor. Franchisee and all guarantors of this Agreement hereby assign to Franchisor, without compensation, all right, title and interest in such Inventions and Ideas, and agree that they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in Franchisor the entire right, title and interest in such Inventions and Ideas.

(h) **Customer and Other Data**. Franchisee shall maintain a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers and past customers who have provided such information to the Franchised Business (the "Client List"). Franchisee shall provide the Client List to the Franchisor upon request. The Client List shall be the property of Franchisor. Franchisee shall not disclose such information to any person or entity other than Franchisor, or sell such list(s) or any portions thereof to any person or entity without the express written consent of Franchisor. Likewise, other data collected by Franchisee or Franchisee's information technology system (Customer Data and the other data collectively referred to herein as "Franchisee Data") is deemed to be owned by Franchisor, and Franchisee agrees to furnish the Franchisee Data to Franchisor at any time that Franchisor requests it. Franchisor hereby grants Franchisee a limited license to use Franchisee Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that Franchisor establishes periodically and applicable law. Franchisee shall not be due any compensation based upon Franchisor use of the Franchisee Data. Franchisee may not sell, transfer, or use Franchisee Data for any purpose other than marketing SCOUT & MOLLY'S products and services.

8. Advertising.

(a) Contributions and Expenditures. Recognizing the value of advertising and the importance of the standardization of advertising to the further hence of the goodwill and public image of the System, Franchisor and Franchisee agree as follows:

(i) Grand-Opening Advertising. The Store will have an official Grand-Opening, with Grand Opening Advertising. Franchisee shall pay, to Franchisor's approved supplier, a fee of $6,000, to fund the Grand Opening advertising campaign, which will be developed by Franchisor and/or Franchisor's approved vendor during the construction of the Store and the Grand Opening Period. Grand Opening advertising will be conducted from sixty (60) days prior to opening and will continue for a period of up to two (2) months. Franchisor may require that Franchisee pay this amount directly to Franchisor for Franchisor to spend on Franchisee's behalf. Franchisee may expend additional amounts on such advertising, provided the form and content is approved by Franchisor as provided in Section 8(e).

(ii) Brand Development Fund Monthly Contributions and Expenditures. Each month during the Term for which a brand development fund has been established, Franchisee shall make the following contributions and expenditures for advertising.

Franchisor shall establish and maintain a bank account for the purpose of administering a brand development fund, as described herein (the "Brand Development Fund"). Franchisee shall contribute to the Brand Development Fund, one percent (1%) of the Monthly Gross Sales (as defined on Exhibit A) of the Store.

(A) Franchisee agrees and acknowledges that contributions to the Brand Development Fund are intended to increase recognition of the Marks, to further the public image and acceptance of the System, and to support Franchisees with marketing development and franchisee retail growth consultants. Franchisor does not undertake any obligation to ensure that expenditures from the Brand Development Fund in or affecting geographic area are proportionate or equivalent to contributions to the Brand Development Fund by SCOUT & MOLLY'S stores operating in such geographic area or that Franchisee or the Store will benefit directly or in proportion to its contribution to the Brand Development Fund. Neither Franchisor nor any of its respective officers, directors, agents or employees, shall be liable to Franchisee with respect to the maintenance, direction or administration of the Brand Development Fund, including without limitation, with respect to contributions, expenditures, investments or borrowing, except for acts constituting willful misconduct.

(B) Franchisor shall make contributions to the Brand Development Fund for each store that it owns.

(C) As long as Franchisee is in compliance with this Section 8, Franchisee will be furnished with advertising materials which were produced by means of expenditures from the Brand Development Fund for distribution to franchisees of the System on the same terms and conditions as such materials are furnished to other franchisees.

(D) Franchisee shall make its weekly contribution to the Brand Development Fund on the date and in the manner as Franchisor may designate from time to time, including bank drafting. Franchisee agrees to make such contributions by ("EFT") or in such other manner as the Franchisor may require. Contributions to the Brand Development Fund may be used to defray expenses of Franchisor only to the extent of the administrative costs and overhead that Franchisor may reasonably incur in administering the Brand Development Fund.

(E) The Brand Development Fund, all contributions thereto, and any earnings thereon shall be used exclusively to meet all costs of marketing development and franchisee retail growth consultants. Franchisor has the sole discretion how and where the Brand Development Fund contributions are spent to promote, enhance, or further the growth of the system, including, without limitation, promotional marketing, public relationships, and advertising expenses, hiring marketing, public relations and advertising agencies and pin-house personnel to assist in developing the SCOUT & MOLLY'S brand name and average unit volumes, expenses associated with listings in telephone books, travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials, production of circulars, media, advertisements, coupons, and promotional materials (including point of purchase materials), and for any other use Franchisor determines. Additionally, Franchisor can use the Brand Development Fund to pay for expenses incurred in developing and maintaining non-franchise sales portion of the SCOUT & MOLLY'S website. All sums paid by Franchisee into the Brand Development Fund shall be maintained in an account separate from the other monies of Franchisor and shall not be used to defray any of Franchisor's expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Brand Development Fund and promotion and advertising programs for franchisees and the System, including, among other things, the cost of personnel for creating and implementing advertising, promotional, and marketing programs. The Brand Development Fund and its earnings shall not otherwise inure to the benefit of the Franchisor.

(F) It is anticipated that all contributions to and earnings from the Brand Development Fund shall be expended for marketing development and franchisee retail growth consulting purposes during the taxable year wherein which the contributions and earnings are received. If, however, excess amounts remain in the Brand Development Fund at the end of such taxable year, all expenditures for the following taxable year(s) shall be made first out of accumulated earnings from the previous year, next out of earnings in the current year, and finally from contributions.

(G) The Brand Development Fund is not and shall not be an asset of Franchisor or its designee. A statement of the operation of the Brand Development Fund as shown on the books of the Brand Development Fund shall be prepared annually by an independent public accountant selected by Franchisor and shall be made available to Franchisee. Upon request, Franchisor shall make available for inspection by Franchisee the books and records of the Brand Development Fund. At Franchisor's option, Franchisor can create a separate entity to be the recipient of Franchisee's Brand Development Fund contributions and

Franchisee agrees, upon Franchisor's request, to tender Brand Development Fund payments to said entity.

(H) The Brand Development Fund is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Brand Development Fund monies or any aspect of the operation of the Brand Development Fund.

(b) **Regional Cooperative Advertising.** Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate from time to time a geographical area in which the Store is located or operates for the purpose of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established applicable to the Store at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Store is established at any later time during the Term, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Store be required to contribute to more than one Cooperative.

(c) **Local Advertising.** In addition to the grand opening requirements of Section 8(a)(i), Franchisee is required to spend at least $1,000 per month on local advertising ("Local Advertising Minimum") for the Franchised Business. Franchisor may, but is not obligated to, require Franchisee to pay its Local Advertising minimum to Franchisor, its affiliate, or designated vendor, on the 1st of each month by EFT withdraw, to be used by Franchisor for local advertising in Franchisee's market area on Franchisee's behalf. Currently, Franchisee is required to pay to Franchisor $200 of this fee each month and the remainder of the payment is currently made to an approved supplier that Franchise designates. Local brand development funds will be used to market and advertise the SCOUT & MOLLY'S brand and funds will be used at Franchisor's discretion. Franchisee shall have the right to conduct such additional local advertising as deemed advisable by the Franchisee, at the Franchisee's sole discretion; provided however, all such local advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(d) **Supplemental Advertising.** Franchisee shall have the right to conduct, at its separate expense, supplemental advertising in addition to the expenditures specified in this Section 8. All such supplemental advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(e) **Approval by Franchisor.** Prior to their use by the Cooperative or by Franchisee, samples of all advertising and promotional materials not prepared or previously approved by Franchisor within the 90-day period preceding their intended use shall be submitted to Franchisor for approval. If disapproval is not received within twenty (20) days from the date of receipt by Franchisor of such materials, Franchisor shall be deemed to have given the required approval. Neither the Cooperative nor Franchisee shall use, and shall cease using, any advertising or promotional materials that Franchisor may at any time disapprove, regardless of whether any such items had been previously approved by Franchisor.

(f) **Franchisor Advertising.** Franchisor will, from time to time, offer to provide to Franchisee such approved advertising and promotional plans and materials as Franchisor deems advisable. Franchisor expressly disclaims and Franchisee hereby acknowledges that Franchisee has not received or relied upon any warranty regarding the success of any advertising and/or promotional plans or materials recommended by Franchisor for use by Franchisee. Further, Franchisee acknowledges and agrees that all advertising and promotional plans and materials created in whole or in part by Franchisor are and remain the exclusive property of Franchisor. Franchisor shall have the right to include promotion of available franchises in all marketing and advertising materials, including, but not limited to, signage in Store, print media, and TV or radio spots. Franchisor may from time to time expend its own funds to produce such promotional materials and conduct such advertising as it deems necessary or desirable. In any advertising conducted solely by or for Franchisor, Franchisor shall have the sole discretion to determine the products and geographical markets to be included, and the medium employed and Franchisor shall not have any duty or obligation to supply Franchisee with any advertising or promotional materials produced by or for Franchisor at its sole expense.

(g) **__Ownership of Advertising__.** Franchisor shall be the sole and exclusive owner of all materials and rights which result from advertising and marketing program produced and conducted, whether by Franchisee, Franchisor, the Cooperative or the Brand Development Fund. Any participation by Franchisee in any advertising, whether by monetary contribution or otherwise, shall not vest Franchisee with any rights in the Marks employed in such advertising or in any tangible or intangible materials or rights, including, copyrights, generated by such advertising. If requested by Franchisor, Franchisee shall assign to Franchisor any contractual rights or copyright it acquires in any advertising.

(h) **__Use of Website__.** Franchisee will not, directly or indirectly, establish or operate a website, web page, domain name, internet address, blog, forum or email address that in any way concerns, discusses or alludes to the Franchisor, the System or the Franchisee's Franchised Business without Franchisor's written consent, which Franchisor is not obligated to provide. Further, the Marks may not be used as part of, in conjunction with, to establish or to operate any domain names, internet addresses, blogs, forums or social media sites, unless specifically approved by the Franchisor, which approval we are not obligated to provide. Franchisee will not post, and will take such steps as necessary to ensure that its employees do not post, any information to a social media relating to the Franchisor, the System, the Marks, or the Franchised Business that (a) does not comply with the Franchisor's then-current social networking guidelines described in the Operating Manuals, (b) is derogatory, disparaging, or critical of the Franchisor, the System or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. Franchisee shall not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer generated advertising or communication arrangement which Franchisor may create. Franchisee specifically acknowledges and agrees that, except for social media site postings (which will be subject to this Section), any Website will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Agreement. Franchisor has no obligation to designate one or more web page(s) to describe Franchisee and/or the Store other than to list the Store's location. Franchisee shall not establish a separate Website, without Franchisor's prior written approval (which franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisor shall have the right to modify the provisions of this Section relating to Websites as Franchisor shall solely determine is necessary or appropriate.

(i) **__Online Use of Marks__.** Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium, except as permitted by Franchisor's then-current policies. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements.

(j) **__Social Media__.** Franchisor may from time to time maintain one or more social media sites (e.g., www.twitter.com; www.facebook.com, or such other social media sites). Franchisee shall not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without Franchisor's advance written consent. Franchisor may designate from time to time regional or territory-specific user names/handles to be maintained by Franchisee. Franchisee must adhere to the social media policies established from time to time by Franchisor and Franchisee will require all of Franchisee's employees to do so as well.

(k) **__Group Buying Services__.** Franchisee agrees not to use any group buying services, including, without limitation, Groupon or Living Social, without first obtaining express written permission of

Franchisor. As with all advertising, advertisements placed with a group buying service are subject to the Section 8(e) herein.

(l) **Credit Card Processing.** Franchisee agrees to use such credit card processing services designated by Franchisor to the extent thereof and to purchase and maintain, at Franchisee's expense, any equipment necessary to permit such credit card processing functionality. Notwithstanding the credit card processing requirement, Franchisor does not represent, nor does it certify or warrant, to Franchisee or Franchisee's customers that the credit card processing service approved by Franchisor is compliant, whether or not certified as such, with the PCI Data Security Standards.

9. **Telephone Number.** Franchisee shall establish a local telephone number for the Store. Franchisee shall keep Franchisor notified as to the current telephone number for the Store. In no event shall Franchisee use such number for any other business. Franchisee further covenants that in the event it obtains any additional or substitute telephone service or telephone number at the Store, it will promptly notify Franchisor and such additional or substitute number shall be subject to the terms of this Section 9. Such telephone number shall become the property of Franchisor upon the expiration, termination, or non-renewal of this Agreement and Franchisee agrees to take all necessary steps to transfer the telephone number to Franchisor upon such expiration, termination and non-renewal.

10. **Construction, Design and Appearance: Equipment.**

(a) **Construction.** Franchisee agrees that it will construct or remodel the Premises at the approved Location in accordance with Franchisor's construction or remodel plans and design, layout and decor specification ("Standard Plans") or in accordance with plans approved by Franchisor. Additionally, Franchisor may provide Franchisee with Franchisor's specifications for the construction and design of the Store ("Spec. Sheet"). The Standard Plans, if provided, will be provided by Franchisor at no cost to Franchisee. Franchisee shall purchase or lease all equipment, displays, fixtures, and furnishings that Franchisor designates. Franchisee shall utilize the services of a Construction Project Manager to manage the construction of the Premises, including management of the subcontractors. Construction Project Manager shall be an approved vendor of Franchisor.

Franchisee is solely responsible for the construction of the Premises and the Franchised Business. Franchisee will commence any required construction promptly after execution of a lease for or closing on the purchase of the Premises. Franchisee shall maintain continuous construction of the Franchised Business and Premises until completion. Franchisee will complete construction in accordance with the plans and specifications for the Franchised Business which have been approved in advance by Franchisor and will not deviate, except as permitted below, from such plans and specifications without the prior written consent of Franchisor. Such Standard Plans shall not contain the requirements of any federal, state or local law, code or regulation, including those concerning the Americans With Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities, nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation as may be necessary to obtain permits or authorization to build the Store ("Applicable Law"). It is Franchisee's sole responsibility to make sure that the design and construction of the Franchised Business and the Premises are in compliance with all Applicable Laws including without limitation, the Americans with Disabilities Act. Franchisee shall indemnify and hold Franchisor harmless against any and all claims, actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the Franchised Business fail in any way to comply with any Applicable Laws, including, without the limitation, the Americans with Disabilities Act. If provided, Franchisee shall make no changes to any building plan, design, layout or decor, Spec Sheet, or any equipment or signage except as necessary to comply with Applicable Law without the prior written consent of Franchisor. Franchisee shall maintain the interior and exterior decor in such manner as may be prescribed from time to time by Franchisor. Franchisee acknowledges the specifications on the Spec. Sheet may exceed the requirements of Applicable Law.

(b) **Signs.** Franchisee shall prominently display, at its own expense, both on the interior and exterior of the Premises of the Store, advertising signs in such form, color, number, location and size, and containing such Marks, logos and designs as Franchisor shall designate. Franchisee will be responsible for ordering any required signage, including an exterior sign for the Store from an approved vendor at Franchisee's expense. Franchisee shall obtain all permits and licenses required for such signs and shall also be responsible for ensuring that all signs comply with all laws and ordinances. Franchisee shall not display in or upon the Premises any sign or advertising of any kind to which Franchisor objects.

(c) **Remodeling and Re-equipping.** Franchisor reserves the right to require Franchisee to generally refurbish the Franchised Business and/or the Premises at Franchisee's expense, in order to conform to the building design, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for Scout & Molly's franchises and may include, without limitation, structural changes, installation of new materials and equipment, remodeling, redecoration, changing color schemes, and modifications and/or repairs to existing improvements. Such remodeling and re-equipping may include, without limitation, replacing worn out, obsolete, or dated equipment, fixtures, furnishings and signs; structural modifications, redecorating; purchasing more efficient or improved equipment; or replacing a vehicle with a new or used vehicle that meets Franchisor's then-current vehicle specifications. Franchisor may require Franchisee to perform remodeling and to purchase equipment at such times as Franchisor, in its sole discretion, deems necessary and reasonable; provided, that Franchisor may not require any remodeling requiring an expenditure in excess of Five Thousand Dollars ($5,000) during the first two (2) years of the Initial Term. Franchisee acknowledges that equipment, alterations, and renovations required by Franchisor may involve substantial additional investment by Franchisee during the term of this Agreement. In the event of Franchisee's delay, refusal, or failure to make repairs or modifications to the Premises as specified by this Section, Franchisor or its agents may enter the Premises, without further notice and without liability for trespass or other tort and with Franchisee's complete cooperation, and remove, repair, and/or replace, at Franchisee's expense, any items which do not conform to Franchisor's then-current standards and specifications or which are not in conformity with Franchisee's obligation to maintain the Franchised Business and the Premises in the highest degree of repair and condition. In addition to any and all other remedies that the Franchisor may have in law or in equity, Franchisee shall reimburse the Franchisor for all out-of-pocket expenses incurred by Franchisor in connection with any refurbishing work performed by the Franchisor pursuant to this Section, plus an administrative fee of fifteen percent (15%) of the total aggregate amount of expenses incurred by the Franchisor. In the event that the Franchisee fails to reimburse Franchisor within seven (7) days of the date Franchisee is billed for all such amounts, Franchisee authorizes Franchisor to collect all amounts due, including interest, at the rate of eighteen percent (18%) per annum or the maximum amount permitted by law, whichever is lower.

11. Operations, Standards of Quality, Inspections.

(a) **Store Manager.** Franchisee shall designate an individual to serve as the "Store Manager" for the Store, which may not be Franchisee, or an owner of Franchisee. The Store Manager shall meet the following qualifications:

(i) The Store Manager shall devote full time and best efforts to the supervision and conduct of the development and operation of the Store and shall agree in writing to be bound by Section 13, 14, 15 and 23 of this Agreement.

(ii) The Store Manager shall complete Franchisor's initial training requirements and shall participate in and complete to Franchisor's satisfaction all additional training as may be reasonably required by Franchisor. If at any time for any reason the Store Manager no longer qualifies to act as such, Franchisee shall promptly designate another Store Manager subject to the same qualifications set forth in this **Section 11.**

(b) **Management of the Store.** The Store Manager (who shall have completed Franchisor's initial training program to Franchisor's satisfaction) shall personally devote his/her full time and best efforts to the management and operation of the Store in order to ensure compliance with this Agreement and to maintain Franchisor's high standards. Management responsibility shall include, without limitation, presence of the Store Manager, or an assistant manager who has successfully completed any training required by Franchisor before being designated as an Store Manager, or assistant manager at the Store during all hours of operation for the Store as prescribed in the Manuals; maintaining the highest standards of service and product quality and consistency; maintaining the Store in the highest condition of sanitation, cleanliness and appearance; and supervising employees to ensure that the highest standard of service is provided and to ensure that Franchisee's employees deal with customers, suppliers, Franchisor, and all other persons in a courteous and polite manner. The Franchisor shall receive advanced written notice of any change in the Store Manager or assistant manager.

(c) **Compliance with Franchisor's Standards.** Franchisee shall operate the Store through strict adherence to Franchisor's standards, specifications and policies as they now exist, and as they may from time to time be modified. Such standards and policies include, without limitation: (i) merchandise and services offered; (ii) hours of operation for the Store; (iii) employee uniform requirements and specifications; and (iv) use of specified emblems and Marks on bags, boxes, gift wrapping and other products. Franchisee agrees to follow the instructions of Franchisor as well as Franchisor's employees, agents.

(d) **Training.** It will be solely Franchisee's responsibility to ensure that all new employees and current employees are trained to perform their duties in a proper manner at the Franchised Business and Franchisee shall implement and maintain an employee training program, at Franchisee's expense, pursuant to all specifications, standards and procedures prescribed by the Franchisor. In the event that the Franchisee is unable to, or fails to, provide the employee training required by this Section, Franchisor may, at Franchisee's expense, which amount shall be at the rate set forth in Franchisor's then current Corporate Fee Schedule, plus expenses, including reimbursement for mileage at the then-current IRS reimbursement rate, living and travel expenses, provide the training to Franchisee's employees. Training by Franchisor will be at reasonable times and subject to availability of Franchisor's representatives. In the event that Franchisor provides training to Franchisee's employees upon Franchisee's request, Franchisee hereby releases, indemnifies and holds harmless Franchisor and its affiliates, agents and employees from all claims, causes of action, expenses, costs, debts, fees, liabilities and damages of every kind arising out of or related to the training and/or the continuing education of Franchisee's employees as set forth herein.

(e) **Manuals.** Franchisor will provide Franchisee with one or more manuals in either written or electronic form which shall contain (i) the mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Franchisor and (ii) information relative to other obligations of Franchisee hereunder and the operation of the Store (the "Manuals"). The Manuals shall at all times remain the sole property of Franchisor and shall promptly be returned to Franchisor upon the expiration or other termination of this Agreement. Franchisor may, from time to time, revise the contents of the Manuals. To the extent that Franchisor shall deem it necessary or appropriate, Franchisor will provide Franchisee with policy and procedure statements or other written notice of specifications standards and procedures, policies, and other standards and specifications contained in the Manuals, policy and procedure statements and other written notices as issued from time to time by Franchisor. Franchisee acknowledges and agrees that all information in the Manuals, policy and procedure statements and other notices constitute confidential information and trade secrets, and shall not be disclosed at any time by Franchisee. Franchisee shall not copy, disclose, duplicate, record or otherwise reproduce, in whole or in part, for whatever reason, the Manuals or any other communication or information provided by Franchisor. Franchisor shall have the right to modify the policies and procedures of the Manuals at any time, which modifications shall be binding upon Franchisee.

(f) **Variations in Standards.** Because complete and detailed uniformity under varying conditions may not be possible or practical, Franchisor specifically reserves the right, in its sole discretion and as it may deem in the best interests of Franchisee or the Chain, to vary standards for the Store or any other store in the Chain based upon peculiarities of particular locations or circumstances, including, but not limited to, density of population and other demographic factors, size of Franchisee's Territory, business practices or customs, or any other condition which Franchisor deems to be of importance to the operation of such Store or the Chain. Franchisee acknowledges that because of these factor and others, there may be variations from standard specifications and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee.

(g) **Franchisee Developments.** Franchisor shall be deemed the owner and have the right to use and incorporate into the System for the benefit of other franchisees and Franchisor any modifications, ideas or improvements, in whole or in part, developed or discovered by Franchisee or Franchisee's employees or agents, without any liability or obligation to Franchisee or the developer thereof.

(h) **Compliance with Laws.** Franchisee shall at all times during the Term comply with all laws, ordinances, rules and regulations of all applicable governmental bodies, and pay any and all taxes, assessments, fines and penalties arising out of the operation of the Store, including state and federal unemployment taxes and sales taxes.

(i) **Courtesy, Cooperation, Fair Dealing.** In all dealings with customers, suppliers, Franchisor and others, Franchisee will act according to the highest standards of honesty, integrity, fair dealing and ethical conduct. At all times and under all circumstances, Franchisee and its employees shall treat all customer and other persons, including Franchisor's agents, officers, and employees with the utmost respect and courtesy, and shall fully cooperate with Franchisor and its agents, officers, and employees in all aspects of the franchise relationship.

(j) **Business Relations.** Franchisee shall at all times operate the Store in a financially sound, prudent and business-like manner and, without limiting the generality of the foregoing, pay all its bills and accounts promptly when due and shall take no action, or omit to take any action, the result of which would be to tend to disrupt, damage or jeopardize Franchisee's relationship with suppliers or customers, Franchisor's good reputation, or the good reputation of Franchisor's other franchisees. Franchisee will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisee, Franchisor, the Franchised Business, the Marks, the services and/or products sold at the Franchised Business, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

(k) **Crisis Situations.** Franchisee shall notify Franchisor immediately upon the occurrence of any situation that may have a material impact on the Franchisee, Franchisor, Franchised Business, or which could have a deleterious effect on the Scout & Molly's brand, Marks or System. Franchisee shall follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by the Franchisor or as specified in the Operating Manuals, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters.

(l) **Reserved.**

(m) **Books and Records; Financial Reporting.**

1. **Books and Records.** Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Franchisee's expense, full, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles. Franchisee shall maintain such records, unless otherwise authorized by Franchisor, at the Store Premises.

2. **Submission of Performance Reports.** Franchisee shall submit to Franchisor, for review or auditing, financial statements, including a balance sheet and income statement prepared on a monthly basis, Gross Sales reports and performance reports for monthly periods, and such forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, including without limitation, by electronic telecommunications data transmission methods, upon request and as specified from time to time in the Manuals or otherwise in writing. Franchisee also shall immediately notify Franchisor in writing when one or more liens or judgments are filed against the Franchisee, the Franchised Business and/or any of the personal guarantors (if any) under this Agreement.

3. **Submission of Financial Statements and Tax Returns.** Franchisee must supply to Franchisor, monthly profit and loss statements by the 25th of each month, for the preceding month. Franchisee shall submit, within sixty (60) days following the close of business of Franchisee's fiscal year, copies of a balance sheet, profit and loss statement and cash flow report prepared by a public accountant which cover the previous twelve (12) months of operations of the Franchised Business. The statements shall include a statement of income and a balance sheet certified by Franchisee as true and correct and shall be furnished within forty-five (45) days after the end of each fiscal year of the Store. The fiscal year of the Store must coincide with the calendar year. Franchisee also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if Franchisee is not a corporation or partnership, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Store.

4. **Audit of Franchisee's Records.** Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and tax returns of the Store and remove copies thereof from the Store Premises. Franchisor shall also have the right at any time, at Franchisor's expense, to have an independent audit made of the Store books, records and accounts. If any inspection or audit reveals that an underpayment exists, Franchisee shall immediately pay to Franchisor, its affiliate, or designated vendor, the amount owing to Franchisor, as determined by the inspection or audit. Upon discovery of an understatement of three percent (3%) or more, in addition to prompt payment of the underreported amount, Franchisee shall reimburse Franchisor for any and all expense connected with such inspections or audits, including but not limited to reasonable accounting and legal fees as well as interest as provided for in Section 3(a)(iii) of this Agreement. Such payments shall be without prejudice to any other remedies Franchisor may have under this Agreement or otherwise at law.

5. **Forms.** Franchisee will use only such forms, including, without limitation, those used in and generated by the required software, as are approved by Franchisor in the Operating Manuals or otherwise in writing. Franchisee will obtain all forms specified by Franchisor and/or the required software, at Franchisee's expense, from suppliers approved by Franchisor. Franchisor may maintain and make available to the Franchisee all or a portion of such forms on the intranet system in addition to, or in lieu of, providing hard copies to the Franchisee.

(n) Inspections. Franchisor and its agents shall be permitted, with or without notice, to enter the Franchised Business before and after the Opening Date in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, equipment and operations, and the performance of any and all services provided in and around the Franchised Business and/or the Premises to ensure compliance with all requirements of this Agreement. Upon written notification from Franchisor of a scheduled inspection, Franchisee must be present during such inspection. Franchisee will cooperate with Franchisor's representatives in those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview contractors, vendors and suppliers, as well as the Franchisee's customers and former customers. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, advertising materials, products, or materials that do not conform to Franchisor's then-current plans and specifications, the Manuals, or other standards or requirements, and to repair or replace anything in the Franchised Business that does not so conform. Franchisee acknowledges and agrees that any and all inspections by Franchisor and all demands made by Franchisor to correct deficiencies and conform to Franchisor's standards and specifications will not constitute a representation or warranty by Franchisor that the Franchised Business or its Premises comply with applicable laws, codes, ordinances, regulations or governmental standards.

(o) **Computer/POS System.** Franchisee, at its expense, shall purchase or lease and thereafter maintain such computer hardware and software, cellular phone, smartphone, tablet, broadband high-speed internet service, active e-mail account, required dedicated telephone and power lines, modem(s) printer(s), and other computer-related accessories or peripheral equipment as Franchisor specifies, for the purpose of, among other functions, recording sales and other record keeping and central functions as well as training and promotion or compliance with system standards. Franchisor has the right to require Franchisee to connect to its computer or wireless system. If required, Franchisee shall provide such assistance as may be required to connect its computer/POS system with Franchisor's computer or wireless system. Franchisor shall thereafter have the right from time to time and at any time to retrieve and use for any purpose such data and information from Franchisee's computer/POS system Franchisor, in its sole and exclusive discretion, deems necessary or desirable. In view of the contemplated interconnection of computer/POS systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it will strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's computer/POS systems. Franchisor shall have no liability to Franchisee as a result of Franchisor access or failing to access the computer/POS system. If Franchisee fails to provide Franchisor with the access described in this Section, Franchisor may charge a fee of $250 per month until Franchisee provides Franchisor with access.

(p) **Maintenance of Telephone/Computer/POS Systems**. Franchisee will secure and maintain separate business telephone lines for telephone, email and facsimile use at the Franchised Business as specified by Franchisor in the Operating Manuals or otherwise. Franchisee will also secure and maintain cable, DSL or other form of high speed Internet connection at the Franchised Business as specified by Franchisor in the Operating Manuals or otherwise. Franchisee will provide continuous telephone answering coverage by an employee whenever the Franchised Business is open for business. Franchisee will be solely responsible for the payment of all bills which result from the use and/or maintenance of the telephone lines and Internet connections at the Franchised Business and the operation of all computer hardware and software associated with the computer/POS System. Franchisee will additionally acquire and maintain a computer system, as well as all software and telecommunications infrastructure as required by the Operating Manuals, for maintaining the computer/POS System. The computer system shall meet or exceed the minimum requirements periodically prescribed by Franchisor, including all hardware, software, and Internet, Intranet and email connections specified by Franchisor. Such requirements will be updated from time to time as deemed necessary by Franchisor in accordance with changing technology and industry standards. Franchisee must periodically update, as required by the Franchisor and/or the software manufacturer, all software purchased for and installed on the computer system, solely at the Franchisee's expense. Franchisor shall have the right to access all information related to the operation of the Franchised Business from a remote location, without the need for Franchisee's consent, at the times and in the manner prescribed by Franchisor.

12. **Products; Services.**

(a) Products and Supplies. Franchisee agrees that it will use only those products, supplies, and other materials in the operation of the Store as Franchisor shall have specifically designated or approved. Franchisee may be required to purchase from Franchisor certain products that involve trade secrets or that have been specially prepared by Franchisor or at Franchisor's direction or that Franchisor considers integral to the System. Franchisor may designate one or more designated vendors or suppliers, which may be the Franchisor or an affiliate, for any services, products, equipment, or supplies used in the operation of the Store, in which event Franchise must purchase every item exclusively from the designated vendor or supplier. Franchisor shall designate one or more designated vendors or suppliers, which may be the Franchisor or an affiliate, for the Store's merchandise. Franchisor does not guarantee that any vendor or supplier will sell merchandise to the Store. If you purchase from an unapproved vendor or supplier without Franchisor's permission, Franchisor may charge you a fine for such unapproved use, in Franchisor's sole discretion. Franchisor or its affiliates may receive payments or other compensation from vendors on account of the vendors' dealings with Franchisor, Franchisee, or other stores in the System. Franchisor may use any amounts that it receives from vendors for any purpose that Franchisor deems appropriate. Franchisor and its affiliates may negotiate supply contracts with its vendors under which Franchisor is able to purchase merchandise, products, equipment, supplies, and services at a price lower than that at which our franchisees are able to purchase the same items. Products other than those required to be obtained from Franchisor or a designate vendor may be purchased from any source provided that the particular vendors and products have been approved by Franchisor. Franchisor may, from time to time, amend the list and this section of approved products and vendors.

(b) Services. Franchisee agrees that it will only offer those products and services specifically designated or approved by Franchisor.

(c) Pricing. Franchisee shall have the right during the Term to set prices provided that, subject to applicable antitrust laws, such pricing: (1) complies with any minimum or maximum prices set by Franchisor; (2) complies with any prices specified by Franchisor; (3) complies with any pricing restrictions set by vendors or suppliers and (4) conforms to any bona fide promotional programs or national or regional accounts programs periodically established by the Franchisor. Any pricing policies established by Franchisor will apply to all franchisees within Franchisee's market. Franchisor retains the right to modify its pricing policies from time to time in its sole discretion. Upon Franchisor's request, Franchisee must provide to Franchisor a price list containing all of the prices charged for the products supplied by the Franchised Business. If required by Franchisor, the price list must be updated and supplied to Franchisor every time Franchisee alters its prices and, in any event, at least annually.

(d) System Changes. Franchisee acknowledges that the System, the services, and products offered by the Store may be modified (such as, but not limited to, the addition, deletion, and/or modification of operating procedures, products, and services) from time to time by Franchisor; and Franchisee agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements needed to implement the modifications.

(e) PCI Standards.

(i) Directive. Franchisee shall comply with, abide by, or, as applicable, adopt policies consistent with the then-current version of Franchisor's policies as described in Franchisor's Information Privacy and Security Directive for Franchisees (the "Directive"). Franchisor has the right, but not the obligation to create such Directive. Franchisee acknowledges that Franchisor may supplement, modify or amend the Directive from time to time in its sole discretion, and that Franchisee shall comply with such modifications or amendments within thirty (30) days of notice from Franchisor. Franchisor may provide Franchisee with certain other model privacy and information security policies as necessary for consideration by Franchisee from time to time.

(ii) **Security Breach.** If Franchisee becomes aware of any actual or suspected unauthorized processing, loss, use, disclosure, alteration, destruction or other compromise or acquisition of or access to any information (i) that can be used to identify, locate or contact an individual (collectively, "Personal Information"); (ii) that is subject to any of the Privacy Laws and/or PCI-DSS (as defined in subsection (e) below) (iii) that might reasonably expose Franchisor to any harm or prejudice of any type or actual or suspected intrusion by an unauthorized third party into Franchisee's or Franchisor's computers, networks, servers or IT resources (a "Security Breach"), Franchisee shall immediately notify the Franchisor's Vice President of Operations via telephone of such matter and shall thereafter cooperate with Franchisor to investigate and remedy such matter. Except to the extent required by applicable law, no public disclosure of any instance of such unauthorized access or breach shall be made by Franchisee unless Franchisor has authorized the provision of notice and the form of such notice in writing. Franchisee shall reimburse Franchisor for all reasonable Notification Related Costs (hereinafter defined) incurred by Franchisor arising out of or in connection with any such Security Breach that is directly or indirectly caused by Franchisee or its personnel. "Notification Related Costs" shall include Franchisor's internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications; (ii) preparation and mailing or other transmission of such other communications to customers, agents or others as Franchisor deems reasonably appropriate; (iii) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (iv) public relations and other similar crisis management services; (v) legal and accounting fees and expenses associated with Franchisor's investigation of and response to such event; and (vi) costs for commercially reasonable credit reporting services that are associated with legally required notifications or are advisable under the circumstances.

Franchisee warrants and represents and covenants that it shall comply with applicable prevailing industry standards concerning privacy, data protection, confidentiality and information security, including, without limitation, (i) the then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council (the "PCI-DSS"), (ii) the Directive, (iii) all applicable federal, state, and local laws, rules, and regulations, as the same may be amended or supplemented from time to time, pertaining in any way to the privacy, confidentiality, security, management, disclosure, reporting, and any other obligations related to the possession or use of Personal Information. Franchisee warrants and represents and not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003").

(iii) **Inspection.** Franchisor, through its employees and/or any agents designated by Franchisor from time to time, may at any time during business hours, and without prior notice to Franchisee enter upon and inspect the Franchised Business premises and examine Franchisee's computer hardware, software, databases, business records and other supporting records and documents in order to verify compliance with the Directive. Any such inspection shall be made at Franchisor's expense, provided that if such inspection is necessitated by Franchisee's repeated or continuing failure to comply with the Directive, this Agreement or the Franchise Agreement, Franchisor may charge Franchisee for the costs of making such inspection, including without limitation travel expenses, room and board, and compensation of Franchisor's employees and/or agents.

13. **Transfer; Franchisor's Right of First Refusal.**

(a) Transfers by Franchisor. Franchisor may transfer or assign this Agreement or any of its rights, interest, benefits or obligations arising hereunder without restriction. Upon transfer or assignment of this Agreement by Franchisor, Franchisor shall be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer or assignment, and Franchisee'' obligations and duties shall be and remain the same notwithstanding any such assignment.

(b) Transfers by Franchisee. The rights and interest of Franchisee under this Agreement are and shall remain personal to Franchisee. Franchisee recognizes that Franchisor has granted the Franchise in reliance on the business and financial capacity and other attributes of Franchisee, the personal skill, qualifications and representations of equity owners of Franchisee (the "Owner(s)") and in reliance upon Section 13, 14, 15 and 23 of this Agreement. Therefore, neither Franchisee's interest, rights or privileges in the Agreement, the Franchise or the Store, nor the Owner's interest in Franchisee or the Owner(s), in whole or in part, voluntarily or involuntarily, by operation of law or otherwise, may be transferred in any manner, except as provided in this Section 13. Notwithstanding the foregoing, an Owner may transfer all or a portion of his interest in Franchisee to another Owner or to Franchisee (such person or entity being referred to as a "Permitted Transferee") and such a transfer shall not be subject to the restrictions of this Section 13, including but not limited to the transfer fee set forth herein; provided, however, Franchisee shall promptly notify Franchisor of any such transfer. For purposes of this Agreement, the term "transfer" shall mean any issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance (other than a lien against Franchisee's assets to secure a loan for the construction, remodeling, equipping or operation of the Store), transfer by bankruptcy, transfer by judicial order, merger, consolidation share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary.

(c) Franchisor's Right of First Refusal. Franchisee or Owner, as applicable, shall give Franchisor forty-five (45) days prior written notice of any intended transfer of any of its rights or interest in the Store or Franchisee. Such notice shall set forth the name of the proposed transferee and a detailed statement of all the terms and conditions of such intended or proposed transfer. Irrespective of the qualifications or acceptability of any prospective transferee, Franchisor shall have the first right and option to purchase the interest on the same terms contained in the offer by the third party purchaser. Franchisor shall make such determination as promptly as practicable, but in no event later than thirty (30) days after it has received the notice of the intended transfer.

(i) Approval of Transfers. If Franchisor decides not to exercise its right of refusal, Franchisor shall have the right to approve or disapprove the proposed transfer; provided, however, Franchisor's consent shall not be unreasonably withheld as provided in Section 13(d). If Franchisor approves the transfer in writing, Franchisee (or Owner, as applicable) may make the proposed transfer on the exact terms and conditions specified in Franchisee's notice to Franchisor within sixty (60) days after the expiration of Franchisor's right of first refusal. If the transfer is not consummated within such 60-day period, Franchisee may not thereafter transfer such interest without again complying with this Section 13.

(d) Conditions on Transfer. Franchisor agrees that it will not unreasonably withhold its consent to a proposed transfer if all the following conditions are satisfied:

(i) Franchisor shall have decided not to exercise its right of first refusal as provided in Section 13(c).

(ii) Franchisee is in full compliance with this Agreement and there are no uncured defaults by Franchisee hereunder, and all debts and financial obligations of Franchisee under this

Agreement are current, including Franchisee's obligations to the Brand Development Fund, each Cooperative of which Franchisee is a member, and all vendors, including, if applicable, Franchisor.

(iii) The proposed transferee must assume all of Franchisee's obligations including the Lease to the Franchise Business, complete Initial Training, and execute such documents as Franchisor may reasonably require to evidence that it has assumed the obligations of Franchisee under this Agreement, including, but not limited to, the then-current version of the Franchise Agreement, and if required by Franchisor, the proposed transferee executes, and in appropriate circumstances, causes such other parties as Franchisor may require to execute, Franchisor's then-current ancillary agreements to this Agreement, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement, provided, however, that the royalty rate, Brand Development Fund and advertising expense payable by the transferee will not be increased to an amount which is greater than that which is required to be paid system-wide by Franchisor's new franchisees, the transferee will not be required to pay an additional Initial Franchise Fee and the protected territory of the Franchised Business, as designated in this Agreement will remain the same. The franchise agreement between Franchisor and Franchisee will terminate once an approved transfer is completed;

(iv) Prior to the date of the proposed transfer, the proposed transferee's principal operator and managers undertake and complete, to the satisfaction of Franchisor, such training and instruction as Franchisor shall deem necessary;

(v) Franchisor is satisfied that the proposed transferee (and if the proposed transferee is an entity, all owners of any interest in such entity) meets all of the requirement for Franchisor's new franchisees applicable on the date Franchisor receives notice of the proposed transfer and including, but not limited to, good reputation and character, business experience, management experience, and financial strength and liquidity;

(vi) The Owner transferring an interest in Franchisee acknowledges and agrees in writing that it is bound by Section 14, 15 and 23 of this Agreement;

(vii) Franchisee or the Owner, as applicable, pays to Franchisor a transfer fee of $7,500.00, unless transfer is to a parent, sibling, spouse, child, grandparent or grandchild (an "Immediate Family Member"), whereby no transfer fee is due.

(viii) The proposed transferee and all owners of any interest in a transferee that is an entity provided Franchisor, at least forty-five (45) days prior to the proposed transfer date, copies of financial statements for the preceding three years, and where applicable, its certificate of incorporation and bylaws (and any amendments or modifications thereof), minutes and resolutions and all other documents, records and information pertaining to the transferee's existence and ownership.

(ix) Within the time specified by Franchisor, Franchisee, at its expense, shall refurbish the Franchised Business, as necessary, to conform the Franchised Business to Franchisor's then-current standards and specifications, including, without limitation, specifications regarding, size, color, trade dress, presentation of the Marks, fixtures, flooring, carpeting, and installed equipment.

(x) If Franchisee consists of one or more individual(s), Franchisee may Transfer its interest under this Agreement to a corporation, limited liability company or other legal entity so long as: (1) the legal entity is owned entirely by all of the original individual franchisees or personal guarantors hereof; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual franchisees or personal guarantors hereof; (3)

Franchisor receives prior written notice of the Transfer along with a complete set of the new legal entity's filed, date stamped formation documents; and (4) Franchisee and the new legal entity enter into a written assignment and assumption agreement in a form prescribed by Franchisor pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement.

(xi) Franchisor's consent to a Transfer of any interest in Franchisee or the Franchised Business granted through this Agreement will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

(xii) Franchisee signs a general release in favor of Franchisor.

(e) **Transfer of Franchise.** Franchisee may not transfer its rights or interest in this Agreement and/or the Franchise without the prior written consent of Franchisor, which consent may be granted or denied in the reasonable discretion of Franchisor. Transfer is defined as: any sale, assignment, transfer, conveyance, or gift, whether voluntary or involuntary, directly or indirectly, by operation of law or otherwise, of any direct or indirect interest in you Franchise Agreement, the assets of the Store, or in you if you are a corporate entity. Franchisor may require some or all of the above listed Conditions for Transfer to be met prior to approving a transfer of interest.

(f) **Ownership and Structural Changes.** Except for transfers between Permitted Transferees, any ownership or structural changes in Franchisee including but not limited to, any merger, reorganization, issuance of additional shares or classes of stock or additional partnership interests, shall constitute and be deemed a transfer and shall be subject to the provisions of Section 13(d) and (e). If Franchisee consists of one or more individual(s), Franchisee may Transfer its interest under this Agreement to a corporation, limited liability company or other legal entity so long as: (1) the legal entity is owned entirely by all of the original individual franchisees or personal guarantors hereof; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual franchisees or personal guarantors hereof; (3) Franchisor receives prior written notice of the Transfer along with a complete set of the new legal entity's filed, date stamped formation documents; and (4) Franchisee and the new legal entity enter into a written assignment and assumption agreement in a form prescribed by Franchisor pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement.

(g) **Death/Incapacity/Dissolution.** Franchisor shall have the right to determine, in its reasonable business judgment, the mental or physical incapacity of Franchisee or of any individual holding an interest in the Franchisee. In the event of such a determination of mental or physical incapacity, the holder of such interest or any duly appointed guardian must promptly select a qualified manager to direct its operation, which must be approved by Franchisor. The persons with such interest or such guardian may then apply to Franchisor for the right to transfer that interest for the duration of the Term and any renewals of this Agreement, pursuant to the Transfer requirements of the Franchise Agreement. Likewise, if Franchisee is a corporation, partnership or other entity, upon the death or incapacity, determined at Franchisor's discretion, of an Owner or dissolution of Franchisee, the executor, administrator, conservator, trustee or other representative of such person or entity shall comply with the right of first refusal and consent provision set forth in Section 13; provided that if the transferee is a Permitted Transferee, Franchisor's right of first refusal and right to consent shall not apply and no transfer fee shall be payable. Further, if the transferee is required to be approved and is approved, and the transfer involves less than twenty-five percent (25%) of the ownership of Franchisee, no transfer fee shall be payable. If a Franchisee is one or more individual and any such person dies or becomes permanently incapacitated, and if the law of the jurisdiction where the Store is located so provides, nothing contained in this Section 13(g) shall deny the spouse, heirs or personal representative of such a Franchisee the opportunity to participate in the ownership of the Store for a reasonable time after the death or incapacity of Franchisee, provided that the spouse, heirs or personal representative execute an acknowledgement that this Agreement is valid and in effect. If the transfer fails to occur within twelve (12) months of the date of death, incapacity, or dissolution, then the license to operate the Store shall terminate.

Note that the Addendum to Franchise Agreement, if executed, will effect changes to Sections (d) and (e) above, as required by the Small Business Administration, in the event Franchisee is obtaining financing through that Administration.

14. Non-Competition.

(a) Franchisee's Non-Compete – In-Term. Franchisee acknowledges that it will receive valuable, specialized training and confidential information regarding the operational, sales, promotional, and marketing methods of the SCOUT & MOLLY'S concept that we have developed through monetary and other resource expenditures that provide competitive advantages to our System. During the Term, Franchisee and its owners, the undersigned shareholders, and Guarantors (hereafter defined) will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

(i) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any business that performs services or offers products or merchandise that are the same or similar as those offered by SCOUT & MOLLY'S Stores, including, retail sale of women's clothing, jewelry, handbags or accessories in any setting or working environment, including, without limitation, brick and mortar retail stores ("Competitive Business");

(ii) divert or attempt to divert any business or customer that had done business with or been a customer of the Store within the two (2) years before the expiration or termination of this Agreement, to any Competitive Business, by direct or indirect inducement or otherwise, as you agree that all goodwill associated with your operation under the Marks and the System, and all business and customer information associated therewith, inure to us;

(iii) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(iv) use any vendor relationship established through your association with us for any purpose other than to purchase products or merchandise for use or retail sale in the Store; or

(v) directly or indirectly solicit for employment any person who at any time within the immediate past 12 months has been employed by us, or our affiliates, or by any of our franchisees.

(b) Franchisee's Non-Compete – Post-Termination. In partial consideration for Franchisor allowing Franchisee to license Franchisor's trademark and confidential information, Franchisee and each of the undersigned shareholders, partners or members of Franchisee ("Owners") covenants and agrees that during the Term of this Agreement and for a period of two years after the termination of expiration of this Agreement, regardless of the reason for such termination or expiration ("Termination Period"), Franchisee shall not, during the term of this Agreement anywhere and, during the Termination Period, within a twenty-five (25)-mile radius of (i) Franchisee's protected area, (ii) ten (10) miles of any other franchised location, or (iii) ten (10) miles of any business location at which the Franchisor or an Affiliate (as defined in Section 24(d)) then conducts a SCOUT & MOLLY'S business, engage in any of the following activities:

(i) Directly or indirectly enter into the employ of, render any service to or act in concert with any person, partnership, corporation or other entity that owns, operates, manages, franchises or licenses any business that constitutes a Competitive Business.

(ii) Directly or indirectly engage in any such Competitive Business on its own account, or

(iii) Become interested in any such Competitive Business directly or indirectly as an individual, partner, shareholder, director, officer, principal, agent, employee, consultant, spouse, or in any other relationship or capacity; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 14(b) so long as Franchisee does not own, directly or indirectly, more than five percent (5%) of the securities of such corporation. To the extent required by applicable laws, the duration or the geographic areas included within the foregoing covenants, or both shall be deemed amended in accordance with Section 24(a).

Additionally, during the term of this Agreement, Franchisee agrees the restriction set forth above shall apply anywhere in the United States of America, which restriction is necessary to solidify the Franchisee's loyalty to the brand.

(c) **__Managerial and Supervisory Employees__.** Franchisee covenants that it shall cause all persons who are involved in managerial or supervisory positions with Franchisee to enter into an agreement to be bound by Sections 14 and 15 of this Agreement. Franchisee agrees to provide Franchisor with copies of such executed agreement upon request. If Franchisee has reason to believe that any person has violated any such provisions of this Agreement, Franchisee shall promptly notify Franchisor and cooperate with Franchisor to protect it against unfair competition, infringement, or other unlawful use of the Marks, trade secrets, or System of the Franchisor. Franchisee further grants Franchisor the right, but not the obligation, to prosecute any such lawsuits at Franchisor's expense in the name of Franchisee.

(d) **__Other Franchisees' Employees__.** Franchisee agrees that it is strictly prohibited from hiring any employee of another franchisee (or otherwise employing such employee) within three (3) months after such employee's termination of employment, unless Franchisee obtain the written consent of the employee's previous employer.

15. **__Trade Secrets and Confidential Information__.** Franchisee understands and agrees that Franchisor has disclosed or will hereafter disclose to Franchisee certain confidential or proprietary information and trade secrets. Except as necessary in connection with the operation of the Store and as approved by Franchisor, Franchisee shall not, during the Term or at any time after the expiration or termination of this Agreement, regardless of the cause of termination, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the merchandise, services, products, advertising, marketing, designs, or methods of operation of the Store or the System. Franchisee shall disclose to its employees only such confidential, proprietary or trade secret information as is necessary to operate its business hereunder and then only while this Agreement is in effect. Any and all information, knowledge, or know-how, including without limitation, drawings, artwork, materials, equipment, marketing, and other data which Franchisor designates as secret or confidential shall be deemed secret and confidential for purposes of this Agreement.

All ideas, concepts, techniques or materials concerning Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the exclusive property of Franchisor as works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefor. Franchisor may incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee hereby assigns ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor reasonably requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall, at Franchisor's expense, take all actions reasonably necessary to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not. Franchisee and all guarantors of this Agreement will divulge Confidential Information only to personnel, if any, who must have access to it in order to operate the Franchised Business. Further, Franchisee will require all personnel having access to any Confidential Information from Franchisor to execute an agreement, of the form attached as Exhibit D, requiring them to maintain the confidentiality of information they receive in connection with their employment at the Scout & Molly's Franchise. Those agreements will be in a form satisfactory to Franchisor, including without limitation, specific identification of Franchisor as a third-party beneficiary of such agreements, with Franchisor having an independent right to enforce them.

16. Insurance.

(a) Types and Extent of Coverage for a Store. Franchisee of any concept provided for in this Agreement shall, at its sole expense, obtain and maintain throughout the Term such insurance coverage with such limits as specified in the then-current version of the Manuals (or such greater amounts of insurance as may be required by the terms of any lease or mortgage relating to the Premises), and Franchisor and its officers, directors and employees shall be named as an additional insured where required by the Manuals. Such insurance coverage may include, but is not limited to,

(i) fire, extended coverage, vandalism, malicious mischief and special extended peril insurance;

(ii) workers' compensation and other insurance required by law; and

(iii) comprehensive general liability insurance, on an occurrence basis, naming Franchisor and its officers, directors and employees as an additional insured, including bodily injury, product liability, and property damage coverage.

(b) Other Insurance Requirements. Franchisee shall obtain from a nationally recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of insurance listed above with complete operations coverage. From time to time in its discretion, Franchisor can increase or modify such limits of liability or require additional types of coverage. Said policies of insurance shall name Franchisor as an "additional insured" and shall expressly protect both Franchisee and Franchisor and shall require the insurer to defend both Franchisee and Franchisor in any action while reserving Franchisor's right to involve counsel of its own choosing in protection of its own and system wide interests. Additionally, Franchisee's insurance policy must waive on behalf of its insurer any right of subrogation by the insurance company against Franchisor, its officers, shareholders, and employees. Franchisee shall furnish to Franchisor a certified copy or certificate of insurance for each such policy, naming Franchisor as an additional insured and providing that such policies shall not be canceled, amended or modified without ten (10) days prior written notice thereof to Franchisor. By doing the above Franchisee will satisfy Franchisor's insurance mandate. Franchisee understands that doing so does not necessarily furnish Franchisee with protection levels adequate to its needs and that its obligation to indemnify Franchisor as set forth above in this Agreement may exceed the amount of insurance Franchisee is required to obtain or does obtain.

(c) Reserved.

(d) Franchisor, or its insurer, shall have the right to participate in discussions with Franchisee's insurance company or any claimant (in conjunction with Franchisee's insurance company) regarding any claim of liability, and Franchisee agrees to adopt our reasonable recommendations to its insurance carrier regarding the settlement of any such claims.

(e) Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, Franchisor will have the right and authority to immediately procure such insurance deemed to be necessary and to charge the amount of the cost to procure and maintain such insurance to Franchisee, along with a reasonable fee for Franchisor's expenses in procuring the insurance, Franchisor is authorized to collect from Franchisee all insurance related expenses paid on behalf of Franchisee through automatic electronic bank transfers as provided for in Section 8 of this Agreement.

17. Termination.

(a) **Automatic Termination.** Franchisee shall be in default under this Agreement, and this Agreement and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee in the event, **(i)** Franchisee makes a general assignment for the benefit of creditors or a petition in bankruptcy is file by Franchisee, and/or any Guarantors of this Agreement; **(ii)** a petition in bankruptcy is filed against and not opposed by Franchisee; **(iii)** Franchisee is adjudicated as bankrupt or insolvent; **(iv)** a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for Franchisee's business or assets if filed and consented to by Franchisee; **(v)** a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(vi)** proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; **(vii)** a final judgment of $25,000 or more remains unsatisfied or of records for thirty (30) days or longer (unless an appeal or supersedes bond is filed); **(viii)** Franchisee is dissolved; **(ix)** any portion of Franchisee's interest in the Store becomes subject to an attachment, garnishments, foreclosure, levy or seizure by any credit or any other person claiming against or in the rights of Franchisee; **(x)** execution is levied against Franchisee's business or property; of **(xi)** the real or personal property of Franchisee's Store shall be sold after levy thereupon by any sheriff, marshal, or constable.

(b) **Termination without Opportunity to Cure.** Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted herein, without affording Franchisee any opportunity to cure the default, effective upon the earlier of receipt of notice of termination by Franchisee, or five (5) days after mailing of such notice by Franchisor, upon the occurrence of any of the following events:

(i) Franchisee does not open the Store within twelve (12) months of signing the Franchise Agreement, or at any time ceases to operate or fails to respond to communications or otherwise abandons the Store or forfeits the right to do or transact business in the jurisdiction where the Store is located or loses the right to possession to the Premises for a period of ten (10) days; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee the Premises are damaged or destroyed, the Franchisee shall have forty-five (45) days after either such event in which to apply for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld), provided, Franchisee shall either relocate or commence and diligently pursue reconstruction of the Store within sixty (60) days after the event;

(ii) Except as otherwise permitted in this Agreement, any owner of more than five percent (5%) interest in Franchisee transfers all or part of such interest or Franchisee transfers any interest in the Store, a material portion of the assets of the Store or Franchisee;

(iii) Franchisee or any person or entity owning more than fifty percent (50%) of Franchisee is proven to have engaged in fraudulent conduct, or is convicted of, or pleads guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense that is reasonably likely to have an adverse effect on the Chain, the Marks or the goodwill associated therewith; provided, that if the act or conviction involves an owner of Franchisee, Franchisor will not terminate this Agreement if Franchisee notifies Franchisor promptly after it learns of the event constituting the default, and within fifteen (15) days of the date of the notice, either **(a)** the person or entity that committed the wrongful act divests his or its entire interest in Franchisee, or **(b)** Franchisee obtains Franchisor's consent for such owner to maintain his or its ownership interest;

(iv) An approved transfer is not affected within nine months of the death or incapacity of any individual Franchisee; or the death, incapacity or dissolution of any owner of an interest in Franchisee;

(v) Franchisee is given two (2) or more notices of being in default under any of the terms or requirements of this Agreement within any 12-month period, whether or not such defaults are timely cured after notice;

(vi) Franchisee fails to comply with any of the covenants of Franchisee set forth in this Agreement, or makes any material misrepresentation to Franchisor or breaches any warranty of representation made to Franchisor, whether in this Agreement or otherwise;

(vii) Franchisee knowingly or intentionally maintains false books or records or submits any false records, statement or report to Franchisor, or denies Franchisor the right of inspection; or

(viii) Franchisee, by act or omission, materially impairs the value of, or the goodwill associated with, the Chain, any of the Marks or the System or breaches the confidentiality and/or other restrictive covenants set forth herein.

(ix) Franchisee takes, withholds, misdirects, or appropriates for Franchisee's own use any funds from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits, or generally fails to deal fairly and honestly with Franchisee's employees or customers.

(x) Franchisee loses or is denied any federal, state or local license the Franchisee must possess in order to operate the Store.

(xi) Franchisee fails to cure a default for the Store as prescribed by the lease or otherwise is in default and subject to termination pursuant to the lease for the Store

(c) **Termination with Opportunity to Cure.** Except for those defaults provided for under **Section 17(a)** or **17(b)**, Franchisee shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Manual, policy and procedure statement or other written document provided by Franchisor, or to carry out the terms of this Agreement in good faith. For such defaults, Franchisor will provide Franchisee with written notice and thirty (30) days to cure or, if a default cannot reasonably be cured within thirty (30) days, to initiate within that time substantial and continuing action to cure such default and to provide Franchisor with evidence of such actions. If the defaults specified in such notice are not cure within the thirty (30) day period, or if substantial and continuing action to cure has not been initiated, Franchisor may, at its option, terminate this Agreement upon written notice to Franchisee. Such defaults shall include, without limitation, the occurrence of any of the following events:

(i) Franchisee fails to construct or remodel, or to commence operating the Store in accordance with this Agreement;

(ii) Franchisee fails, refuses, or neglects to promptly pay any monies owing to Franchisor, or its affiliates including but not limited to royalties or Brand Development Fund royalties when due, or to submit the financial or other information required under this Agreement;

(iii) Any person or entity owning five percent (5%) or less of Franchisee makes a transfer of such interest in violation of this Agreement; provided, however, that Franchisee's right to cure such a default shall be conditioned upon Franchisee immediately notifying Franchisor of the improper transfer and taking all actions necessary to either **(a)** obtain Franchisor's approval thereof, or **(b)** if approval is not desired or the transfer or transferee is not approved by Franchisor, to re-acquire the interest so transferred;

(iv) A threat or danger to public health or safety results from the construction, maintenance, or operation of the Store;

(v) Franchisee misuse or makes any unauthorized use of the System or the Marks; or

(vi) If Franchisee is convicted of or pleads guilty or nolo contendere to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is injurious to the Chain, the Marks, or the goodwill associated therewith, or if Franchisor has proof Franchisee has committed such a felony, crime or offense; or

(vii) Franchisee is found liable by any judicial, administrative, or arbitral body for violation of federal, state, or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation, or is found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age, or sexual orientation.

(viii) Franchisee maintains false books or records, or knowingly submits any false reports to Franchisor;

(ix) Franchisee submits to Franchisor on two (2) or more separate occasions at any time during the Term or any renewal hereof, any reports or other data, information or supporting records which understate the Gross Revenues of the Franchised Business, the royalty fees and/or any other sums owed to Franchisor for any period of, or periods aggregating, three (3) or more weeks, and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

(x) Franchisee, after curing a default pursuant to Sections 2 or 17of this Agreement, commits the same act of default again within six (6) months; or

(xi) Franchisee is in default under Sections 2 or 17 of this Agreement more than twice in any calendar year or more than three (3) times during any three (3) year period for failure to substantially comply with any of the requirements imposed by this Agreement.

(xii) If Franchisee fails to maintain a good credit rating by failing to make prompt payment of undisputed bills, invoices or statements from suppliers of products and services;

Franchisee hereby authorizes Franchisor to notify any lender, creditor, customer or landlord of the Franchisee or Franchised Business upon the occurrence of any default under this Section, or any event or circumstances which the giving or notice or passage of time or both would constitute an event of default under this Section, and to otherwise communicate with such lenders, creditors, customers or landlords with respect to any such default, or any such event or circumstance.

(d) **Relief in Equity.** Franchisee agrees that neither termination of this Agreement, nor an action at law, nor both, would be an adequate remedy for a breach or default by Franchisee, or by any other persons bound by this Agreement, in the performance of any obligation relating to Franchisor's Marks or indicia, the trade secrets revealed to Franchisee in confidence pursuant to this Agreement or the obligations of Franchisee and such other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any such breach or default, in addition to all other remedies provided elsewhere in this Agreement or by law, Franchisor shall be entitled to relief in equity from a judge or arbitrator, at its option, (including a temporary restraining order, temporary or preliminary injunction and permanent mandatory or prohibitory injunction) to restrain the continuation of any such breach or default or to compel compliance with such provisions of this Agreement.

(e) **<u>Limitation of Services or Benefits</u>.** The Franchisor shall have the right, but not the obligation, to temporarily or permanently limit or remove certain services or benefits provided or required to be provided to Franchisee hereunder in lieu of exercising its right to terminate this Agreement pursuant to the terms hereof, including, without limitation, eliminating Franchisee's right to use the Franchisor's Web site free of charge, restricting or removing Franchisee's right to purchase products directly or indirectly from the Franchisor or its affiliates, limiting the Franchisor's advertising and promotional assistance, and restricting or removing Franchisee's right to use the Franchisor 's proprietary computer software, if any. Nothing in this Section constitutes a waiver of any other right or remedy of the Franchisor under this Agreement. Franchisee acknowledges that the Franchisor's exercise of its rights pursuant to this Section shall not be deemed a constructive termination. Any services or benefits removed or limited pursuant to this Section may be reinstated at any time in the Franchisor's sole discretion.

(f) **<u>Reserved.</u>**

18. **<u>Obligations upon Termination or Expiration</u>.** Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate and revert to Franchisor, and Franchisee shall have the following obligations with respect to the Store franchised under this Agreement:

(a) Franchisee shall immediately cease to operate the business licensed under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a **SCOUT & MOLLY'S** franchisee with respect to such business;

(b) Franchisee shall immediately and permanently cease to use, in any manner whatsoever, all confidential information, methods, procedures and techniques used by or associated with the System, and the proprietary Marks **SCOUT & MOLLY'S** and all other Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the **SCOUT & MOLLY'S** Chain;

(c) Franchisee shall immediately return to Franchisor any property held or used by Franchisee which is owned by Franchisor and shall cease to use, and either destroy or convey to Franchisor, all signs, advertising materials, stationery, forms and any other materials that bear or display the Marks;

(d) Franchisee shall take such actions as may be necessary to cancel any assumed name or similar registration which contains the mark **SCOUT & MOLLY'S** or any other Marks of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with its obligation within thirty (30) days after termination or expiration of this Agreement;

(e) Franchisee shall, if Franchisor so requests, assign to Franchisor any interest which Franchisee has in any lease for the Premises. In the event Franchisor does not elect to exercise its option to acquire any lease for the Premises, and unless otherwise directed by Franchisor, Franchisee shall, within ten (10) days after termination or expiration of this Agreement, make such modifications and alterations to the Premises as may be necessary to distinguish the appearance of the Premises from that of other **SCOUT & MOLLY'S** stores and shall make such specific additional changes thereto as Franchisor may reasonably request;

(f) Franchisee shall promptly pay all sums owed to Franchisor. Such sums shall include all damages, unpaid royalties, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and the termination. Any outstanding obligations to Franchisor shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee located on the Premises or in the possession of Franchisee on the date this Agreement is terminated;

(g) Franchisee shall pay to Franchisor all damages, costs and expenses including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement;

(h) Franchisee shall immediately deliver to Franchisor all Manuals, policy and procedure statements, instructions, and other materials related to operating the Store, including, without limitation, marketing collateral, brochures, charts and any other materials provided by Franchisor and all copies thereof, and shall neither retain nor convey to another any copy or record of any of the foregoing;

(i) Franchisor shall have the option, to be exercised within thirty (30) days of termination, to assume Franchisee's assumed name or equivalent registration and business licenses, telephone numbers, white and yellow pages telephone directory listings and advertisements (whether in print or part of an Internet directory), and e-mail addresses and/or Internet domain names which contain the Mark of Franchisor or its affiliates, and Franchisee shall sign all documents necessary to permit Franchisor to assume Franchisee's rights in such items. If Franchisor elects not to exercise this option, Franchisee shall take all action necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance within fifteen (15) days after receiving notice of Franchisor's termination or expiration of this Agreement and the expiration of the option granted herein. In the event Franchisee fails to timely do so, Franchisor shall have the right, for which purpose Franchise hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf and at Franchisee's expense.

(j) Franchisee shall comply with the covenants contained in this Agreement, including, but not limited to, the covenants, not to compete and the covenants not to disclose trade secrets or confidential information.

(k) Sell to Franchisor, the Store and all or such part of inventories of products, including Store merchandise and products bearing Franchisor's Marks or indicia, on hand as of the date of termination as Franchisor may request in writing prior to, or within the thirty (30) days following the date of termination. Such sale will be at the fair market value then being charged by Franchisor, its affiliates or approved suppliers to authorized franchisees, not including costs of storage or transportation paid by Franchisee to bring the goods initially to the store, and less those costs incurred or to be incurred by Franchisor to restore such goods or packaging thereof to a salable condition, and less a reasonable allowance for physical deterioration, obsolescence or damage. Franchisor shall have the right to set off and apply any amounts due to Franchisee pursuant to this Subparagraph against any and all other amounts which may be due from Franchisee to Franchisor.

19. Independent Contractor; Indemnification.

(a) **Independent Contractor.** It is understood and agreed by the parties that this Agreement creates only a contractual relationship between the parties subject to the normal rule of contract law. This Agreement does not create a fiduciary relationship between the parties and Franchisee is and shall remain an independent contractor. Franchisee agrees to hold itself out to the public as an independent contractor, separate and apart from Franchisor. Franchisee agrees that it shall not make any contract, agreement, warranty, or representation on the Franchisor's behalf without Franchisor's prior written consent, and

Franchisee agrees that it shall not incur any debt or other obligation in Franchisor's name. This Agreement shall not be deemed to confer any rights or benefits to any person or entity not expressly named herein.

(b) **Indemnification.** Franchisor shall not be liable by reason of any act or omission of Franchisee in its conduct of the Store or for any claim, cause of action or judgment arising therefrom against Franchisee or Franchisor. Franchisee agrees to hold harmless, defend and indemnify Franchisor and its officers, director, agents, and employees from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which Franchisor shall be a name defendant and which arises, directly or indirectly, out of the operation of, or in connection with, the Store, other than a claim resulting directly from Franchisor's negligence.

(c) **Data Mining.** All data provided by Franchisee, uploaded to Franchisor's system from Franchisee's system, and/or downloaded from Franchisee's system to Franchisor's system, is, and will be owned exclusively by Franchisor and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the establishment and operation of the Franchised Business pursuant to this Agreement.

(d) **Privacy.** Subject to commercial standards of reasonableness based upon local business practices, Franchisor may, from time-to-time, specify in the Operating Manual (or otherwise in writing) the information that Franchisee shall collect and maintain on the required software, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to or derived from the Franchised Business (including, without limitation, data pertaining to or otherwise about customers) is and shall be the exclusive property of Franchisor, and Franchisor hereby grants a royalty-free nonexclusive license to Franchisee to use said data during the term of this Agreement. Franchisee shall abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

(e) **Payment of Taxes.** Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalties, any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor or Franchisor's affiliates by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license, or lease of property or property rights provided by this Agreement, other than taxes on Franchisor's net income.

20. Franchisee Representations.

(a) Franchisee acknowledges that it has conducted an independent investigation of the proposed franchise and recognizes that the business venture contemplated by this agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee as an independent businessman or business. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty, or guarantee, or representation other than as set forth in the disclosure document, express or implied, from any employee or agent of the Franchisor as to the potential sales volumes, profits, or level of success of the business venture contemplated by this agreement or the suitability of the approved location of the store. Franchisor has not represented that (i) Franchisee will earn, can earn, or is likely to earn a gross or net profit, (ii) Franchisor has knowledge of the relevant market, or (iii) the market demand will enable franchisee to earn a profit from the store;

(b) Franchisee acknowledges that it received a copy of the complete Franchisor's disclosure document, agreements related thereto, if any, at least fourteen (14) calendar days prior to the date on which this agreement was signed.

(c) Franchisee accepts the terms, conditions and covenants contained in this agreement as being reasonable and necessary to maintain Franchisor's standards of quality, service and uniformity and in order to protect and preserve the goodwill of the marks. Franchisee acknowledges that other franchisees of Franchisor have been or will be granted franchises at different times and in different situations. Franchisee further acknowledges that the provision of the franchise agreements pursuant to which such franchises were granted may vary materially from those contained in this agreement and that Franchisee's obligation arising hereunder may differ substantially from other franchisees; and

(d) Franchisee recognizes that the system may evolve and change over time and that the license and operation of the store involve an investment of substantial risk and its success is dependent primarily upon the business acumen and efforts of Franchisee and other factors beyond Franchisor's control. Franchisee has conducted an independent investigation of the franchise and had ample time and opportunity to consult with independent professional advisors, including but not limited to lawyers and accountants, and has not relied upon any express or implied guarantee as to potential volumes, revenues, profits or success of the business venture contemplated by Franchisee. Even though this agreement contains provisions requiring Franchisee to operate the franchised business in compliance with Franchisor's system: (1) Franchisor or Franchisor's affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of Franchisee's business or employment decisions; and (2) Franchisee and Franchisor do not intend for Franchisor or Franchisor's affiliates to incur any liability in connection with or arising from any aspect of Franchisor's system or Franchisee's use of the Franchisor system or the operation of the franchised business, whether or not in accordance with the requirements of the manual.

(e) If Franchisee is a corporation, a limited liability company or a partnership, Franchisee makes the following representations and warranties: (1) Franchisee is duly organized and validly existing under the laws of the state of its formation; (2) Franchisee is qualified to do business in the state or states in which the franchised business is located; (3) execution of this agreement and the development and operation of the franchised business is permitted by its governing documents; and (4) Franchisee's articles of incorporation, articles of organization or written partnership agreement shall at all times provide that Franchisee's activities are limited exclusively to the development and operation of the scout & molly's franchised business.

(f) If Franchisee is an individual, or a partnership comprised solely of individuals, Franchisee makes the following additional representations and warranties: (a) each individual has executed this Agreement; (b) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this agreement; and (c) notwithstanding any transfer for convenience of ownership, pursuant to this agreement, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this agreement.

(g) If Franchisee violates a term or condition contained within this agreement, including but not limited to, withholding any monies owed to Franchisor in the absence of a court order permitting the withholding of such monies, Franchisee shall reimburse Franchisor for all reasonable costs incurred by Franchisor in pursuing the enforcement of this agreement. These costs shall include, but not be limited to, court costs and fees, accounting costs and fees, expert witness costs and fees, reasonable attorneys' fees, the reasonable value of Franchisor's employees' time, witness fees and travel expenses incurred by Franchisor. The recovery of the costs and fees specified above shall include the recovery of all costs and fees incurred by Franchisor relating to or arising from any and all defenses, counterclaims and/or cross-claims asserted by Franchisee or the personal guarantors under this agreement. This obligation will give rise to and remain a lien in favor of Franchisor against any and all of the personal property, goodwill, cash, furnishings, equipment, signs, fixtures and inventory owned by Franchisee and located on and around the premises operated pursuant to this agreement until Franchisee is in full compliance with this agreement and any amounts owed are paid in full. All costs to be collected by Franchisor pursuant to this provision shall be collected via electronic bank transfer as specified in this agreement.

(h) If Franchisee is a corporation, a limited liability company or a partnership, Franchisee has provided to Franchisor a current list of all owners and Franchisee agrees that Franchisee will advise Franchisor of any and all changes in ownership.

(i) If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: "any assignment or transfer of this stock is subject to the restriction imposed on assignment by Franchisor, franchise agreement(s) to which the corporation is a party." If Franchisee is a limited liability company, each membership or management certificate or other evidence of interest in Franchisee shall have conspicuously endorsed upon its face the following statement: "any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by the Franchisor, franchise agreement(s) to which the limited liability company is a party." If Franchisee is a partnership, its written agreement shall provide that ownership of an interest in the partnership is held subject to, and that further assignment or transfer is subject to, all restrictions imposed on assignment by this Agreement.

(j) Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "order"), Franchisor is prohibited from engaging in any transaction with any specially designated national or blocked person. "Specially designated national" or "blocked person" shall mean (1) those persons designated by the U.S. department of treasury's office of foreign assets control from time to time as a "specially designated national" or "blocked person" or similar status, (2) a person engaged in, or aiding any person engaged in, acts of terrorism, as defined in the order, or (3) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business. Currently, a listing of such designations and the text of the order are published at the internet website address, www.ustreas.gov/offices/enforcement/ofac. Accordingly, Franchisee represents and warrants to Franchisor that as of the date of this agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee is a specially designated national or blocked person, and that Franchisee (1) does not, and hereafter shall not, engage in any terrorist activity; (2) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (3) is not acquiring the rights granted under this agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity. Franchisee agrees that Franchisee shall immediately provide written notice to Franchisor of the occurrence of any event which renders the representations and warranties in this section incorrect.

(k) Franchisee covenants that during the Term, it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, and that it will continuously exert its best efforts to promote and enhance the business of the Franchised Business and other franchised businesses established and operated by Franchisee under the System.

(l) Franchisee and all guarantors hereof acknowledge and agree that the obligations regarding the use of Confidential Information and trade secrets set forth in this Agreement will apply throughout the Term and after the expiration or termination of this Agreement, without limitation as to time or geographic scope. Franchisee covenants that upon termination or expiration, Franchisee will immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, trade secrets, methods, procedures and techniques associated with the System.

(m) Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Franchisor's approval of a site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site approved by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

21. Governing law, Jurisdiction and Venue.

(a) Dispute Resolution.

(i) Franchisee and Franchisor acknowledge and agree, subject to Section 21(b), that in the event a dispute between the parties is not resolved informally, an officer of Franchisor and the principal(s) of Franchisee must first meet in King of Prussia, Pennsylvania at the offices of Franchisor or such other place designated by Franchisor to discuss a resolution.

(ii) In the event the dispute resolution procedures described in Section 21(a)(i) do not result in a settlement between the parties, Franchisor and Franchisee agree that any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days written notice by either party be resolved, except as elsewhere expressly provided in this Agreement, upon application by any such party by binding arbitration in Montgomery County, Pennsylvania, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. Franchisee acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the Commonwealth of Pennsylvania, where Franchisor's decision-making authority is vested, franchise operations are conducted and supervised, and where Agreement was rendered binding. Franchisee and Franchisor agree that arbitration shall be conducted on an individual - not a class-wide basis. The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions. Any award by the arbitrator(s) shall be final, binding and non-appealable, except for errors of law. Unless the parties agree in writing at the time an arbitration proceeding is commenced to have a single arbitrator, the matter shall be heard by three (3) arbitrators, with each party selecting one (1) arbitrator and the third (3) arbitrator to be selected by the AAA. The arbitrator selected by the AAA shall have at least ten (10) years' experience in practicing franchise law, during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of franchise agreements and franchise disclosure documents. Franchisee understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court.

(iii) Matters involving the Marks or any other proprietary property, any lease of sublease of real property, Franchisee's obligations upon termination or expiration of your Franchise Agreement, any Transfers, and matters involving danger or public safety may be immediately handled through litigation in

Montgomery County Court of Common Pleas, in the Commonwealth of Pennsylvania, or the U.S. District Court for the Eastern District of Pennsylvania, at the sole discretion of Franchisor

(b) **Injunctive Relief.** Notwithstanding the provisions of Section 21(a), Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction, or in the first instance from an Arbitrator, to restrain any conduct by Franchisee in the development or operation of the Store that could materially damage the good will associated with the Marks and the Chain. Franchisee agrees Franchisor will not be required to post a bond to obtain any injunctive relief with respect to use of the Marks.

(c) **Attorneys' Fees and Costs.** The non-prevailing party agrees to reimburse the prevailing party for all expenses reasonably incurred (including attorneys' fees): (i) to enforce the terms of this Agreement, an obligation owed to Franchisor by Franchisee and/or the Owners, or an obligation owed to Franchisee by Franchisor; and (ii) in the defense of any claim that one party asserts against the other party on which the prevailing party substantially prevails in court, arbitration or other formal legal proceedings, whether incurred prior to or in preparation for such proceedings or thereafter. In the event Franchisor is the prevailing party, Franchisor has the right to reimburse itself through EFT transfer from Franchisee's authorized account for any legal fees.

(d) **JURY TRIAL AND CLASS ACTION WAIVER**. Franchisor and franchisee (and franchisee's owners and guarantors, if applicable) irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by franchisor and franchisee. Nothing in this paragraph shall affect the application of section 21(b). Neither franchisee nor franchisor shall seek to litigate or arbitrate against the other party to this agreement or such party's affiliates, either as a representative of, or on behalf of, any other person, class, or entity any dispute, controversy, or claim of any kind arising out of, or relating to, this agreement, the rights and obligations of the parties, the sale of the franchise, or other claims or causes of action relating to the performance of either party to this agreement. No litigation, arbitration or other action or proceeding under this agreement shall add as a party, by consolidation, joinder, or in any other manner, any person or party other than franchisee and franchisor and any person in privity with, or claiming through, in the right of, or on behalf of, franchisee or franchisor, unless both franchisee and franchisor consent in writing. Franchisor has the absolute right to refuse such consent. Franchisee agrees and acknowledges that any proceeding directly or indirectly arising from or relating to this agreement, the relationship between the parties, or any agreement or relationship between franchisee and any affiliate of franchisor will be considered unique on its facts and may not be brought as a class or group action.

(e) **WAIVER OF CERTAIN DAMAGES**. Except for franchisee's obligations to indemnify franchisor under this agreement and claims franchisor brings against franchisee for franchisee's unauthorized use of the marks, unauthorized use or disclosure of confidential information, or breach of franchisee's non-competition covenants, franchisor and franchisee (and franchisee's owners and guarantors, if applicable) waive any right to or claim for punitive, consequential, multiple, incidental or other damages in excess of the economic damages actually sustained, whether asserted as a related or independent tort, as a breach of contract, or as any other claim or cause of action based on statutory or common law.

(f) **WAIVER OF PUNITIVE DAMAGES**. Franchisor and franchisee (and franchisee's owners and guarantors, if applicable), hereby waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between franchisor and franchisee each shall be limited solely to the recovery of any actual damages sustained by the non-breaching party.

(g) **Remedies Cumulative.** All rights and remedies conferred upon Franchisee and Franchisor by this Agreement and by law shall be cumulative of each other, and neither the exercise nor the failure to exercise any such right or remedy shall preclude the exercise of any other such right or remedy.

(h) **Nonwaiver.** No failure by Franchisor or Franchisee to take action on account of any default by the other, whether in a single instance or repeatedly shall constitute a waiver of any such default or of the performance required of Franchisee. No express waiver by Franchisee or Franchisor of any provision or performance hereunder or of any default by the other shall be construed as a waiver of any other or future provision, performance or default.

(i) **Governing Law.** This Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws of the Commonwealth of Pennsylvania and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the Commonwealth of Pennsylvania and the Federal Arbitration Act, which laws shall prevail in the event of any conflict of law. The venue for any arbitration concerned with the enforcement and interpretation of this Agreement shall be Montgomery County, Pennsylvania. Nothing in this subparagraph 21.8 is intended, or shall be deemed, to make any Pennsylvania law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable. Any and all claims and actions arising out of or relating to this agreement, the relationship of franchisee and franchisor, or franchisee's operation of the franchised business, brought by franchisee against franchisor, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

22. **Notices.** All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given **(i)** by personal delivery, or **(ii)** by registered or certified mail, return receipt requested, postage prepared, or by delivery to a nationally-recognized overnight courier service, in each case, addressed as follows, or to such other person or entity as either party shall designate by notice to the other in accordance herewith:

Franchisor: FRANLOGIC SCOUT DEVELOPMENT, LLC
Attn: Ed Samane
640 Freedom Business Center Drive, Suite 131
King of Prussia, Pennsylvania 19406

Franchisee: Address Identified on Exhibit A.

Notice shall be deemed given and effective upon the first to occur of receipt, when proper delivery is refused, or two (2) days after deposit in registered or certified U.S. Mail as described above.

23. **Guaranty of Payment.** Each shareholder of Franchisee ("Guarantor"), individually and unconditionally, by execution of this Agreement, jointly and severally guarantees the payment and performance of any and all of Franchisee's obligations under this Agreement (the "Obligations"). This **Section 23** is referred to herein as the "Guaranty."

(a) Guarantor expressly waives: (i) Notice of acceptance of this Guaranty by Franchisee; (ii) presentment and demand for payment of any of the Obligations; (iii) protest and notice of dishonor or of default to Guarantor or to any other party with respect to the Obligations; and (iv) notice of Franchisor amending, substituting for, releasing, waiving or modifying any of the Obligations.

(b) This Guaranty is a guaranty of payment, not of collection. Guarantor agrees that this Guaranty may be enforced by Franchisor without the necessity at any time of resorting to or exhausting any other security or collateral and without the necessity at any time of having recourse to the Obligations in any manner, and Guarantor hereby waives any rights to require Franchisor to proceed against Guarantor or to require Franchisor to pursue any other remedy or enforce any other right. Guarantor further agrees that nothing contained herein shall prevent Franchisor from suing on this Agreement, or from exercising any other rights available to Franchisor under this Agreement, and the exercise of any such rights shall not constitute a discharge of any of Guarantor's obligations hereunder shall be absolute, independent and unconditional under any and all circumstances. Neither Guarantor's obligation under this Guaranty nor any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by an impairment, modification, change, release, or limitation of the liability of Guarantor or any Co-Guarantors, or by reason of Guarantor's or any Co-Guarantors' bankruptcy or insolvency.

(c) This Guaranty shall continue in full force and effect until the Obligations are fully paid, performed and discharged. This Guaranty covers the Obligations, whether presently outstanding or arising subsequent to the date hereof. Guarantor warrants and represents to Franchisor: (i) that this Guaranty is binding upon and enforceable against Guarantor, in accordance with its terms; (ii) that the execution and delivery of this Guaranty does not violate or constitute a breach of any agreement to which Guarantor is a party or of any applicable laws; and (iii) that there is no litigation, claim, action or proceeding pending, or, to the best knowledge of Guarantor, threatened against Guarantor which would materially adversely affect the financial condition of Guarantor or his ability to fulfill his obligations hereunder.

(d) Each Guarantor personally agrees to be bound by all restrictions in this Agreement, including, but not limited to Sections 14 and 15 of the Agreement.

24. <u>Miscellaneous</u>.

(a) **<u>Severability</u>.** The invalidity or unenforceability of any one or more provision of this Agreement shall in no way affect any other provision. If any court of competent jurisdiction determines any provision of this Agreement to be invalid, illegal or unenforceable, that portion shall be deemed severed from the rest, which shall remain in full force and effect as though the invalid, illegal or unenforceable portion had never been a part of this Agreement.

(b) **<u>Construction</u>.** All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, as the case may require. All acknowledgements, warranties, representations, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement as Franchisee.

(c) **<u>Entire Agreement</u>.** This Agreement, the documents incorporated herein by reference and the exhibits attached hereto, comprise the entire agreement between the parties and all prior understands or agreements concerning the subject matter hereof are canceled and superseded by this Agreement. Nothing in the Agreement or any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

(d) **<u>Affiliate</u>.** As used in this Agreement, the term "Affiliate" shall mean any person or entity that is a **SCOUT & MOLLY'S** franchisee of Franchisor or any sub licensor of Franchisor.

(e) **<u>Assignees</u>.** This Agreement shall be binding upon the heirs, successors, permitted assigns and legal representatives of the parties.

(f) **<u>Amendments</u>.** Franchisor reserves the right to amend this Agreement if a Franchise Agreement change proposed by Franchisor is agreed to by 75% of the then-current Franchisees. Further, except for those permitted to be made unilaterally by Franchisor, no supplement, amendment or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

(g) **<u>Waivers</u>.** No failure of Franchisor to exercise any right given to it hereunder, or to insist upon strict compliance by Franchisee with any obligation, agreement or undertaking hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand full and exact compliance by Franchisee and shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or of a different nature, nor shall any delay or omission of Franchisor to exercise any right arising from such default affect or impair Franchisor's rights as to such default or any subsequent default.

(h) **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. One or more counterparts can be delivered by facsimile or .pdf file transmission.

(i) **Headings.** The headings used in the Agreement are for convenience only, and the paragraphs shall be interpreted as if such headings were omitted.

(j) **Time of Essence.** Franchisee agrees and acknowledges that time is of the essence with regard to Franchisee's obligations hereunder, and that all of Franchisee's obligations are material to Franchisor and this Agreement.

(k) **Territory Boundaries.** Territory boundaries are as described in the Site Selection Addendum, which is Exhibit B to this Agreement.

(l) **Agreement Binding Upon Signature of Franchisor.** Franchisee acknowledges that this Agreement shall not take effect until its acceptance and execution by an officer of Franchisor.

(m) **Evolving Agreements.** Franchisee acknowledges that Franchisor has entered, and will continue to enter, into agreements with other Franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Franchisor and Franchisees other than Franchisee may have different rights and obligations does not affect the parties' duty to comply with this Agreement.

(n) **Delegation.** Franchisor shall have the right to delegate Franchisor's duties under this Agreement to any affiliated or non-affiliated entity, agent, or employee and Franchisee agrees to such assignment without any right to approve such actions.

(o) **Security Interests.** Franchisee agrees to give no security interests, pledges or encumbrances in Franchisee's inventory, leasehold, fixtures, securities or franchise agreement without the prior written approval of Franchisor, which shall not be deemed a consent to assignment. Franchisor will not unreasonably withhold approval but is legitimately concerned to ensure: (a) that you not lose the business; (b) that the business not be lost to the franchise system; (c) any grant of a security interest will not impede or threaten Franchisor's security interest granted in the attached Security Agreement, hereby incorporated by reference, and (d) that Franchisor not have to defend a claim to franchisee rights by anyone it shall not have agreed to accept as a franchisee.

(p) **Fines.** For each instance where Franchisee fails to obtain prior written approval for advertisements, fails to attend required training or franchisor sponsored conventions, or offers unauthorized products or services, Franchisor shall, at Franchisor's option, have the right to levy a fine in an amount up to One Thousand Dollars ($1,000) per occurrence. Alternatively, in the case of failure to attend required training or franchisor sponsored conventions, Franchisee's royalty fee for the balance of the calendar year shall increase by one percent (1%). The imposition of a fine pursuant to this paragraph shall not act as a waiver of any of Franchisor's other remedies under this Agreement. Furthermore, we have the right to collect any such fines by means of EFT.

(q) **Final Act.** The last signature applied to this Agreement shall be the signature of Franchisor's President or Vice President at Franchisor's headquarters in Pennsylvania. The Agreement shall not be binding on Franchisor until signed by Franchisor.

IN WITNESS WHEREOF, parties hereto have duly executed this Agreement on the day, month and year first written above.

Franchisor:

FRANLOGIC SCOUT DEVELOPMENT, LLC

By: ___________________________________
Ed Samane, President

Franchisee:

____

By: ___________________________________
Name:___________________________________
Title:___________________________________

Shareholder(s) and Guarantor (s):

By: ___________________________
Name: ___________________________
Capacity: ___________________________

By: ___________________________
Name: ___________________________
Capacity: ___________________________

By: ___________________________
Name: ___________________________
Capacity: ___________________________

By: ___________________________
Name: ___________________________
Capacity: ___________________________

EXHIBIT A TO FRANCHISE AGREEMENT

FEES AND PAYMENTS

Franchisee is licensing the right to operate the following type of territory:

_____________ Standard Territory
_____________ Major Metropolitan Territory

The Initial Franchise Fee shall be a sum of Sixty Thousand Dollars ($60,000), due with the execution of this Agreement.

The precise territory for the Store shall be as follows:

____
____
____

Continuing Royalty

Continuing Royalty is Seven Percent (7%) of the Weekly Gross. For purposes of this Exhibit A, "Weekly Gross Sales" shall mean the entire weekly amount, for the week immediately preceding the due date of the Continuing Royalty, of all of your revenues from the ownership or operation of your Store or any business at or about the Premises including the proceeds of any business interruption insurance and any revenues received from the lease or sublease of a portion of the Premises, whether the revenues are evidenced by cash, credit, checks, services, property, or other means of exchange. Cash refunded and credit given to customers and receivables uncollectible from customers will be deducted in computing Gross Sales only to the extent that the cash, credit, or receivables represent amounts previously included in Gross Sales where Royalty Fees and Advertising Contributions were paid. Gross Sales are deemed received by you at the time the goods, products, merchandise or services from which they derive are delivered or rendered or at the time the relevant sale takes place, whichever occurs first. Gross Sales does not include sales taxes, nor does it include sales to other franchisees and company-owned businesses. Currently, royalties on gift cards are assessed when the gift card is redeemed, but that policy may be modified by Franchisor at any time, based upon vendor practices. In the event Franchisee uses a gross buying service such as Groupon or Living Social, gross sales shall include the total gross amount paid to the Franchisee. Franchisee must maintain all Groupon or Living Social type coupons for a period of three (3) years after their use and Franchisor reserves the right to request a copy of each coupon. No deduction is allowed for payment provider fees.

Accounting Software Fee

The Accounting Software Fee is $200 per month. This fee is paid directly to our approved vendor.

Accounting Service Fee

The Accounting Service Fee is $450 per month. This fee is paid directly to our approved vendor.

Technology Fee

Technology Fee is currently $300 per month, but subject to increase based upon vendor pricing.

The following address is Franchisee's address under Paragraph 23 of the Franchise Agreement.

Franchisee's Address for Notice:

____
____

EXHIBIT B TO FRANCHISE AGREEMENT

SITE SELECTION ADDENDUM

FRANLOGIC SCOUT DEVELOPMENT, LLC ("Franchisor") and ____________________________ ("Franchisee") have this, the ______ day of _______________, 20____ entered into a SCOUT & MOLLY'S Franchise Agreement ("Franchise Agreement") and desire to supplement its terms as set out below in this Site Selection Addendum ("Addendum"). The parties hereto agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within 120 days after the Effective Date of the Franchise Agreement (as defined herein), Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (an "Outlet") at a site approved by Franchisor as hereinafter provided. Franchisor may designate a vendor who will provide certain site selection and lease negotiation services, at Franchisee's cost. Franchisee must use Franchisor's designated vendor for those services. Failure by Franchisee to acquire or lease a site for the Franchised Business within the time required in Section 1 hereof shall constitute a default under Section 17(c)(1) of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 18 of the Franchise Agreement.

2. **Site Selection Package Submission and Approval:** Franchisee shall submit to Franchisor, in the form specified by Franchisor, a copy of the site plan and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site along with the Site Selection Fee provided for in the Franchise Agreement. Franchisor shall have fifteen (15) days after receipt of such information and materials from Franchisee to approve or disapprove, in its sole discretion, the proposed site as the location for the Outlet. In the event Franchisor does not disapprove a proposed site by written notice to Franchisee within said fifteen (15) days such site shall be deemed approved by Franchisor.

3. **Lease Responsibilities:** Within thirty (30) days of site approval by Franchisor, Franchisee shall sign a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's approval of any lease is conditioned upon inclusion in the lease of the Franchisor's standard Outlet Lease Rider attached hereto as Exhibit 1. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Outlet Lease Rider.

4. **Site Evaluation Services:** Franchisor shall have the right, but not the obligation, to perform any on-site evaluation as Franchisor may deem advisable.

5. **Approved Location:** After the location for the Outlet is approved by Franchisor pursuant to Sections 1 and 3 hereof and leased or acquired by Franchisee pursuant to Section 4 hereof, the location shall constitute the Approved Location described in Section 1.1 of the Franchise Agreement. The Approved Location shall be specified on a separate piece of paper and be attached hereto as Exhibit 2 hereto, which shall become a part of the Franchise Agreement.

6. **Method of Determining Franchise Territory:** The area of the Franchise Territory shall be a radius around the Approved Location of three (3) miles for Standard Territories. The Territory for a Major Metropolitan Territories shall be a population radius of 50,000 people. The Franchise Territory shall be set forth on Exhibit 2 and become part of the Franchise Agreement.

7. This Site Selection Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Site Selection Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly sign and deliver this Site Selection Addendum on the date first above written.

FRANCHISEE:	FRANLOGIC SCOUT DEVELOPMENT, LLC
______________________________	______________________________
Date: ___________________________	Date: ___________________________
By: ____________________________	By: ____________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________

EXHIBIT 1
TO EXHIBIT B OF FRANCHISE AGREEMENT

LEASE RIDER

FRANLOGIC SCOUT DEVELOPMENT, LLC
RIDER
TO THAT CERTAIN LEASE
DATED _______________________, 20___
(THE "FORM LEASE")
BETWEEN
_______, A(N) ___________________________
AS LANDLORD
AND
__________________________A(N) ___________________________
AS TENANT
FOR THE PREMISES ("PREMISES") KNOWN AS
____

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. **Assignment and Subletting.** Landlord's consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant's assets or business or an assignment or sublet to the Franchisor, any parent, subsidiary or affiliated limited liability company of Tenant or Franchisor, or another SCOUT & MOLLY'S franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement as a result of a merger, reorganization or sale of all or substantially all of Tenant's assets. Tenant shall also have the right, without the consent of Landlord, to assign this Lease to a company incorporated or to be incorporated by Tenant or a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the partnership.

2. **Notices; Opportunity to Cure.** Copies of any demand letters, default notices or other similar notices of non-compliance **("Notice")** sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

Ed Samane
FRANLOGIC SCOUT DEVELOPMENT, LLC
640 Freedom Business Center Drive, Suite 131
King of Prussia, Pennsylvania 19406

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon written notice from Landlord to Franchisor (at the address set forth herein) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Form Lease.

3. **Option to Lease.** Landlord hereby agrees that, in the event of (a) the termination or expiration of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Form Lease, Franchisor shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give written notice to Franchisor (at the address set forth herein) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination or expiration of the Franchise Agreement; (2) Franchisor's receipt of notice from Landlord that the Form Lease has been terminated; or (3) receipt of notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If Franchisor elects to lease the Premises, Franchisor shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Lease) as are contained in the Lease; provided, however, that Franchisor's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a SCOUT & MOLLY'S franchised location; and

(d) Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

4. **Assignment of Interest.** This Rider is binding and shall inure to the benefit of Landlord, Tenant, and Franchisor, their assigns, and successors-in-interest. The Franchisor is an intended beneficiary of this Rider.

LANDLORD:	**TENANT:**
______________________________	______________________________
By: _________________________	By: _________________________
Its: __________________________	Its: _________________________

Agreed to:

FRANCHISOR:
FRANLOGIC SCOUT DEVELOPMENT, LLC

By: ____________________________________
Name: ___________________________
Title: ____________________________

EXHIBIT 2
TO EXHIBIT B OF FRANCHISE AGREEMENT

APPROVED LOCATION AND FRANCHISE TERRITORY

The Approved Location will be:

____

____

____

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly sign and deliver this Exhibit 2 to the Site Selection Addendum on the date first above written.

FRANCHISEE:	FRANCHISOR:
_________________________________	FRANLOGIC SCOUT DEVELOPMENT, LLC
By: _____________________________	By: _____________________________
Name: __________________________	Name: __________________________
Title: ___________________________	Title: ___________________________
Date: ___________________________	Date: ___________________________

EXHIBIT C TO FRANCHISE AGREEMENT

PERSONAL GUARANTY FROM OWNERS
<u>OF AN INTEREST IN FRANCHISEE</u>

As an inducement to FRANLOGIC SCOUT DEVELOPMENT, LLC ("Franchisor") to sign the Franchise Agreement with _____________________________ ("Franchisee") dated ________________________ ("Franchise Agreement"), and in consideration of Franchisor, executing the Franchise Agreement and of the sum of One Dollar ($1.00) now paid by Franchisor to shareholders, limited partners or members who own ten percent (10%) or more of the outstanding equity interest in Franchisee ("Guarantors"), the receipt of which is hereby acknowledged, Guarantors jointly and severally agree as follows:

1. Guarantors shall pay or cause to be paid to Franchisor all monies payable by Franchisee under the Franchise Agreement on the days and times in the manner therein appointed for payment thereof.

2. Guarantors shall unconditionally guarantee full performance and discharge by Franchisee of all the obligations of Franchisee under the Franchise Agreement at the times and in the manner therein provided.

3. Guarantors shall indemnify and save harmless Franchisor and its affiliates against and from all losses, damages, costs, and expenses which Franchisor and its affiliates may sustain, incur, or become liable for by reason of:

(a) the failure for any reason whatsoever of Franchisee to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter or thing pursuant to the provisions of the Franchise Agreement; or

(b) any act, action, or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Franchisee of any other act, matter or thing pursuant to the provisions of the Franchise Agreement.

4. Franchisor shall not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Guarantors herein set out, and the enforcement of such obligations may take place before, after, or contemporaneously with enforcement of any debt or obligation of Franchisee under the Franchise Agreement.

5. Without affecting the Guarantors' obligations under- this Guarantee, Franchisor, without notice to the Guarantors, may extend, modify, or release any indebtedness or obligation of Franchisee or settle, adjust, or compromise any claims against Franchisee. Guarantors waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

6. Guarantors' obligations hereunder shall remain in full force and effect, and shall be unaffected by: (i) the unenforceability of the Franchise Agreement against Franchisee; (ii) the termination of any obligations of Franchisee under the Franchise Agreement by operation of law or otherwise; (iii) the bankruptcy, insolvency, dissolution, or other liquidation of Franchisee, including, without limitation, any surrender or disclaimer of the Franchise Agreement by the trustee in bankruptcy of Franchisee; (iv) Franchisor's consent or acquiescence to any bankruptcy, receivership, insolvency, or any other creditor's proceedings of or against Franchisee, or the winding-up or dissolution of Franchisee, or any other event or occurrence which would have the effect at law of terminating the existence of Franchisee's obligations prior to the termination of the Franchise Agreement; or (v) by any other agreements or other dealings between Franchisor and Franchisee having the effect of amending or altering the Franchise Agreement or Franchisee's obligations hereunder or by any want of notice by Franchisor to Franchisee of any default of Franchisee or by any other matter, thing, act, or omission of Franchisor whatsoever.

7. The provisions of Section 21 of the Franchise Agreement shall apply as to any interpretation or enforcement of this Guarantee, and the provisions of Section 22 of the Franchise Agreement shall apply to any notice to either party, except that notice to Guarantors shall be as follows:

NOTICE TO GUARANTORS

NAME	ADDRESS

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee from Owners of an Interest in Franchisee as of the date of the Franchise Agreement.

GUARANTORS:

____ Signature	____ Witness
____ Printed Name	
____ Signature	____ Witness
____ Printed Name	
____ Signature	____ Witness
____ Printed Name	

FRANLOGIC SCOUT DEVELOPMENT, LLC:

By: ____
Ed Samane, President

EXHIBIT D TO FRANCHISE AGREEMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement ("Agreement") is made and entered into this _______ day of ______________________, 20______ by and between FRANLOGIC SCOUT DEVELOPMENT, LLC, a Pennsylvania limited liability company ("Company"), located at 640 Freedom Business Center Drive, Suite 131, King of Prussia, Pennsylvania 19406, and ____ ("Associate"), who resides at ____. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

RECITALS

A. The Company is engaged in the business of operating a retail store selling women's clothing jewelry, handbags, shoes and accessories ("Franchise Business"). The Franchise Businesses are operated under the Company's trademark "SCOUT & MOLLY'S" and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the "Marks");

B. The Company has developed methods for establishing, operating and promoting Franchise Businesses pursuant to the Company's distinctive business format, plans, methods, data, processes, supply systems, marketing systems, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Company ("Confidential Information" and "Trade Secrets") and such Confidential Information and Trade Secrets as may be further developed from time to time by the Company ("System");

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of retail store products and services available, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate desires to become involved with the Company or a franchisee of the Company in the capacity of an officer, partner, director, agent, Manager, employee or as a beneficial owner of the Franchise Business, or is an immediate family member or domestic partner of a principal owning a Franchise Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee's Obligations form; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Company and other franchisees of the Company. Associate agrees to the terms of this Agreement as partial consideration for the Company's willingness to allow Associate to engage in a business relationship with Company or a Franchisee of the Company using the Company's Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Definitions.

a. "Associate" shall mean the individual or entity described in the first paragraph of this Agreement and the Associate's managers, officers, beneficial owners, directors, employees, shareholders, partners, members, principals, immediate family members and domestic partners.

b. "Authorized Territory" shall have the meaning defined in the Franchise Agreement.

c. "Competitive Business" as used in this Agreement means any business offering, or granting franchises or licenses to others to offer a business that receives 10% or more of its gross revenue by providing retail store products and services offered by Franchise Businesses; provided, however, Associate will not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent in the aggregate 5% or less of that class of securities issued and outstanding.

d. "Confidential Information" shall mean without limitation, all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the Franchise Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchise Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information that the Company or its affiliates designates as confidential including all information contained in the Company's Operations Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, or other communications from the Company or its affiliates, which may be changed or supplemented from time to time.

e. "Franchise Agreement" shall mean the franchise agreement between Company and ____________________________ ("Franchisee") dated ___________________________ as amended or renewed from time to time.

f. "Term" shall have the meaning defined in the Franchise Agreement.

g. "Trade Secret(s)" shall mean information, including a customer lists, pattern, compilation, program, device, method, technique or process related to the Franchise Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and the Company acknowledge that the Confidential Information and Trade Secrets that are developed and utilized in connection with the operation of the Franchise Business is unique and the exclusive property of the Company or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Company or its affiliates. Associate further acknowledges that the Company or its affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

a. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Confidential Information of the Company or its affiliates.

b. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was Communicated to Associate through no fault of Associate; (c) information that was in Associate's possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if

Associate has notified the Company before disclosure and used Associate's best efforts, and afforded the Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed.

c. Nondisclosure of Trade Secrets. During the Term and any renewal Term of the Franchise Agreement and for as long as such information constitutes a Trade Secret, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Trade Secrets of the Company or its affiliates.

d. Noncompetition Covenant. Associate acknowledges that, in addition to the license of the Marks hereunder, the Company has also licensed commercially valuable information that comprises and is a part of the Franchise Business, including without limitation, the Confidential Information and Trade Secrets and that the value of this information derives not only from the time, effort and money that went into its compilation, but from the usage of the same by all franchisees of the Company using the Marks and System. Associate therefore agrees that other than the Franchise Business licensed under a Franchise Agreement, the Associate, will not during the Term and renewal Term of the Franchise Agreement:

- have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;

- perform services as a director, partner, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

- divert or attempt to divert any business related to, or any customer or account of the Franchised Business, the Company's business, the business of any affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

- without the Company's express written permission, which may be granted or denied in the Company's sole discretion, become an exclusive distributor for any third-party vendor or obtain exclusive distribution rights for any non-SCOUT & MOLLY'S Products.

e. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, or termination of Associate's employment with Franchisee, Associate agrees that, for a period of two (2) years commencing on the effective date of termination or expiration of the Franchise Agreement, or termination of Associate's employment with Franchisee, or the date on which Associate or the Franchisee, ceases to conduct business, whichever is later, the Associate will not have any direct or indirect interest (through any immediate family member of Associate or its owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, manager, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating within a thirty (30)-mile radius of Associate's or franchisee's Franchised Business. The restrictions of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding. Associate expressly acknowledge that Associate possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive Associate of Associate's personal goodwill, or ability to earn a living.

f. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars ($500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

g. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and Trade Secrets and that any violation of this Agreement would cause substantial and irreparable injury to Company, and that Company would not have entered into a business relationship with Associate or the Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information and Trade Secrets. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit Associate to disclose any such Confidential Information or Trade Secrets in any circumstances.

3. Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

4. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

5. Entire Agreement. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

6. Governing Law. This instrument shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

7. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Pennsylvania, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Pennsylvania. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Pennsylvania. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

8. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

9. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

10. Acknowledgment. The Franchisor is a third-party beneficiary of this Agreement and may enforce

it, solely and/or jointly with the Franchisee. Associate is aware that a violation of this Agreement will cause the Franchisor and the Franchisee irreparable harm; therefore, Associate acknowledges and agrees that the Franchisor and/or the Franchisee may apply for the issuance of an injunction preventing Associate from violating this Agreement in addition to any other remedies it may have hereunder, at law or in equity; and Associate agrees to pay the Franchisor and the Franchisee all the costs it/they incur/s, including without limitation attorneys' fees, if this Agreement is enforced against Associate. Due to the importance of this Agreement to the Franchisor and the Franchisee, any claim Associate has against the Franchisor or the Franchisee is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. If any part of this Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, and that such meaning has been explained to Associate.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:	**ASSOCIATE:**
FRANLOGIC SCOUT DEVELOPMENT, LLC, a Pennsylvania limited liability company	______________________________
By:______________________________	By: ______________________________
______________________________ Printed Name	______________________________ Printed Name
______________________________ Title	______________________________ Title

EXHIBIT E TO FRANCHISE AGREEMENT

TELEPHONE LISTING AND INTERNET AUTHORIZATION AGREEMENT

THIS AGREEMENT is entered into as of this ____ day of ___________, ____ by and between FRANLOGIC SCOUT DEVELOPMENT, LLC, a Pennsylvania limited liability company with principal place of business and headquarters located at 640 Freedom Business Center Drive, Suite 131, King of Prussia, Pennsylvania 19406, and ________________________, a ____________ corporation or individual with principal place of business located at _______________________________, ____________ ________ (hereinafter referred to as "Franchisee").

WITNESSETH THAT:

WHEREAS, FRANLOGIC SCOUT DEVELOPMENT, LLC has developed and refined a retail store selling women's clothing jewelry, handbags, shoes and accessories known as "SCOUT & MOLLY'S" which uses distinctive innovations and marketing features (such business is referred to herein as the "SCOUT & MOLLY'S System"); and

WHEREAS, FRANLOGIC SCOUT DEVELOPMENT, LLC is the franchisor of the SCOUT & MOLLY'S System and the owner of the trademarks, service marks, copyrights and other intellectual property used in the SCOUT & MOLLY'S System, including without limitation, the mark SCOUT & MOLLY'S (collectively referred to herein as the "SCOUT & MOLLY'S Intellectual Property"); and

WHEREAS, FRANLOGIC SCOUT DEVELOPMENT, LLC and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") pursuant to which FRANLOGIC SCOUT DEVELOPMENT, LLC granted to Franchisee the non-exclusive limited right to use the SCOUT & MOLLY'S Intellectual Property and related commercial symbols (the "Franchised Business") in Franchisee's business telephone directory listings marketing the Franchised Business and otherwise identifying Franchisee; and

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

1. Franchisee is authorized to obtain separate telephone service, and/or participate in a central telephone service for Franchisee's Franchised Business as created by or on behalf of FRANLOGIC SCOUT DEVELOPMENT, LLC. Such service shall not be used in conjunction with any other business or residential telephone service at Franchisee's home and/or principal place of business.

2. Franchisee is authorized and agrees to secure white pages, Yellow Pages and directory assistance listings only as "SCOUT & MOLLY'S". No other names or modifications of "SCOUT & MOLLY'S" may be used in conjunction with the SCOUT & MOLLY'S Intellectual Property, and no additional listings may be used with the telephone number so assigned to Franchisee unless approved in writing in advance by FRANLOGIC SCOUT DEVELOPMENT, LLC.

3. All telephone listings, Yellow Page display advertising, layout and copy desired to be used by or requested by Franchisee shall be approved in advance in writing by FRANLOGIC SCOUT DEVELOPMENT, LLC, and Franchisee agrees not to deliver to any telephone company placements of any such copy unless written approval by FRANLOGIC SCOUT DEVELOPMENT, LLC is attached.

4. Franchisee shall be responsible for the timely and complete payment of all service charges for telephone service, directory listings and Yellow Page advertising and/or all service charges for the Franchisee's reasonable share of central numbers, associated listings and advertising.

5. Franchisee agrees such telephone number(s), listings and advertisements shall be considered to be the sole and exclusive property of FRANLOGIC SCOUT DEVELOPMENT, LLC. Upon termination of the Franchise Agreement for whatever reason, Franchisee agrees to immediately cease all use of such telephone number(s), cell phone number(s), email addresses, social networking logins and passwords, Twitter handles, listings and advertisements ("Property") and Franchisee agrees to take all actions necessary to immediately transfer all such Property to FRANLOGIC SCOUT DEVELOPMENT, LLC, and to the extent allowed by applicable law, Franchisee shall take all actions necessary to ensure the same shall become the sole and exclusive property of FRANLOGIC SCOUT DEVELOPMENT, LLC, at its option, subject to FRANLOGIC SCOUT DEVELOPMENT, LLC's obligation to pay all fees due therefor becoming due and payable after the date of cessation of use by Franchisee. Franchisee shall immediately deliver all information related to such Property to FRANLOGIC SCOUT DEVELOPMENT, LLC.

6. Franchisee, by this Agreement, hereby releases and forever discharges FRANLOGIC SCOUT DEVELOPMENT, LLC and its successors or assigns and the telephone company, internet provider, or other service provider from liability of any kind or character which results or may result directly or indirectly from FRANLOGIC SCOUT DEVELOPMENT, LLC's exercise of its rights hereunder or from such telephone company, internet provider or other service provider's cooperation with FRANLOGIC SCOUT DEVELOPMENT, LLC in effecting the terms of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

FRANCHISOR:	FRANCHISEE:
FRANLOGIC SCOUT DEVELOPMENT, LLC	
___________________________	___________________________
By: _______________________	Name: _____________________
Title: _______________________	Title: _______________________

EXHIBIT B-1

CURRENT FRANCHISEE INFORMATION
as of December 31, 2024

Franchisee	Location	State	Franchisee Name	Phone Number
Westport	275 Post Rd. E, Westport, CT	CT	Gen Bouchard	(914) 610-0697
Evergreen Walk	201 Evergreen Way, Suite 265 South Windsor, CT	CT	Michelle McNeilly	(207) 272-8906
Lakewood Ranch	5275 University Pkwy., Unit 132 Bradenton, FL	FL	Nikki Pelier and John Simon	(305) 632-8442
Sawgrass	340 Front St., Ste 740 Ponte Vedra Beach, FL	FL	Emily Rhodin	(904) 382-3533
Deerfield Square	740 Waukegan Rd., Suite 101 Deerfield, IL	IL	Rebecca Pesche	(773) 710-4654
Leawood Town Center	5228 W 119th St., Suite 2090 Leawood, KS	KS	Susan Williams	(913) 548-5225
Annapolis Town Centre	1910 Towne Centre Blvd., Suite #123 Annapolis, MD	MD	Jane Abraham	(703) 362-5860
North Bethesda	11882 Grand Park Ave., Suite 609, N Bethesda, MD	MD	Wendy Brack Fritz	(703) 999-4742
SouthPark	6401 Morrison Blvd., #4-C Charlotte, NC	NC	Falguni Patel	(828) 280-0988
Waverly	7315 Waverly Walk Ave., Suite F1-3 Charlotte, NC	NC	Mary Titgen	(704) 241-2642
Classen Curve	5810 N Classen Blvd., Suite F3E Oklahoma City, OK	OK	Tracey Hoefar	(405) 401-8363
English Village	1460 Bethlehem Pike, Suite 225 North Wales, PA	PA	Kristin Hawk	(610) 392-0569
Trenholm	4840 Forest Dr., Suite 23, Columbia, SC	SC	Amanda Gunn	(704) 724-7889
Myrtle Beach	4377 N. Kings Hwy., Suite 1J Myrtle Beach, SC	SC	Sonya Hardee Martin	(843) 698-3804
Quarry Village	280 E. Basse Rd., Suite 280-107 San Antonio, TX	TX	Carol Myers	(210) 262-4574
Southlake	1234 Main St., Southlake, TX	TX	Cathy Mahoney	(214) 325-9823
Richmond	6237 River Rd., Richmond, VA	VA	Kristine Hubbard	(804) 512-4120
One Loudoun	20360 Exchange St., Ashburn, VA	VA	Wendy Brack Fritz	(703) 999-4742
Mosaic	2920 District Ave #135, Fairfax, VA	VA	Jane Abraham	(703) 362-5860
Reston Town Center	11944 Market St., Reston, VA	VA	Jane Abraham	(703) 362-5860

FRANCHISEES THAT HAVE SIGNED FRANCHISE AGREEMENTS BUT NOT YET OPENED AS OF DECEMBER 31, 2024

Franchisee	State/Number to Open	Phone Number/Email
Mary Titgen	NC/1	(980) 245-8656
Jane Abraham	VA/1	(703) 280-4440
Wendy Black Fritz	MD/1	(301) 348-5047
Lana O’Donnell	NJ/1	Ownersmb1077@gmail.com

EXHIBIT B-2

FRANCHISEES DEPARTED DURING 2024

as of December 31, 2024

Franchisee	Store Address
Nessa Opp	500 16th St. Mall #122 Denver, CO (303)355-8155
Margaret Smith	8165 Avalon Blvd. Alpharetta, GA (713) 494-0516
Michelle Moore	7201 Bishop Rd., Suite E12 Plano, TX (972) 998-1308

EXHIBIT C

FINANCIAL STATEMENTS

FRANLOGIC SCOUT DEVELOPMENT, LLC

FINANCIAL REPORT

AS OF DECEMBER 31, 2024

FRANLOGIC SCOUT DEVELOPMENT, LLC

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Independent Auditor's Report

To the Members
Franlogic Scout Development, LLC
King of Prussia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Franlogic Scout Development, LLC which comprise the balance sheets as of December 31, 2024, and 2023 and the related statements of operations, changes in member's equity (deficit) and cash flows for the years ended December 31, 2024, 2023, and 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Franlogic Scout Development, LLC as of December 31, 2024, and 2023 and the results of its operations and its cash flows for the years ended December 31, 2024, 2023 and 2022 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 Franlogic Scout Development, 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 Franlogic Scout Development, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

2580 East Harmony Road, Ste. 301-10 • Ft. Collins, CO 80528
Office: (303) 999-6485

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 Franlogic Scout Development, 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 Franlogic Scout Development, LLC's ability to continue as a going concern for a reasonable period of time.

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

Reese CPA LLC

Ft. Collins, Colorado
April 15, 2025

FRANLOGIC SCOUT DEVELOPMENT, LLC
BALANCE SHEETS

	AS OF DECEMBER 31, 2024	AS OF DECEMBER 31, 2023
ASSETS:		
CURRENT ASSETS		
Cash	$ 138,099	$ 107,633
Franchisee receivable, net	3,544	4,527
Prepaid expense	2,333	2,000
Deferred contract cost, current	42,820	38,720
TOTAL CURRENT ASSETS	186,796	152,880
NON-CURRENT ASSETS		
Deferred contract costs	485,993	450,620
Intangible assets	-	-
TOTAL ASSETS	$ 672,789	$ 603,500
LIABILITIES AND MEMBER'S EQUITY (DEFICIT) :		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 35,500	$ 51,761
Notes payable current	-	-
Membership interest liability, current	-	20,312
Non-refundable deferred franchise fees, current	75,716	60,500
TOTAL CURRENT LIABILITIES	111,216	132,573
LONG-TERM LIABILITIES		
Non-refundable deferred franchise fees	925,703	705,090
Membership interest liability	-	-
TOTAL LIABILITIES	1,036,919	837,663
MEMBERS' EQUITY (DEFICIT)		
Members' capital	40,000	40,000
Related party balances	477,623	533,962
Accumulated (deficit)	(881,753)	(808,125)
TOTAL MEMBERS' EQUITY (DEFICIT)	(364,130)	(234,163)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	$ 672,789	$ 603,500

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

FRANLOGIC SCOUT DEVELOPMENT, LLC
STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31, 2024	2023	2022
REVENUES			
Royalty fees	$ 861,097	$ 971,256	$ 901,341
Advertising fund contributions	207,906	211,838	217,411
Franchise fees	67,492	66,125	65,500
Other revenues	62,388	71,645	95,531
TOTAL REVENUES	1,198,883	1,320,864	1,279,783
OPERATING EXPENSES			
Payroll and related costs	495,551	501,310	555,435
Advertising fund expenses	393,005	350,618	194,325
General and administrative	181,798	154,528	106,391
Professional fees	55,536	57,172	95,186
Franchise related costs	9,553	50,385	46,841
Depreciation and amortization	-	433,334	33,333
TOTAL OPERATING EXPENSES	1,135,443	1,547,347	1,031,511
OPERATING INCOME (LOSS)	63,440	(226,483)	248,272
OTHER INCOME (EXPENSE)			
Other income	1,088	300,300	98,688
Other (expense)	-	-	(48,000)
Interest expense	-	-	(139)
OTHER INCOME	1,088	300,300	50,549
NET INCOME	$ 64,528	$ 73,817	$ 298,821

The accompanying notes are an integral part of these financial statements

FRANLOGIC SCOUT DEVELOPMENT, LLC
STATEMENTS OF CHANGES IN MEMBER'S EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

`

	Members' Capital	Redeemed Membership Interest	Related Party Balances	Accumulated (Deficit)	Total Members' Equity (Deficit)
BALANCE, DECEMBER 31, 2021	**$ 40,000**	**$ -**	**$ 768,744**	**$ (727,961)**	**$ 80,783**
Repurchase of membership interest	-	(312,500)	-	-	(312,500.00)
Related party transactions, net	-	-	32,683	-	32,683
Net income	-	-	-	298,821	298,821
BALANCE, DECEMBER 31, 2022	**$ 40,000**	**$ (312,500)**	**$ 801,427**	**$ (429,140)**	**$ 99,787**
Member distributions	-	312,500	-	(452,802)	(140,302)
Related party transactions, net	-	-	(267,465)	-	(267,465)
Net income	-	-	-	73,817	73,817
BALANCE, DECEMBER 31, 2023	**40,000**	**-**	**533,962**	**(808,125)**	**(333,950)**
Member distributions	-	-	-	(138,156)	(138,156)
Related party transactions, net	-	-	(56,339)	-	(56,339)
Net income	-	-	-	64,528	64,528
BALANCE, DECEMBER 31, 2024	**$ 40,000**	**$ -**	**$ 477,623**	**$ (881,753)**	**$ (129,967)**

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

FRANLOGIC SCOUT DEVELOPMENT, LLC
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 64,528	$ 73,817	$ 298,821
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	-	433,334	33,333
Cancellation of debt	-	(299,810)	-
PPP loan forgiveness	-	-	(98,452)
Recognition of non-refundable deferred franchise fees	(67,492)	(66,125)	(64,500)
Recognition of deferred commissions	42,527	42,320	41,920
Change in assets and liabilities			
Franchisee receivables	983	(983)	10,208
Prepaid expenses	(333)	(2,000)	-
Deferred commissions	(82,000)	-	-
Accounts payable	(16,261)	(2,844)	(64,783)
Membership interest liability	(20,312)	(94,792)	115,104
Non-refundable deferred franchise fees	304,321	-	-
Net cash provided by operating activities	225,961	82,917	271,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	-	-	-
Net cash (used) by investing activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	-	-	-
Advances from (to) related parties	(56,339)	32,445	32,683
Purchase of membership interest	-	312,500	(312,500)
Member distributions	(138,156)	(452,802)	-
Net cash (used) by financing activities	(194,495)	(107,857)	(279,817)
NET INCREASE (DECREASE) IN CASH	31,466	(24,940)	(8,166)
CASH, beginning of year	107,633	132,573	140,739
CASH, end of year	$ 139,099	$ 107,633	$ 132,573
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ -	$ -	$ 139

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

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

Franlogic Scout Development, LLC ("Company") is a Pennsylvania limited liability company with its home office in King of Prussia, Pennsylvania. The Company was formed on March 4, 2014.

The Company offers franchises to own and operate a business offering women's clothing, jewelry, handbags, and accessories in brick-and-mortar retail location.

Parents, Predecessor, and Affiliates

The Company was organized to acquire, directly or indirectly, substantially all of the assets of the Company's predecessors, SCOUT & MOLLY'S FRANCHISE ORGANIZATION, LLC, a North Carolina limited liability company, and SCOUT & MOLLY'S INCORPORATED, a North Carolina corporation, pursuant to a Contribution Agreement dated as of March 7, 2014 (as may be amended, supplemented, or modified, the "Contribution Agreement").

SCOUT & MOLLY'S, INCORPORATED was originally formed as a North Carolina limited liability company on January 23, 2002, under the name SCOUT & MOLLY'S LLC. On May 25, 2005, SCOUT & MOLLY'S, INCORPORATED, was converted to a North Carolina corporation.

Previously, from 2008 to 2013, SCOUT & MOLLY'S, INCORPORATED and SCOUT & MOLLY'S FRANCHISE ORGANIZATION, LLC offered licenses for operating retail locations using our trademarks and we treat those licensees as franchisees for purposes of this disclosure document except that such licensees may have different obligations and responsibilities subject to their license agreements. On March 7, 2014, these license agreements were assigned to the Company. FRANLOGIC SCOUT DEVELOPMENT, LLC has never offered franchises in any other business.

The Company's affiliate, FRANLOGIC CORPORATION, is a franchise development company in the business of growing, marketing, and developing different franchise concepts including the SCOUT & MOLLY'S system owned by the Company.

The Company's affiliate, FranSave LLC, is a franchisor company that has been offering franchises for the right to own and operate a franchise brokerage that connects franchise brands with prospective franchises using predictive analytics-based decision making and data provided by prospective franchisees. There are currently 7 franchised locations in the FranSave system in the United States. FranSave has been offering franchises since March 2023.

The Company operates no businesses of the type being franchised. SCOUT & MOLLY'S, INCORPORATED owns one retail store of the type we franchise located in Raleigh, North Carolina, which is currently also used as training centers for our franchisees.

A summary of significant accounting policies follows:

Basis of Presentation

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

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

Use of Estimates

Preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Franchisee Receivables

The Company’s franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. The timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. The Company determined that an allowance on outstanding franchisee receivables of $0 and $0 was necessary as of December 31, 2024, and 2023, respectively. Franchisee bad debt expense was $0, $0, and $0 for the years ended December 31, 2024, 2023 and 2022, respectively. Franchisee amounts written off were $0, $0, and $0 for the year ended December 31, 2024, 2023 and 2022, respectively.

Property and Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally two to seven years). As of December 31, 2024, and 2023 the Company property and equipment was fully depreciated.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable.

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

Franchisee Revenue and Non-refundable Deferred Franchise Fee Revenue

The Company recognizes revenues under the guidance of ASC 606, "Contracts with Customers". The Company's revenue is principally generated through franchise agreements with the Company's franchisees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. The remainder of performance obligations represent a single performance obligation and are recognized over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract which is currently 20 years. Commissions and other direct costs related to unsatisfied performance obligations are recorded as a contract asset and are recognized as expense when the related performance obligation has been satisfied.

Revenues from continuing royalties are 6% of weekly gross sales and are billed weekly and are recognized as revenue when earned.

Brand Development Fund

An advertising fee of up to 1% of gross sales is collected from all franchised locations to be used to maximize the general public recognition, acceptance, and use of the system. Examples include the development of brand assets, general marketing, advertising, and publicity administered by the Company.

Advertising Expenses

The Company expenses advertising costs for the selling of franchises as incurred. Advertising costs were $0, $0, and $0 for the years ended December 31, 2024, 2023 and 2022, respectively.

Income Taxes

The member of the Company has elected to be treated as a Sub Chapter S Corporation for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of its members and no provision for federal or state income taxes has been recorded in the accompanying financial statements.

The Company follows accounting requirements associated with uncertainty in income taxes under the provisions of Financial Accounting Standards Board ("FASB") ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for the year ended December 31, 2024, 2023, and 2022.

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, franchise receivables. The Company deposits its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

Recently Issued and Adopted Accounting Guidance

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). Management has not yet determined the effect of the adoption of the other recently issued ASUs, including those not yet effective, could have on the financial position or results of operations of the Company.

NOTE 2 – CONTRACTS WITH CUSTOMERS

The Company has recognized an asset for the incremental costs and recorded a liability for unearned revenue and deposits associated with franchisee acquisition and acceptance performance obligation of the Company's franchise agreement. The account balances and activity are as follows:

	December 31, 2024	December 31, 2023
Deferred Contract Costs		
Balance beginning of year	$ 489,340	$ 531,660
Deferral of deferred contract costs	82,000	-
Recognition of deferred franchise costs	(42,527)	(42,320)
Balance at end of year	$ 528,813	$ 489,340
Non-refundable Deferred Franchise Fees:		
Balance beginning of year	$ 765,590	$ 831,715
Deferral of non-refundable franchise fees	304,321	-
Recognition of non-refundable franchise fees	(68,472)	(66,125)
Balance at end of year	$ 1,001,439	$ 765,590

Disaggregation of Revenues

Disaggregated revenues based on the satisfaction of performance obligations in the Company's contracts with franchisees for the or the years December 31, 2024, 2023 and 2022 is as follows:

	2024	2023	2022
Performance obligations satisfied at a point in time	$ 1,131,391	$ 1,254,739	$ 1,214,283
Performance obligations satisfied by the passage of time	67,492	66,125	65,500
Total revenues	$ 1,198,883	$ 1,320,864	$ 1,279,783

Estimated Recognition of Non-refundable Deferred Franchise Fees and Franchise Acquisition Costs

Estimated revenues and franchise acquisition costs to be recognized in future periods related to non-refundable deferred franchise fees as of December 31, 2024 ,is as follows:

	Deferred Contract Costs	Non-refundable Franchise Fees
Year ending December 31:		
2025	$ 42,820	$ 75,716
2026	42,820	75,716
2027	42,820	75,716
2028	42,820	75,716
2029	42,820	75,716
Thereafter	314,713	622,839
	$ 528,813	$ 1,001,419

NOTE 3 – INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31:

	2024	**2023**
Franchise rights	$ 500,000	$ 500,000
Other	100	100
Total cost	500,100	500,100
Less accumulated amortization	(500,100)	(500,100)
	$ -	$ -

During 2023 the Company determined that franchise rights and other intangible has been impaired and wrote of the remaining balance of the intangible assets in their entirety. Amortization expense was $0, 433,433, and $33,333 for the years ended December 31, 2024, 2023, and 2022, respectively.

NOTE 5 – RELATED PARTY TRANSACTIONS

Transactions with the Company's related parties primarily consist of advances made by the related parties in support of the Company's operations and development both in cash and costs incurred.

Advances are not collateralized, noninterest bearing and due on demand. Advances from the related parties as of December 31, 2024, and 2023 were $477,623 and $533,962, respectively. The advances are reported as a component of members' equity (deficit) in the accompany balance sheets as the advances do not have stated repayment terms and the ownership of these related parties is substantially the same as the Company or are members of the Company.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

Redeemed Membership Interest

During the year ended December 31, 2022, the Company settled litigation with a member and agreed to repurchase the membership interest of the member. The membership interest was redeemed for the price of $312,500 with payment terms of a $150,000 initial payment and 24 installments of $6,771. As of December 31, 2024, and 2023, the Company's remaining liability for the membership interest was $0 and $20,152. The redeemed membership interest is reported in the attached statement of changes in members' equity (deficit) and as a component of members' equity in the accompany balance sheets for the year ended December 31, 2023. During the year ended December 31, 2023, the repurchased member interest was distributed to the member of the Company.

During the year ended December 31, 2023, the Company cancelled additional amounts owed to member whose membership interest was redeemed in 2022 in the amount of $299,810 and distributed additional related party amounts to the member of the Company in the amount of $40,302. The amount of cancelled debt was reported as part of other income in the attached statement of operations for the year ended December 31, 2023.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Settlement of Litigation

During the year ended December 31, 2022, the Company settled a disputed amount with a vendor. The settlement was for $48,000 and is reported as part of other expense in the accompanying statements of operations.

Contingencies

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

NOTE 7 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through April 15, 2025, the date on which the financial statements were available to be issued.

EXHIBIT D

STATE SPECIFIC INFORMATION

STATE SPECIFIC ADDENDUM
TO THE FRANCHISE AGREEMENT FOR THE STATE OF VIRGINIA

THIS ADDENDUM (this “Addendum”) is made and entered into by and between Franlogic Scout Development, LLC, a Pennsylvania limited liability company with its principal place of business at 640 Freedom Business Center Drive, Suite 131, King of Prussia, PA 19406 (“Franchisor”), and ________________________(“Franchisee”) with its principal place of business as set forth in the Franchise Agreement. In this Addendum, “we,” “us,” and “our” refers to Franchisor. “You” and “your” refers to Franchisee.

1. We and you are parties to that certain Franchise Agreement dated , 20 (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because the Franchise Agreement contemplates or requires the franchisee to establish or maintain a place of business within Virginia.

2. The following language is added to the end of Section 3 of the Franchise Agreement:
The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

3. 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.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR
FRANLOGIC SCOUT DEVELOPMENT, LLC
By: _________________________________
Name: _______________________________
Title: _________________________________

FRANCHISEE
[FRANCHISEE ENTITY]
By: _________________________________
Name: _______________________________
Title: _________________________________

STATE SPECIFIC ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Franlogic Scout Development, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure. The following statements are added to Item 17.h.
   Under 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 and Development 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.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (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.

EXHIBIT E

STATE AND FEDERAL REGULATORY AUTHORITIES

FEDERAL TRADE COMMISSION

Franchise Rule Coordinator
Federal Trade Commission Division of Marketing Practices
Pennsylvania Avenue at Sixth Street, N.W., Room 238
Washington, D.C. 20580
Telephone: (202) 326-2970

STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA:
Jan Lynn Owen
Commissioner
Department of Financial Protection and Innovation
320 West 4th St., Ste. 750
Los Angeles, California 90013
Telephone: (213) 576-7500 or
Toll Free Telephone: (866) 275-2677

CONNECTICUT:
Eric Wilder, Director of Securities
Connecticut Department of Banking
Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103-1800
Telephone: (860) 240-8233

HAWAII:
Tung Chan, Commissioner of Securities
of the State of Hawaii
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
Telephone: (808) 586-2722

ILLINOIS (Regulatory Authority and Agent for Service of Process):
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
Telephone: (217) 782-4465

INDIANA:
Chris Naylor, Securities Commissioner
Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, IN 46204
Telephone: (317) 232-6681

IOWA:
Jim Mumford, Securities Administrator
Director of Regulated Industries Unit
Iowa Securities Bureau
330 Maple Street
Des Moines, IA 50319-0066
Telephone: (515) 281-5705

MARYLAND (Registered Agent):
Melanie Senter Lubin, Securities Commissioner
Maryland Securities Commissioner
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020
Telephone: (410) 576-6360

MARYLAND (Regulatory Authority):
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020
Telephone: (410) 576-6360

MICHIGAN (Regulatory Authority):
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
525 W. Ottawa Street
Lansing, MI 48909
Telephone: (517) 373-1152

MICHIGAN (Registered Agent):
Linda Cena, Securities Director
Office of Financial & Insurance Regulation
525 West Allegan
1st Floor Constitution Hall
Lansing, MI 48909
Telephone: (517) 241-6345

MINNESOTA:
Commissioner of Commerce
Minnesota Department of Commerce
Market Assurance Division
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
Telephone: (651) 296-6328

NEW YORK:
Principal Attorney
New York State Department of Law
120 Broadway, 23rd Floor
New York, New York 10271-0332
Telephone: (212) 416-8200

NORTH DAKOTA:
North Dakota Securities Department
Fifth Floor State Capitol
Dept. 414
600 East Boulevard
Bismarck, ND 58505-0510
Telephone: (701) 328-2910

OKLAHOMA:
Oklahoma Securities Dept.
First National Center
120 N. Robinson Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7700

RHODE ISLAND:
Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903
Telephone: (401) 222-3048

SOUTH DAKOTA:
Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre SD 57501
Telephone: (605) 773-4823

TEXAS:
Hope Andrade
Secretary of State
P.O. Box 12697
Austin, TX 78711-2697
Telephone: (512) 463-5701

UTAH:
Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
SM Box 146704
Salt Lake City, UT 84114-6704
Telephone: (801) 530-6601

VIRGINIA (Registered Agent):
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
Telephone: (804) 371-9733

VIRGINIA (Regulatory Authority)
State Corporation Commission,
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
Telephone: (804) 371-9051

WASHINGTON:
Department of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501
Telephone: (360) 902-8760

WISCONSIN:
Franchise Office
Wisconsin Securities Commission
P.O. Box 1768
Madison, WI 53701
Telephone: (608) 266-3364

EXHIBIT F

GENERAL RELEASE
FRANLOGIC SCOUT DEVELOPMENT, LLC

WHEREAS, ______________________, ("Franchisee") wishes to terminate its agreement with FRANLOGIC SCOUT DEVELOPMENT, LLC ("Franchisor") and cease and desist operation of all business under that agreement, and as a condition of releasing Franchisee of its obligations under its franchise agreement with Franchisor, the parties agree as follows:

Release – General Provisions. The Franchisee and Franchisor, jointly and severally, hereby release and forever discharge each other of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, **known or unknown**, fixed or contingent, past or present, that they have or may hereafter have against each other by reasons of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the "Claims"), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the are hereby forever canceled and forgiven.

THE FRANCHISEE AND FRANCHISOR ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

THE FRANCHISEE AND FRANCHISOR, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, PENNSYLVANIA AND/OR JURISDICTIONS OF FRANCHISEE(S)' RESIDENCE AND LOCATION OF FRANCHISED UNITS.

The Franchisee and Franchisor expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee and Franchisor, and it is the Franchisee and Franchisor's intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee and Franchisor are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee and Franchisor represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as they in their independent judgment, believe necessary or appropriate. The Franchisee and Franchisor have not relied on any statement, promise, or representation, whether of fact, law or otherwise, by the other party or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

No Assignment or Transfer of Interest. Franchisee and Franchisor represent and warrant that there have been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee and Franchisor may have against any the other, all Claims having been fully and finally extinguished. The Franchisee and Franchisor agree to forever indemnify and hold each other harmless from any liability, claims, demands, damages, losses, costs, expenses or attorneys' fees incurred by either party as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer thereof. It is the intention of the parties that this indemnity does not require payment by either party as a condition precedent to recovery against the other party under this indemnity.

Attorneys' Fees. If the Franchisee and Franchisor, or anyone acting for, or on behalf of, the Franchisee and Franchisor or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commences, joins in, or in any manner seeks relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder, or in any manner asserts against either of the parties any of the Claims released hereunder, each party agrees to pay its own attorneys' fees and other costs incurred in defending or otherwise responding to said suit or assertion.

Date of Releases, Joint and Several Liability. The releases granted hereunder shall be deemed effective as of the date hereof. The liabilities and obligations of the Franchisee and Franchisor shall be joint and several.

Severability. In event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of Pennsylvania without reference to principles of conflict of laws.

____________________ [FRANCHISEE]	FRANLOGIC SCOUT DEVELOPMENT, LLC
________________________________	________________________________
By: ____________________________	By: ____________________________

EXHIBIT G

ACH/EFT TRANSFER AGREEMENT

SCOUT & MOLLY'S

AUTHORIZATION TO HONOR CHECKS AND DEBITS BY AND PAYABLE TO THE FOLLOWING PAYEE(S):

1. (CHECK EACH APPLICABLE BOX)

		BANK NAME	ACCOUNT#	ABA#
____	**FRANLOGIC SCOUT DEVELOPMENT, LLC**	______________	______________	__________
____	**OTHER**	______________	______________	__________
____	**OTHER**	______________	______________	__________

2. Bank Account in Name of: ____

ATTACH ONE VOIDED CHECK FOR THE ABOVE ACCOUNT TO THIS SHEET

3.Store Location: ______________________________ Store # __________

4. For Information Call: ______________________________

Address: ______________________________

Phone #: ______________________________

Fax #: ______________________________

TO THE BANK DESIGNATED:
You are hereby requested and authorized to honor and to charge to the foregoing account, checks and electronic debits (collectively, "debits") drawn on such account which are payable to any of the above-named Payees. It is agreed that rights with respect to each such debit shall be the same as if it bore a signature authorized for such account. It is further agreed that if any such debit is not honored, whether with or without cause, you shall be under no liability whatsoever. This authorization shall continue in force until revocation in writing is received by you.

DATE: ____/____/____ ____

Name of Franchisee/Payor: ________________________

By: ____

SIGNATURE AND TITLE OF AUTHORIZED REPRESENTATIVE

INDEMNIFICATION AGREEMENT

To the above-named Payee and the Bank Designated:
The Payor agrees with respect to any action taken pursuant above authorization:

1. To indemnify the Bank and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, including any costs or expenses reasonably in collection therewith.

2. To indemnify Payee and the Bank for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

3. To defend at our own cost and expense any action which might be brought by any depositor or any other persons because of any actions taken by the Bank of Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Bank's or Payee's participation therein.

EXHIBIT H

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER ("Agreement") is made among **FRANLOGIC SCOUT DEVELOPMENT, LLC** ("Franchisor"), [SELLER NAME **(S) OR ENTITY NAME]** ("Seller"), and **[BUYER NAME(S) OR ENTITY NAME]** ("Buyer"), and, if any, the undersigned Guarantors, effective as of the Effective Date.

RECITALS

1. Seller is the franchisee pursuant to that certain franchise agreement between Franchisor and Seller, as franchisee, dated **[date of seller franchise agreement]** (the "Seller Franchise Agreement"), governing the operation of the ________________________________ business located at **[store address],** Store #_______ ("Franchised Location");

2. Buyer is the franchisee under that certain franchise agreement between Franchisor and Buyer, as franchisee, dated **[date of buyer franchise agreement],** Store #_____ (as amended, the "Buyer Franchise Agreement");

3. Seller has notified Franchisor that it and Buyer have entered into an Asset Purchase Agreement, dated **[date of Asset Purchase Agreement]** (the "Purchase Agreement"), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase all of the rights, obligations and assets relating to the Franchised Location (the "Interests") and, further, that Buyer has agreed to assume the lease obligations with regard to the Franchised Location (collectively, the "Transfer"); and

4. Seller and the guarantors of the obligations of Seller (the "Seller Guarantors") have requested that Franchisor consent to the Transfer and release Seller and the Seller Guarantors from all obligations under the Franchise Agreement and guaranty, respectively; and

5. The parties desire to set forth the terms and conditions under which Franchisor will consent to the Transfer and release.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals, which are incorporated herein, the mutual covenants expressed herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Effective Date. The Effective Date will be the date on which Franchisor signs this Agreement acknowledging its consent to the proposed Transfer.

2. Proposed Transfer. Buyer is purchasing the Interests from Seller in accordance with the terms and conditions of the "Purchase Agreement," a copy of which has been provided to Franchisor by Seller and Buyer. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of the agreement and is the version which has been or will be executed by them to effectuate the Transfer.

3. Conditional Consent; Release of Guaranty. The Seller Franchise Agreement provides that the Transfer cannot take place without the consent of Franchisor. Franchisor will consent to the Transfer, as provided in the Seller Franchise Agreement, and will release (a) Seller from any obligations arising under the Seller Franchise Agreement and (b) Seller Guarantors under any guaranty agreement (in each case except as described below) from and after the Effective Date; provided, however, such consent and release are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer ("Closing"):

A. **Franchise Agreement.** The Seller Franchise Agreement will terminate as of the Closing, and the operation of the Franchised Location will thereafter be governed by the Buyer Franchise Agreement;

B. **Payment of Amounts Due.** Seller will pay all amounts due and owing to Franchisor through the date of Closing; including but not limited to past due royalty and advertising fees in the amount of $_________________;

C. **Transfer Fee.** Seller shall pay a transfer fee of $_________________ as provided in the Seller Franchise Agreement;

D. **Financial Statements.** Seller will provide Franchisor with all required monthly financial statements for the Franchised Location through the date of Closing;

E. **Training.** Buyer or Buyer's designated representative(s) shall have satisfactorily completed the initial training program as described in the Buyer Franchise Agreement prior to the Closing;

F. **Fee Deposit.** Upon execution of this Agreement, Seller agrees to deposit $_________________ with Franchisor ("Fee Deposit"). Within 30 days following Closing, Franchisor will refund the Fee Deposit to Seller, less any amounts which may be due pursuant to Section 3(b);

G. **Right to Possession.** Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for the Franchised Location by way of lease assignment (with **all** required landlord consents) or otherwise;

H. **Site Selection Assistance.** Buyer acknowledges and agrees that Franchisor has satisfied any and all obligations under the Buyer Franchise Agreement with respect to site selection and development assistance;

I. **Remodeling.** Seller and Buyer shall ensure that all of the items reflected on the Pre-Sale Inspection which is attached hereto have been completed;

J. **Assumption of Equipment Lease.** If the cash register system ("POS") is currently leased by Seller from _____________________, Seller and Buyer shall enter into an assignment and assumption of lease agreement pursuant to which Buyer assumes the obligations of the lessee from and after the Closing;

K. **Purchase Agreement.** The Purchase Agreement will not be amended and the terms of the transaction thereunder will not be changed except with the prior written consent of Franchisor;

L. **Buyer Loans.** Buyer shall provide Franchisor with copies of all loan documents or loan commitments evidencing all debt taken on by Buyer in connection with the purchase of the Franchised Location; and

M. **Franchised Location Possession.** Prior to Closing and changing possession of the Franchised Location, Seller and Buyer shall obtain the written consent of Franchisor to change possession.

4. **Waiver of Right of First Refusal.** Franchisor hereby waives any right of first refusal to purchase the Interests as it may have pursuant to the Seller Franchise Agreement.

5. **Release of Franchisor.** Seller, the Seller Guarantors and Buyer, and each of them, for themselves and their affiliates, employees, officers, directors, successors, assigns, and other representatives, hereby fully and forever unconditionally release and discharge Franchisor, and its affiliates, parents, subsidiaries, area directors and agents and their respective employees, shareholders, members, officers, directors, successors, assigns, guarantors

and other representatives (the "Released Parties"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to them, which they may have against the Released Parties as of the date of this Agreement, or which may thereafter be discovered, accrued, or sustained, in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described, including but not limited to, any claims arising from the Seller Franchise Agreement, the Buyer Franchise Agreement or the Purchase Agreement or the transactions described herein.

If the Franchised Location is located in California or if either Buyer or Seller is a resident of California, the following shall apply:

Section 1542 Acknowledgment. It is the intention of Seller and Buyer in executing this Agreement that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand or cause of action released by Seller and/or Buyer. Each of Seller and Buyer recognizes that he, she or it may have some claim, demand or cause of action against the Release Parties of which he, she, or it is totally unaware and unsuspecting, which he, she or it is giving up by executing this Agreement. It is the intention of each of Seller and Buyer in executing this instrument that it will deprive him, her or it of such claim, demand or cause of action and prevent him, her or it from asserting it against the Released Parties. In furtherance of this intention, Seller and Buyer expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each of Seller and Buyer acknowledges and represents that he, she, or it has consulted with legal counsel before executing this Agreement and that he, she, or it understands its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands and causes of action.

6. **Termination of Seller Franchise Agreement and Guaranties**. Franchisor and Seller acknowledge and agree that, as of the date of Closing, upon the Transfer and upon compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and the guaranties (if any) will automatically terminate and neither Seller nor Seller Guarantors shall have any further rights or obligations thereunder except that neither Seller nor any Seller Guarantor shall be released from:

1. any obligations to pay money to Franchisor owed under either the Seller Franchise Agreement or the guaranty prior to Closing; or
2. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including without limitation the post-termination restrictive covenants, audit rights, dispute resolution and notice, and confidentiality provisions of the Seller Franchise Agreement).

a) **Acknowledgment.** Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

b) **Additional Documents.** Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

c) **Miscellaneous Provisions.** This Agreement will be construed and enforced in accordance with, and governed by, the laws of the state of Pennsylvania. This Agreement may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The headings of this Agreement are for convenience and reference only and will not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts and sent via facsimile, each of which will be deemed an original but all of which taken together will constitute one and the same instrument. All capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the applicable franchise agreement.

d) **Non-Disparagement.** In consideration of the accommodations provided to Seller, the Seller Guarantors and Buyer and concessions made by Franchisor and its affiliates under this Agreement, Seller, the Seller Guarantors and Buyer agree not to, and to use their best efforts to cause their current and former shareholders, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the SCOUT & MOLLY'S brand, the SCOUT & MOLLY'S system, or any other service-marked or trademarked concept of Franchisor, or which would subject the SCOUT & MOLLY'S brand to
ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

THUS signed by the parties shown below and made effective as of the Effective Date.

SELLER(S): If Seller is a legal entity, name of entity:____________________________

By:	____________________	**By:**	____________________
Name:	____________________	**Name:**	____________________
Title (if applicable):	____________________	**Title (if applicable):**	____________________
By:	____________________	**By:**	____________________
Name:	____________________	**Name:**	____________________
Title (if applicable):	____________________	**Title (if applicable):**	____________________

SELLER GUARANTORS:

____________________	____________________
Print Name: ____________________	**Print Name:** ____________________
____________________	____________________
Print Name: ____________________	**Print Name:** ____________________

BUYER(S): If Buyer is a legal entity, name of entity:_____________________________

By:	____________________	**By:**	____________________
Name:	____________________	**Name:**	____________________
Title (if applicable):	____________________	**Title (if applicable):**	____________________
By:	____________________	**By:**	____________________
Name:	____________________	**Name:**	____________________
Title (if applicable):	____________________	**Title (if applicable):**	____________________

ACCEPTED:

FRANLOGIC SCOUT DEVELOPMENT, LLC

By:____________________________________
Title: __________________________________
Date*: _________________________________
*This date is the Effective Date

EXHIBIT I

FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT
(to be signed by a renewing franchisee concurrently with the Franchise Agreement)

BETWEEN FRANLOGIC SCOUT DEVELOPMENT, LLC

AND

____

THIS FIRST ADDENDUM ("Addendum") to the Franchise Agreement dated as of the Effective Date ("Agreement") between FRANLOGIC SCOUT DEVELOPMENT, LLC ("Franchisor") and ______________________________ ("Franchisee") is made as of the same date to amend and supplement certain terms and conditions of the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

1. Franchised Location. Franchisor has previously approved the Franchised Location as required pursuant to the Franchise Agreement. The Franchised Location is: _________________.

2. Lease Approval. Franchisor has previously approved the lease for the Franchised Location as required pursuant to the Franchise Agreement and therefore waives the requirement for lease review and approval (and the associated lease review fee); provided, however, that if Franchisee enters into a new lease for the Franchised Location during the term of the Agreement, all lease review and approval requirements shall remain applicable.

3. Commencement of Operations. Franchisor and Franchisee acknowledge that the Franchised Location has commenced operations as required pursuant to the Franchise Agreement.

4. Franchisor's Development Assistance. Franchisee acknowledges and agrees that Franchisor has complied with its obligations under the Agreement (or Franchisee waives, as the case may be, Franchisor's obligation) to (1) assist Franchisee in choosing the Franchised Location and determining fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by Franchisee (including those obligations set forth in the Franchise Agreement; and (2) to provide opening support services listed in the Franchise Agreement .

5. Grand Opening. The Section of the Franchise Agreement pertaining to a Grand Opening is deleted.

6. Remodeling. Franchisee will complete the remodeling and renovations of the franchised business, at Franchisee's expense, listed on Exhibit A to this addendum no later than 60 days following the Effective Date of the Agreement or at such different time as set forth in Exhibit A.

7. Release. Franchisee, for itself, and its respective heirs, successors, assigns, agents and representatives, hereby fully and forever unconditionally releases and discharges the Franchisor, and its predecessors, affiliates, successors, assigns, agents, representatives, employees, owners, officers, and directors (collectively referred to as "Franchisor Affiliates") from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity, whether known or unknown, which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with the Franchisor or the Franchisor Affiliates, however characterized or described, from the beginning of time until the date of this Addendum.

8. **Non-Disparagement.** Franchisee agrees not to, and to use its best efforts to cause its current and former shareholders, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Franchisor Affiliates or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the Scout & Molly's brand, the Scout & Molly's system, or any other service-marked or trademarked concept of Franchisor, or which would subject the Scout & Molly's brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed on the date first set forth above.

____________________ [franchisor]

By: ______________________________

Title: ______________________________

Date*: ______________________________

(*This is the Effective Date)

FRANCHISEE:

INDIVIDUAL(S)

____

Signature

Print Name: ______________________________

Date: ______________________________

____

Signature

Print Name: ______________________________

Date: ______________________________

____

Signature

Print Name: ______________________________

Date: ______________________________

____

Signature

Print Name: ______________________________

Date: ______________________________

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

Print Legal Name of Entity

____

By: ______________________________

Signature

Print Name: ______________________________

Title: ______________________________

Date: ______________________________

Exhibit A to First Addendum to Renewal Franchise Agreement

Remodeling

EXHIBIT J

DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") entered into this ___ day of ____, 201__ (the "Effective Date"), between: (i) FranLogic Scout Development, LLC, a Pennsylvania limited liability company, with its principal business address at 640 Freedom Business Center Drive, Suite 131, King of Prussia, PA 19406 (the "Franchisor"); and (ii) ______________, a _______________ with an address at ___________________ (the "Developer").

Background

A. Franchisor and its affiliates/principals own and have developed a proprietary system for the operation of a retail women's clothing and accessory store, (each location a "Store").

B. Each Store operates pursuant to our proprietary system, the characteristics of which include: designer relationships, décor, and other standards and specifications for operation of sales and marketing techniques (the "System").

C. Franchisor identifies the System by means of various trademarks and design marks, including the "SCOUT & MOLLY'S®" trademark and design mark, and our trade dress, as well any other trademarks, trade names, logos, emblems, and indicia of origin Franchisor may now or in the future designate in connection with the system (the "Marks").

D. Franchisor grants qualified third parties the right to develop multiple units within a defined geographical area (the "Designated Marketing Area") in accordance with a mandatory development schedule that must be strictly adhered to, with each Store within the Designated Marketing Area being opened and operating utilizing the Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor's then-current franchise agreement (each, a "Franchise Agreement").

E. Developer recognizes the benefits from receiving the right to operate a Scout & Molly's Store and desires to: (i) become a multi-unit Store operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate a certain number of Stores within a Designated Marketing Area set forth in this Agreement below, and Franchisor has approved such application in reliance on Developer's representations made therein.

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's Operations Manual and other System standards and specifications are essential to the operation of all Stores and our System as a whole.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Agreement

1. **Designated Marketing Area.** Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish [______ NUMBER OF STORES] Stores within the non-exclusive Designated Marketing Area described in the data sheet attached hereto as Exhibit "A" (the "Data Sheet"), provided Developer opens and commences operations of such Stores in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the "Development Schedule").

2. **Development Fee.** Developer agrees to pay Franchisor the development fee set forth in the Data Sheet immediately upon execution of this Agreement. The parties agree and acknowledge that, upon payment of the Development Fee required by this Section: (i) Developer will not be required to pay Franchisor an additional "Initial Franchise Fee" pursuant to any Franchise Agreement that Developer enters into to fulfill its development obligations under this Agreement within the Designated Marketing Area; and (ii) the Development Fee will be deemed fully earned by Franchisor and not refundable under any circumstances.

3. **Initial Franchise Agreement.** Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the first Store that Developer is required to open within the Designated Marketing Area.

4. **Additional Franchise Agreements.** Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each additional Store that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the Development Schedule.

5. **Development Obligations.** Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the required number of new Stores during each 12-month period from the Effective Date of this Agreement set forth in the Development Schedule described in the Data Sheet (each, a "Development Period"); and (ii) has the minimum cumulative number of Stores open and operating at the expiration of each Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule is grounds for immediate termination of this Agreement (and any future development rights granted hereunder).

6. **Term and Termination.**

6.1 This Agreement will commence as of the date it is fully-executed and, unless earlier terminated by Franchisor, will end on the last day of the calendar month that the final Store is required to be opened and operating under the Development Schedule. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Designated Marketing Area other than the rights granted in connection with any Stores that Developer has opened and commenced operating as of the date this Agreement is terminated or expires.

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Designated Marketing Area or otherwise abandons its development business for three consecutive months, or any shorter period that indicates an intent by Developer to discontinue development of the Stores within the Designated Marketing Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Franchisee, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit or creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any one Development Period, and fails to cure such default within 30 days of receiving notice thereof; and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7. **Reservation of Rights.** The parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein, including the right to open and operate, or license third parties the right to open and operate, Stores at any location within or outside the Designated Marketing Area; provided, however, that Franchisor will not open or operate, or license a third party the right to open or operate, any Store (franchised or otherwise) within any "Exclusive Territory" that is granted to Developer under each Franchise Agreement that Developer enters into pursuant to this Agreement during the term of that Franchise Agreement.

8. **Sale or Assignment.** Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. **Acknowledgment.** Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Marks or System.

10. **Notices.** All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

11. **Choice of Law.** This Agreement will be governed by the laws of the Commonwealth of Pennsylvania (without reference to its conflict of laws principals).

12. **Internal Dispute Resolution.** Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's President and Chief Executive Officer, after providing Franchisor with notice of and a reasonable opportunity to cure and alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. **Arbitration**. At Franchisor's option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 12 above, must be submitted first to binding arbitration, in Montgomery County, Pennsylvania under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Arbitration Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor's rights to arbitrate, as set forth herein, may be specifically enforced by Franchisor. This agreement to arbitrate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action arbitration.

14. **Injunctive Relief.** Nothing contained in this Agreement herein will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests prior to the filing of any arbitration proceeding or pending the trial or handing down of a decision or award pursuant to any arbitration proceeding conducted hereunder.

15. **Jurisdiction and Venue.** With respect to any proceeding not subject to arbitration, the parties expressly agree to the jurisdiction and venue of any state court of general jurisdiction in Montgomery County, Pennsylvania and the jurisdiction and venue of the United States District Court for the Eastern District of Pennsylvania. You acknowledge that this Agreement has been entered into in the Commonwealth of Pennsylvania, and that Developer will receive valuable and continuing services emanating from Franchisor's headquarters in Montgomery County, Pennsylvania, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Pennsylvania set forth above.

16. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, each having authority to specifically enforce the right to arbitrate claims asserted against such person(s) by Developer.

17. **Jury Trial Waiver.** With respect to any proceeding not subject to arbitration, the parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver will apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Developer's purchase from Franchisor of the development rights described herein.

18. **Waiver of Punitive Damages.** Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

19. **Attorneys' Fees.** If either party institutes any judicial or arbitration proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

20. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

21. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The 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 that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

22. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

23. **Successors.** References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

24. **Additional Documentation.** You must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

25. **No Right to Offset.** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

26. **State Law Applies.** If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which Developer's initial Store is located, then the valid law or regulation of that state applicable to the franchised business will supersede any provision of this Agreement that is less favorable to Developer.

27. **Entire Agreement**. This Agreement contains the entire agreement between the parties concerning Developers' development rights within the Designated Marketing Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

DEVELOPER

____
(Individual, Partnership or Corporation Name)

By:___________________________________
Title: _________________________________
By: ____________________________
Title: _________________________________

FRANLOGIC SCOUT DEVELOPMENT, LLC

By: _________________________________
Ed Samane, President

EXHIBIT A to DEVELOPMENT AGREEMENT

DATA SHEET

Development Area. The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following, non-exclusive, area:

____

____

Development Fee. Franchisee is licensed the right to operate the following number of Stores and paying the corresponding Development Fee:

Stores Opened	**Development Fee**
2	$110,000
3	$150,000

The Development Fee is deemed fully earned upon execution of your Development Agreement, and is not refundable under any circumstances. Upon payment of your Development Fee, you will not be required to pay any additional Initial Franchise Fee under the Franchise Agreement(s) you enter into for each Store that you open under the Development Agreement.

Development Schedule. The Development Schedule referred to in Section 1 of the Development Agreement is as follows:

Development Period	Expiration Date	Number of New Stores Developer Must Open in Development Area	Cumulative Number of Stores Developer Must Have Open Within Development Area
First	12 Months from Effective Date	1	1
Second	24 Months from Effective Date	1	2
Third	36 Months from Effective Date	1	3

APPROVED AND AGREED TO BY:

FRANCHISOR
FRANLOGIC SCOUT DEVELOPMENT, LLC

By: ______________________________
Ed Samane, President

FRANCHISEE
[INSERT NAME]

By: ______________________________

EXHIBIT K

STATEMENT OF PROSPECTIVE FRANCHISEES

As you know, FRANLOGIC SCOUT DEVELOPMENT, LLC, and you are preparing to enter into a Franchise Agreement for the operation of a SCOUT & MOLLY'S franchise. The questionnaire cannot be signed and dated the same day as the Acknowledgment of Receipt of the Franchise Disclosure Document (FDD), but should be signed and dated the same day you remit your franchise fee. Please review each of the following questions carefully and provide honest responses to each question. If you answer "NO" to any of the questions below, please explain your answer on the back of this sheet. For each question, please initial beside "Yes," or "No," as appropriate.

A. Representations and Other Matters

Yes _____	No _____	1. Have you received the Franchise Agreement and each exhibit or schedule attached to it?
Yes _____	No _____	2. Have you received the FRANLOGIC SCOUT DEVELOPMENT, LLC, Franchise Disclosure Document ("Disclosure Document") we provided you?
Yes _____	No _____	3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
Yes _____	No _____	Have you reviewed the Disclosure Document and Franchise Agreement with an attorney, accountant or other professional advisor and discussed operating a SCOUT & MOLLY'S franchise with such advisor?
Yes _____	No _____	5. Do you understand the success or failure of your franchise will depend on many factors, including your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the market place?
Yes _____	No _____	6. Has any broker, employee or other person speaking on behalf of FRANLOGIC SCOUT DEVELOPMENT, LLC, made any statement or promise regarding the costs involved in operating a SCOUT & MOLLY'S franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
Yes _____	No _____	7. Has any broker, employee or other person speaking on behalf of FRANLOGIC SCOUT DEVELOPMENT, LLC, made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a SCOUT & MOLLY'S franchise will generate that is not contained in the Disclosure Document or that is contrary to or different from the information contained in the Disclosure Document?
Yes _____	No _____	8. Has any broker, employee or other person speaking on behalf of FRANLOGIC SCOUT DEVELOPMENT, LLC, made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?
Yes _____	No _____	9. Has any broker, employee or other person speaking on behalf of FRANLOGIC SCOUT DEVELOPMENT, LLC provided any marketing or other written materials with information that is contrary to, or different from, the information contained in the Disclosure Document?

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.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Each undersigned certifies that all of the above statements are true, correct and complete.

______________________________	______________________________
Signature of Franchise Applicant	Date

____
Name (please print)

Approved:

FRANLOGIC SCOUT DEVELOPMENT, LLC

By:____
Ed Samane, President

EXPLANATION OF ANY NEGATIVE RESPONSES (please refer to applicable question #) ARE AS FOLLOWS:

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Pending
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Not Registered
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
<u>RECEIPT</u>

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

If FRANLOGIC SCOUT DEVELOPMENT, LLC offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale or grant or, if you live in New York, or Rhode Island, at the first personal face-to-face meeting, or sooner if required by applicable state law.

If FRANLOGIC SCOUT DEVELOPMENT, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed on Exhibit E. See Exhibit E for our registered agent authorized to receive service of process.

The name, principal business address and telephone number of each franchise seller offering the franchise is 640 Freedom Business Center Drive, Suite 131, King of Prussia, Pennsylvania, 19406, 610-768-0114. Please circle which authorized individual provided you with this Franchise Disclosure Document

John Simon, Franlogic Scout Development, LLC, 640 Freedom Business Center Drive, Suite 131, King of Prussia, PA 19406 and 610-768-0114;
Doug Schadle, Rhino7, 51 Kilmayne Dr., Ste. 200, Cary, NC 27511 and 919-977-9518;
Joe Schadle, Rhino7, 51 Kilmayne Dr., Ste. 200, Cary, NC 27511 and 919-977-9518; or
____.

Issuance Date: April 30, 2025

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

Exhibit A	SCOUT & MOLLY’S FRANCHISE AGREEMENT
Exhibit B	FRANCHISE DIRECTORY/LISTING OF CURRENT FRANCHISEES and CERTAIN PAST FRANCHISEES
Exhibit C	FINANCIAL STATEMENTS
Exhibit D	STATE SPECIFIC INFORMATION
Exhibit E	FEDERAL AND STATE REGULATORS AND AGENTS FOR SERVICE OF PROCESS
Exhibit F	GENERAL RELEASE AGREEMENT
Exhibit G	ACH/EFT TRANSFER AGREEMENT
Exhibit H	AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER
Exhibit I	FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT
Exhibit J	DEVELOPMENT AGREEMENT
Exhibit K	STATEMENT OF PROSPECTIVE FRANCHISEES
Exhibit L	RECEIPT

________________ __________________________________
Date Prospective Franchisee

You may return one copy of this receipt either by signing, dating and mailing it to FRANLOGIC SCOUT DEVELOPMENT, LLC, 640 Freedom Business Center Drive, Suite 131, King of Prussia, Pennsylvania 19406.

RECEIPT

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If FRANLOGIC SCOUT DEVELOPMENT, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed on Exhibit E. See Exhibit E for our registered agent authorized to receive service of process.

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Exhibit J	DEVELOPMENT AGREEMENT
Exhibit K	STATEMENT OF PROSPECTIVE FRANCHISEES
Exhibit L	RECEIPT

________________ Date

______________________________ Prospective Franchisee

You may return one copy of this receipt either by signing, dating and mailing it to FRANLOGIC SCOUT DEVELOPMENT, LLC, 640 Freedom Business Center Drive, Suite 131, King of Prussia, Pennsylvania 19406.