


## FRANCHISE DISCLOSURE DOCUMENT

 <p>THE SCOUT GUIDE®</p>	<p>Scout Guide, LLC A Virginia limited liability company 3465 Ivy Road Charlottesville, VA 22903 (434) 466-3555 Email: <a href="mailto:info@thescoutguide.com">info@thescoutguide.com</a> <a href="http://www.thescoutguide.com">www.thescoutguide.com</a></p>
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We offer franchises for the establishment and operation of an advertising publication business, specializing in the production and distribution of high-quality advertising guides.

The total investment necessary to begin operation of a Scout Guide franchise is \$136,600 - \$245,900. This includes \$52,100 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Alexandra Gates at 3465 Ivy Road, Charlottesville, Virginia 22903, (434) 466-3555, [agates@thescoutguide.com](mailto:agates@thescoutguide.com).

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract to an advisor, like a lawyer or 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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

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## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E and F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
<b>Will my business be the only Scout Guide business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Scout Guide franchisee?</b>	Item 20 or Exhibits E and F lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## **What You Need To Know About Franchising *Generally***

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Minimum Royalty and Other Payments.** You must make minimum royalty and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Personal Guarantee.** Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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.

**MICHIGAN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

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

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### Exhibits

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

The Franchisor and its Predecessors

The franchisor is Scout Guide, LLC. To simplify the language in this Disclosure Document, “we,” “us” or “our” means Scout Guide, LLC. “You” or “your” means the person or entity that buys the franchise, and includes your owners if you are an entity.

Scout Guide, LLC is a Virginia limited liability company organized on June 2, 2011. Our principal business address is 3465 Ivy Road, Charlottesville, Virginia 22903.

We conduct business under our corporate name and under the names “The Scout Guide” and “TSG.”

Exhibit B contains our agents for service of process.

We have no predecessors.

From June 2, 2011 through December 31, 2013, we owned and operated two (2) company owned Scout Guide Businesses in the United States, under the names “The Scout Guide,” “TSG” and “The Scout Guide Blog,” all of which specialized in the production and distribution of high-quality advertising publications. The Scout Guide Businesses operated by us are the same as, or similar to, the franchise offered in this Disclosure Document.

We have promoted, distributed and produced Scout Guide publications through our company-owned businesses and licensees since 2011. We no longer offer license agreements.

Since October 2, 2012, Scout Guide, LLC has offered franchises for the operation of Scout Guide Businesses.

We have never offered franchises in any other lines of business.

Our Parents and Affiliates

We are owned 100% by TSG Holding Company LLC, a Virginia limited liability company formed on February 22, 2013, with a principal business at 3465 Ivy Road, Charlottesville, Virginia 22903. TSG Holding Company LLC is the sole manager of Scout Guide, LLC.

We obtain and pay for editorial and management services from our affiliate, TSG Media LLC, a Virginia limited liability company, with a principal business address of which is 3465 Ivy Road, Charlottesville, Virginia 22903. TSG Media LLC directly provides stationery and other products to franchisees.

Our affiliate, TSG Media LLC, was organized on February 22, 2013. TSG Media LLC and other subsidiaries have operated all of the company owned Scout Guide Businesses since December 31,



2013. The Scout Guide Businesses operated by our affiliates are the same as, or similar to, the franchise offered in this Disclosure Document. TSG Media LLC has provided necessary overhead for the company-owned Scout Guide businesses and production and printing services for company-owned Scout Guide businesses and for Scout Guide, LLC for franchised Scout Guide businesses since December 31, 2013. TSG Media LLC may also provide design services, and brand and image consulting services to assist its clients expand or improve their business through, among other things, refreshing or redesigning their brands and visual and digital experiences, developing their social media platforms, growing their following on social media, and the like. Clients of TSG Media LLC may include both Scout Guide Businesses and other businesses and organizations.

Our affiliates have promoted, distributed and produced Scout Guide publications through our company-owned businesses and licensees since 2013.

TSG Media, LLC has operated a SCOUT Guide Business similar to the one offered through this disclosure document since 2013.

Neither our parent nor affiliates have ever offered franchises in any other lines of business.

#### Our Business and the Franchises Offered

The franchise offered is for the establishment and operation of an advertising publication business, specializing in the production and distribution of high-quality advertising guides.

We operate the Internet site [thescoutguide.com](http://thescoutguide.com), which promotes the Guides via the Internet and includes the SCOUT Guide blog. We may operate an online version of the franchised business, and we may produce and distribute advertising publications that are comprised of advertising spreads purchased by clients who are not all located within one territory, such as publications that are comprised of advertisers of goods and services in the same business category but are located in a number of different markets (e.g., "Category Guides"). Our online activities may also include a digital advertising program by which we may promote advertisers in the Guides in, among other things, our national website, social media pages maintained by us, and editorial newsletters produced by us.

#### The General Market

The general market for this service is developed. Your services will primarily be sold to small businesses. Sales are year-round.

#### Industry-Specific Laws and Regulations

You must comply with any copyright, trademark, intellectual property, unfair trade practices, consumer protection laws, and false or other advertising laws. You should investigate the application of these laws further.

## Competition

Our primary competition comes from other print and online advertising publications, including franchised and non-franchised national, regional, and local businesses.

## Referral Program

We encourage our existing franchisees and others to refer prospective franchisees to us and answer any questions they may have. To compensate for time expended, we pay a referral commission of \$2,500 to someone who refers a person to us who is awarded a franchise territory.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Co-Founder, Creative Director: Christy Ford**

Ms. Ford has served as our Co-Founder and Creative Director since June 2011 at our headquarters in Charlottesville, Virginia. Ms. Ford has served as a member of TSG Media LLC in Charlottesville, Virginia since February 2013. Ms. Ford has served as a director of our parent company TSG Holding Company LLC since February 2013 at its headquarters in Charlottesville, Virginia.

### **Co-Founder, Sales Director: Susan Matheson**

Ms. Matheson has served as Co-Founder and Sales Director for Scout Guide, LLC since June 2011 at our headquarters in Charlottesville, Virginia. Ms. Matheson has served as a member of TSG Media LLC in Charlottesville, Virginia since February 2013. Ms. Matheson has served as a director of our parent company TSG Holding Company LLC since February 2013 at its headquarters in Charlottesville, Virginia.

## **ITEM 3 LITIGATION**

No 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**

### **Initial Franchise Fee.**

You must pay to us an initial franchise fee of \$50,000 per Territory, paid in a lump sum.

However, if you are a current franchisee who purchases a second territory, we will discount the price of the second territory to \$40,000. However, if the second territory is one that we re-acquired from a franchisee, the discount will not apply during the first twelve months after we re-acquired the territory.

Technology Fee. You must pay to us a Technology Fee of \$2,100, but the Technology Fee will be pro-rated for the first year depending on when you acquire a franchise agreement. For example, if 50% of the year has already passed when you acquire a franchise agreement, then you would only pay 50% of the Technology Fee in Year One.

Refundability of Initial Fees. Except as stated above, the initial fees are uniformly imposed and fully earned and nonrefundable as paid.

**ITEM 6  
OTHER FEES**

Fee	Amount	Due Date	Remarks
Royalty	10% of TSG Royalty Rate Card Sales, but not less than \$16,000 per Guide.	Payment due within 30 days after the Guide has completed production.  You may pay toward the Royalty Fee before Guide is printed.	TSG Royalty Rate Card Sales are calculated as the number of advertising spreads in each Guide multiplied by \$3,900 for a one-page spread or \$4,900 for a two-page spread.  You would pay a 10% royalty on the Royalty Rate Card amount.  So for a \$3,900 one-page spread, you would pay a \$390 royalty.  And for a \$4,900 two-page spread, you would pay a \$490 royalty.  TSG Royalty Rate Card rates are subject to increase on an annual basis but by no more than \$1,000 per rate.
Delayed Print Fee	\$500 per month.	Payment due each month following the 14th month after end of the prior annual period.	Franchisee shall, at a minimum, print and distribute one new version of the Guide in each twelve (12) month period (annual period) following the

			<p>Commencement Date. If a Guide is not printed for a particular annual period, you agree to pay the Delayed Print Fee, beginning in the 15th month after the end of the prior annual period.</p> <p>Guide will not be printed until Delayed Print Fee is paid in full.</p>
Production Fee	<p>\$500/spread for design and production services.</p> <p>We reserve the right to offer a discount to franchisees who own multiple territories and offer an incentive discount to franchisees who turn in their assets to Production on time.</p>	<p>\$5,000 deposit required at the Graphics Deadline for design and production services and is due 30 days after the Graphics Deadline for each version of the Guide. Remaining balance for design and production services due within 30 days after each version of the Guide has completed production.</p>	<p>Production fees for reusing a previous spread are as follows:</p> <ul style="list-style-type: none"> <li>-\$0 for reuse of a spread with no changes</li> <li>-\$0 for reuse of a spread with minor changes limited to basic text (phone number, etc.). Any other changes requiring modifying images or photo manipulation will incur additional costs</li> <li>-\$250 for reuse of a spread with major changes, including extensive text modifications and/or photo manipulation.</li> </ul> <p>The total time spent on redesign or edits would include up to a maximum of 3 hours design time</p> <ul style="list-style-type: none"> <li>-\$500 for reusing a spread with major changes, including extensive text modifications and/or photo manipulation. The total time spent on redesign or edits would exceed more than 3 hours design time.</li> </ul>
Printing & Shipping Fee per Guide	Approximately \$35,000 - \$80,000 per year.	Due 30 days after each version of the Guide's print date.	This amount varies depending upon the Guide page count, quantity of Guides printed, shipping costs, and delivery location.

	We mark up this fee by \$1,000 - \$3,000 to cover the cost of staff members who assist with printing and shipping.		This fee includes the third-party printing costs, the cost of shipping the printed copies of the Guide, and our printing related costs and expenses for review and editing of proofs and other related services.
Distribution Fee	Variable (estimated to be \$10,000 - \$12,000 annually)	Variable based on negotiations with third party distributor	Payable directly to third party distributor.
Photography Fee	Variable (\$300 - \$500/shoot recommended)	Variable based on the terms of the Photography Agreement for each version of the Guide	Payable to third party. You will contract a photographer for each version of the Guide.
Technology Fee	<p>Variable (initially \$2,100 per year, which we may increase or decrease up to 10% annually).</p> <p>This fee amount is designed to approximate the cost of software and associated personnel.</p> <p>Extra Dubsado users cost extra, presently \$25 per month for each additional user past three users.</p>	At the time the accounts are provided by Franchisor and annually thereafter.	<p>For the following services and platforms: "Dubsado" customer relationship management software, "Google Workspace" tools, including Gmail and Google Drive, "Emma" email marketing platform and services, "DocuSign" electronic signature solution, and "Squarespace" local city website platform.</p> <p>One complimentary Google Workspace account is provided by Franchisor to each signatory to the Franchise Agreement for use during the term of the franchise; additional Google Workspace accounts may be provided by Franchisor for an annual fee of \$144 per account. We retain ownership of the accounts</p>
Missed Spread Assets Deadline Fee	\$100/per day late	As incurred	If you fail to meet either the deadline for 50% of spread materials (1st Monday of

			production) or the deadline for 100% of materials (2nd Monday of production), you agree to pay us this fee per day for every day that all materials remain incomplete
Fee for Addition of Late Spreads	\$1,000 per business added	As incurred	You agree to pay us this fee for the addition of a spread after the deadline for 100% of materials (2nd Monday of production).
Fee for Failure to Meet Soft & Hard Proof Week	\$1,000 per week	As incurred	You agree to pay us this fee for failure to meet the all approved deadline and stay on track to complete the soft and hard proof weeks as outlined in the original production timeline.
Editor Conference Fee	\$500 per attendee	At the time of sign up	We may require you to pay a nonrefundable Editor Conference Fee of up to \$500 per attendee, plus costs of attendance (room, meals, etc.) if you sign up for our Annual Franchisee or Editor Conference.
Renewal Fee	\$10,000 if paid on time.  \$500 additional fee if you are more than 7 days late in signing the renewal franchise agreement	As incurred	The late renewal fee is also due if you do not sign the then current franchise agreement to renew your franchise rights by seven days after the renewal is due.
Transfer Fee	\$12,500 (sale of franchise or a majority interest)  \$2,500 (transfer of minority interest)	Due at the time a signed Transfer Agreement is returned to us.	Payable by franchisee or transferee, when you sell your franchised business. No fee if you transfer your franchise to an entity owned by, or under the same ownership as, the franchisee.
Payments for Goods or Services	Variable (typically \$100 - \$500 per year).	Periodic when bill is received; deemed late if not received within 30 days of date of invoice.	This applies to services, materials and supplies, such as stationery, bookmarks, note cards and other promotional materials, which

	Our affiliate, TSG Media LLC, typically marks up the cost of these items 10-20% to cover the associated personnel costs and office space to store and process orders.		may, but are not required, to be purchased from us in addition to design/ printing services covered by the Production Fee and Printing and Shipping Fee described above. Pricing is as specified in the Manuals. These fees are invoiced by and payable to our affiliate TSG Media LLC.
Insurance	Premiums for required insurance	As invoiced	If you do not obtain the required levels of insurance, we may, at our election, procure such insurance and bill your account for the insurance, together with a fee of \$250 for our costs and expenses in so acquiring the policy or policies.
Late Payment Charges	1½ % interest per month on overdue amount, or the maximum rate permitted by law, whichever is less. In California, the maximum rate is 10% per annum.	When invoiced	This charge applies to all payments you owe us.
Insufficient Funds Fee	\$100 per occurrence	Immediately on demand	Payable if any of your payments to us are not honored by your financial institution.
Finder's Fee	10% of gross selling price	Before sale	The Finder's Fee applies if we refer a prospective franchisee to you for any reason, including to learn more about our system, and you end up selling your franchise to the prospective franchisee.
Audit	Actual costs incurred to perform the audit	Immediately on demand	If an audit discloses an understatement of 3% or more in any report of TSG Royalty Rate Card Sales, you

			must reimburse us for all costs and expenses of the audit.
Update Training Fee	\$250 per attendee	At the time of training	We reserve the right to charge up to \$250 per attendee to provide Update Training. We also charge the Update Training Fee when asked to create an email for one of your team members and we will train them on our system.
Testing/ Inspection Fees to Approve a Supplier	\$100/hour plus any costs incurred	When incurred	You must pay this fee to us if you request us to test and inspect a new supplier.
Client Refunds	The amount of any fee we refund to a client	As invoiced	If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client of all or a portion of the client fees, we may make the refund and bill you. You agree to pay the charges.
Assistance Fee in the event of death or incapacity	Our reasonable expenses plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.	At time of expense	We are entitled to this fee if we must operate your franchise due to your death or incapacity.
Sales, Excise, or Gross Receipts tax	Actual amount of tax paid	At time of payment of fees to us which are subject to any tax	If required by the federal, state or locality in which your franchise is located. Including sales, excise or gross receipts tax or similar type tax on the initial franchise fee, royalty, and other fees and costs.
Third party charges that we incur on your behalf	Actual amount of charge	At time of expense	If we incur third party charges on your behalf, you agree to reimburse us for any such charges.
Cover Press Check Fee	\$350 per hour	At time of expense	You agree to pay to us \$350 after the first hour, per hour, when we wait for you to approve your Guide cover.



Additional Hard Proof Fee	\$175 per extra hard proof.	At time of expense	You agree to pay this fee to us to furnish a hard proof of your Guide to anyone not listed as an owner on your Franchise Agreement. We may increase this fee from time to time if our printer increases the fees to us to furnish a hard proof.
Market Name Change Fee	\$500	At time of request	You agree to pay this fee to us if, after you and we enter into the Franchise Agreement, you ask to change your market name.
Indemnity	Actual loss sustained	At time of expense	You must indemnify us from any loss caused by your operation of the Franchised Business.
Attorney Fees and Costs	Actual amount incurred	At time of expense	If we are the substantially prevailing party in litigation with you, you agree to pay our costs and attorney fees.

Note 1: Except where otherwise specified, we uniformly impose and collect all the fees in this table, you pay them to us, and we do not refund them. However, we reserve the right to negotiate lower fees on a case by case basis.

Note 2: Before you may open for business, you must sign and deliver to us all bank documents needed to permit us and our affiliate, TSG Media LLC to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us and our affiliate, TSG Media LLC, via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement.

[remainder of page intentionally left blank]

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT\***

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$50,000	\$50,000	Check or EFT	Upon entering into franchise agreement	Us
Furniture, Fixtures, and Equipment (Note 2)	\$0	\$1,000	Check/Charge	Before opening	Third-party vendors
Computers and Software (Note 3)	\$1,000	\$3,000	Check/Charge	Before opening	Third-party vendors
Insurance (Note 4)	\$500	\$1,000	Check/Charge	As incurred	Third-party vendors
Professional Fees (Note 5)	\$3,000	\$5,000	Check/Charge	As incurred	Accountants, Attorneys
Technology Fee (Note 6)	\$2,100	\$2,100	Lump sum	When we provide access to you of the technology platforms	Us
Business Licenses and Permits (Note 7)	\$500	\$1,000	As arranged	Before opening	Third parties
Photography (Note 8)	\$12,000	\$54,800	As arranged	As incurred	Third parties
Production (Note 9)	\$15,500	\$24,000	As arranged	As incurred	Us
Printing and Shipping (Note 10)	\$35,000	\$80,000	As arranged	As incurred	Us
Distribution (Note 11)	\$10,000	\$12,000	As arranged	As incurred	Third parties
Additional Funds-90 days	\$7000	\$12,000	Check/Charge	As incurred	Third party vendors

(Note 12)					
TOTAL (Note 13)	\$136,600	\$245,900.00			

\*The initial fees listed above which are paid to us are nonrefundable as paid. Whether such fees paid to third parties are refundable would depend upon their policies. We do not finance any portion of your initial fees.

**Note 1 – Initial Franchise Fee.** The Initial Franchise Fee shown is for the purchase of a single franchise.

**Note 2 - Furniture, Fixtures, and Equipment.** You will need basic office furniture to operate this franchise (chair, desk, etc.). Your costs will vary depending on what you may already own.

**Note 3 – Computers and Software.** You must comply with our computer hardware, software, and POS specifications which we set forth in detail in Item 11.

**Note 4 – Insurance.** You will need insurance as we describe in detail in Item 8. We estimate above your insurance premium costs for the initial three months of operation only. You will normally pay insurance as you agree with your carrier (monthly, quarterly, semi-annually, or annually).

**Note 5 – Professional Expenses.** You may incur professional legal and accounting fees to assist you with this franchise purchase, your entity set up, licensing, and other legal and accounting issues.

**Note 6 – Technology Fee.** You pay this fee to us for technology platforms that you use in your business.

**Note 7 – Business Licenses and Permits.** You must purchase any required state or local business license or permit to operate this business.

**Note 8 – Photography.** This is the estimated amount that you will pay a third-party Photographer for the photography needed to print the first issue of your Scout Guide.

**Note 9 – Production.** This is the estimated amount that you will pay to us for the production work on your first Scout Guide issue.

**Note 10 – Printing and Shipping.** This is the estimated amount that you will pay to us for the printing and shipping on your first Scout Guide issue.

**Note 11 – Distribution.** This is the estimated amount that you will pay to third parties for distribution of your first Scout Guide issue.

**Note 12 - Additional Funds.** We estimate the additional funds that you will need for the first 90 days of operations. Additional funds are to pay for miscellaneous expenses and to maintain

sufficient working capital. We base this estimate upon the years of experience our management team has in this industry.

**Note 13 – Total.** The total figures do not include compensation for your time or labor, nor do they take into account any finance charges or other costs which you may incur to finance all or any portion of your investment. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **The Goods or Services Required to be Purchased or Leased:**

Computers and Software. We require you to use such computer hardware, software, and systems as we specify, which may include vendor designations.

Furniture, Fixtures, and Equipment. You must purchase furniture, fixtures, and equipment pursuant to any specifications we may issue, which may include a supplier designation.

Insurance. You must purchase and maintain, at your expense, adequate insurance coverage which meets the specifications outlined in your Franchise Agreement from an approved supplier. The insurance policy or policies must protect you, us and our affiliates and our and their officers, directors, partners, and employees, against any claims for loss, liability, personal injury, death, property damage, or any expense of your franchised business. Your insurance policy or policies must be written by an insurance company that has at least an “A” rating or that is otherwise approved by us in writing and must include the following minimum requirements: comprehensive general liability insurance, including product liability, contractual liability, personal injury, property damage, and independent contractor's coverage and auto owned, hired and non-owned vehicles of at least \$1,000,000 per occurrence and aggregate, or a primary policy of at least \$1,000,000 per occurrence and aggregate with an excess policy of at least \$1,000,000 per occurrence and aggregate, which names us and our affiliates as an additional insured in each policy. These policies will also apply to vehicles that you purchase in the name of your business and will include workers' compensation and employers' liability insurance and any other insurance that an applicable state statute may require. Your lease or sublease, if any, may also impose certain insurance requirements upon you; the more restrictive language will apply (e.g., if higher limits are required by us than by the landlord for a certain type of insurance coverage, our limits will apply for that particular coverage). Your obligation to obtain and maintain these insurance policies will not be affected by any insurance which we may maintain for us or our affiliates.

After you obtain the required insurance, and on each policy renewal date, you must promptly give us evidence that you have obtained the required insurance and provide us with proof of payment and, if we request it, copies of all policies and policy amendments. The evidence of insurance must include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least 30 days' prior written notice to us.

Printing and Shipping Services. We require you to use our printing services for the Guides, and we require the use of our designated third party to ship the Guides. We do not allow the use of media mail to ship the Guides. For the review and editing services, we exclusively rely on the in-house review and editing team of our affiliate TSG Media LLC.

Production Services. We require you to use our production services in connection with the production of the Guides. We will not accept any outside artwork or designs (pre-prepared spreads) as we exclusively rely on the in-house graphic design team of our affiliate TSG Media LLC.

Stationery, bookmarks, note cards, and other promotional items. You may purchase stationery, bookmarks, note cards, and other promotional items from our affiliate TSG Media LLC or pursuant to our specifications.

#### **Whether we or our Affiliates are Approved Suppliers:**

We are an approved supplier of printing and shipping services and production services, and the only approved supplier of such items. Our affiliate, TSG Media LLC, is an approved supplier, but not the only approved supplier of stationery, bookmarks, note cards, and other promotional items.

#### **Officer Interests in Suppliers:**

Our officers, Christy Ford and Susan Matheson, own an interest in us and in our affiliate, TSG Media LLC.

#### **Alternative Suppliers:**

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We charge \$100/hour plus any costs incurred to test another supplier that you propose. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. Your request must include sufficient specifications, photographs, drawings and other information and samples to enable us to determine whether supplier meets our specifications. Your request must also provide confirmation that the supplier is financially sound and carries adequate liability insurance. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

#### **Issuance and Modification of Specifications:**

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

**Revenue from Required Purchases:**

In our last fiscal year ending December 31, 2023, we earned \$4,797,184 from franchisee purchases from us (Production and Printing Fees of \$4,689,560 plus Shipping Fee revenue of \$107,624) representing 67.9% of our total revenue of \$7,059,217 for the same fiscal year.

In our last fiscal year ending December 31, 2023, our affiliate TSG Media LLC earned \$30,503 from purchases of stationery, bookmarks, note cards, and other promotional items by franchisees.

**Required Purchases as a Proportion of Costs:**

We estimate that required purchases described above will be approximately 50-70% of all purchases and leases by you of goods and services to establish a franchise and approximately 75-80% of your operating costs.

**Supplier Payments to Us:**

Designated suppliers do not make payments to us from franchisee purchases, however, we reserve the right to receive such payments in the future.

In the fiscal year ended December 31, 2023, we did not yet receive any supplier rebates.

**Purchasing or Distribution Cooperatives:**

At this time, we do not have any purchasing or distribution cooperatives.

**Purchase arrangements:**

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

**Material Benefits:**

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

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**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.**

<b>Franchisee’s Obligations</b>	<b>Section In Franchise Agreement</b>	<b>Item in Disclosure document</b>
a. Site selection and acquisition/lease	3, 6.2	11
b. Pre-opening purchases/leases	6.10, 6.11, 6.12	7, 8
c. Site development and other pre-opening requirements	6.2	11
d. Initial and ongoing training	5.8, 6.1, 6.8	11
e. Opening	6.3	11
f. Fees	4, 15, 19.11	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	6.4, 6.14, 6.15	8, 11
h. Trademarks and proprietary information	7, 8	13, 14
i. Restrictions on products/services offered	6.6	8, 16
j. Warranty and customer service requirements	6.7	6
k. Territorial development and sales quotas	3, 6.17	12
l. Ongoing product/service purchases	6.10, 6.11	8
m. Maintenance, appearance & remodeling requirements	6.13	Not Applicable
n. Insurance	6.9	8
o. Advertising	7	8, 11
	13.3; Schedule 3	6

<b>Franchisee's Obligations</b>	<b>Section In Franchise Agreement</b>	<b>Item in Disclosure document</b>
p. Indemnification		
q. Owner's participation/management/staffing	6.5	15
r. Records and reports	9	11
s. Inspections and Audits	9	11
t. Transfer	14	17
u. Renewal	2.2	17
v. Post-termination obligations	11	15, 16, 17
w. Non-competition covenants	12	15, 16, 17
x. Dispute resolution	19	17

## **ITEM 10 FINANCING**

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

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

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

### **Before Opening:**

Initial Training. We provide an initial training program as described in the chart below in this Item 11. (Franchise Agreement, Section 5.1).

Site Selection. We do not provide site selection assistance as you would normally work from home.

Assistance to Hire and Train Employees. We provide assistance in the type and number of employees that should be hired. However, you are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees. (Franchise Agreement, Section 5.3).

Assistance to obtain equipment, opening inventory, and supplies. We provide guidance to obtain equipment, opening inventory, and supplies. We provide guidance, specifications, or approved



vendors. We deliver certain opening inventory and supplies but do not install any items. (Franchise Agreement Section 5.4).

Administrative and Business Forms. We provide you with an initial set of administrative and business forms. (Franchise Agreement Section 5.4).

Operations Manual. We provide access to our Operations Manual (“Manual”) to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 5.5).

Length of Time Before Opening: The typical length of time between the signing of the Franchise Agreement and the opening of your outlet is one week to one month. You agree to begin operations and be open for business no later than one month from the time both parties execute the franchise agreement.

Factors that can affect the time length in which to be open for business include: the time needed to complete initial training, obtain any needed furniture and equipment, obtain any needed local business license, and install necessary computers and software.

### **During the Operation of the Franchise:**

Operational Support. We offer assistance with operating problems and issues that you may encounter. (Franchise Agreement, Section 5.6).

Establishing Prices. We offer assistance in setting prices by offering recommended price levels. (Franchise Agreement, Section 5.6).

Marketing Support. We offer marketing assistance and support. (Franchise Agreement, Section 7).

Computer Hardware and Software. We specify computer hardware and software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 5.7).

Additional Training or Seminars. We may elect to offer additional training or seminars. (Franchise Agreement, Section 5.8).

### **Advertising Program and Fund:**

Local Advertising. You agree to engage in such local advertising as we specify pursuant to our guidelines. Presently, you must create a hitlist and target small business owners that you believe may be interested in your services. (Franchise Agreement, Section 7.3).

Advertising Fund. We do not maintain an advertising fund or require you to contribute to any such fund. (Franchise Agreement, Section 7.4).

Our Obligation to Conduct Advertising. We advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other

advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located. (Franchise Agreement, Section 7.5).

Corporate Website. We will develop and maintain a comprehensive website that contains your location's contact information. (Franchise Agreement, Section 7.5).

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Franchise Agreement, Section 7.5).

Digital Campaigns. We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor. (Franchise Agreement, Section 7.5).

Use of Your Own Advertising Material. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. (Franchise Agreement, Section 7.6).

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval. (Franchise Agreement, Section 7.6).

Advertising Council. We do not have an advertising council composed of franchisees that advises us on advertising policy.

Advertising Cooperative. You are not required to participate in a local or regional advertising cooperative.

### **Computer and Cash Register Systems:**

You must comply with our computer hardware, software, and POS specifications. At present, we require you to have an internet connection, email, and a desktop or laptop computer. These items can be purchased for approximately \$1,000 - \$3,000, depending on what you already have.

We require you to use Quickbooks Online for your bookkeeping and accounting needs and furnish to us your user name and password.

You also agree to pay to us a Technology Fee in the amount of \$2,100 per year, which we may increase or decrease up to 10% annually. One Google Workspace account for each signatory to the Franchise Agreement is included for no additional fee; additional Google Workspace accounts are available for a fee of \$144 per year. Extra Dubsado users cost extra, presently \$25 per month for each additional user past three users.

This fee includes the following services and platforms: "Dubsado" customer relationship management software, "Google Workspace" tools, including Gmail and Google Drive, "Emma" email marketing platform and services, "DocuSign" electronic signature solution, and "Squarespace" local city website platform.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,000.

**Independent Access to Information.** We have independent access to the financial information that will be generated or stored in your computer systems and reserve the right to have independent access to the transactional information as well. There are no contractual limitations on our right to access your computer information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request.

**Operations Manual:**

Exhibit H contains the Table of Contents to the Operations Manual along with the page count per chapter. The total page count of the Operations Manual is 74 pages.

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
General Overview & Introduction to TSG	3		Onsite/Online
Business Planning	2		Onsite/Online
Contracts & Forms	1		Onsite/Online
Sales Resources & Strategies	1		Onsite/Online
Digital Platforms	2		Onsite/Online
Design & Production Process	1		Onsite/Online

Compliance & Operations	1/2		Onsite/Online
Editorial & Digital	1		Onsite/Online
Marketing	2		Onsite/Online
<b>Total</b>	<b>13.5 hours</b>		

Note 1- After the execution of the Franchise Agreement, you must attend either online or in-person training on-site at our headquarters, at our discretion. Training is currently provided on a franchisee-by-franchisee basis on a schedule agreed upon by you and us.

The following Instructor teaches our initial training program: Jaclyn Kanter, our Enablement Manager. Ms. Kanter has served as a member of The Scout Guide franchise support staff since 2020. She began as a Franchise Success Manager and is now focuses on training, coaching, and supporting new franchise owners.

We set forth the length of the Instructor’s experience in the industry and with the franchisor below:

<u>Instructor</u>	<u>Years of Experience in the Field</u>	<u>Years of Experience with the Franchisor*</u>
Jaclyn Kanter	11	4

\*Includes experience with our affiliates.

We use the Operations Manual, checklists, demonstrations, practice, form letters, talking points, testimonials, processes, templates, instructions, and guidelines to conduct initial training.

We do not charge for you to attend initial training, but you are responsible for travel, lodging, transportation, meal costs, and your employees’ wages to attend initial training.

We require that you or, in the case of an entity, at least one of your principals, attend and successfully complete initial training. We may require additional principals of a franchisee entity to attend and successfully complete initial training.

If you do not successfully complete any module of the training program to our satisfaction, we may require you to repeat it. If you do not successfully complete all modules of training to our satisfaction, we have the option to terminate your Franchise Agreement. We advise you during or immediately after initial training if you have successfully completed the course.

At our option, we may require any manager subsequently employed by you to attend and complete to our sole satisfaction our initial training program.

Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training and seminars that we may offer. We may charge up to \$250 per person trained per day, plus any expenses we incur to provide this training. You must also pay any travel and living expenses that you or we incur to attend training. We also charge the Update

Training Fee when asked to create an email for one of your team members and we will train them on our system.

## **ITEM 12 TERRITORY**

The territory will be for a specific geographic region that we define and approve by zip codes, natural, or political boundaries as set forth on Schedule 1 to the Franchise Agreement.

A territory will normally include a minimum population of at least 250,000 people.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency.

However, upon renewal, we may reduce the size of your territory if the population of your territory has grown and we reasonably feel that the territory needs to be subdivided into more than one territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We reserve the right to produce, distribute, and make sales of SCOUT Guide publications via the Internet and through direct mail in your territory. We own and operate the Internet site [thescoutguide.com](http://thescoutguide.com). The products and services offered through this Internet site may be the same or similar to those offered by you. We may operate an online version of the franchised business,

and we produce and distribute advertising publications that are comprised of advertising spreads purchased by clients who are not all located within one territory, such as Category Guides. Our online activities may also include a digital advertising program by which we may promote advertisers in the Guides in, among other things, our national website, social media pages maintained by us, and editorial newsletters produced by us. We have the right to re-print advertising spreads used in your Guides in Category Guides and in other publications and online Guides.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.



You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

### **ITEM 13 TRADEMARKS**

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

<b>Mark</b>	<b>Registration Number</b>	<b>Principal or Supplemental Register of the USPTO</b>	<b>Registration Date</b>
THE SCOUT GUIDE	5076671	Principal	Nov. 8, 2016

	5777237	Principal	June 11, 2019
	5793814	Principal	July 2, 2019

We have filed all required affidavits and renewals.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

TSG IP Company, LLC, a Virginia limited liability company, owns the trademarks listed in the chart above and licenses them to us pursuant to a written License Agreement dated September 3, 2021. The License Agreement is perpetual in duration and may be terminated upon a material breach not remedied after 30 days' written notice. If the License Agreement was terminated, you could lose the right to use the trademarks licensed to us under the License Agreement. There are no other currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If we discontinue or modify our Marks, you must adopt and use any new marks as required by us. Any expenses you incur because of adopting and using these marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere.

#### **ITEM 14**

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

At this time, we do not hold any patents material to the franchise system. We claim a copyright to our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your franchise agreement, you must return to us our Operations Manuals and any confidential information.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the Franchise Agreement. You may use our Confidential Information to perform your obligations under the Franchise Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your franchised business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

“Customer Data” is considered Confidential Information, and includes all information about Customers that may be collected in connection with their use of your services, including, but not limited to, name, telephone number, address and email address.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information. You may never - during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

#### **ITEM 15**

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

You are required to participate personally in the direct operation of the Franchised Business or have a Designated Manager who attends and successfully completes our initial training to our satisfaction. You or your Designated Manager must work the business full time, approximately 40 hours per week. Any replacement Designated Manager must also attend and successfully



complete our initial training to our satisfaction. Any Designated Manager must also sign a Confidentiality and Non-Compete Agreement as we may specify. A Designated Manager is not required to have any equity interest in the franchisee's business.

You and any Designated Manager must pass a background check.

All owners of this franchise must guarantee the obligations under the Franchise Agreement. Your spouse is not required to guarantee the obligations under the Franchise Agreement unless your spouse is an owner of the franchise.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

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

You may offer for sale through your franchised business only an advertising publication business, specializing in the production and distribution of high-quality advertising guides as specified by us and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You may offer your services to any customers, consistent with your territorial rights.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

For the duration of your franchise agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of this Agreement, including a sale of the franchise or your interest in it, offer an advertising publication business, specializing in the production and distribution of high-quality advertising guides in the Territory or within 25 miles of the boundaries of the Territory, or within 25 miles of any other outlet of ours or a franchisee of ours in operation at the time.

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

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

<b>Provision</b>	<b>Section In Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	2	5 years.
b. Renewal or extension of the term	2	Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).
c. Requirements for you to renew or extend	2	Renewing your Franchise Agreement means that you are able to continue your operations as a franchisee for an additional term. You must sign a general release of claims, notify us in writing at least 180 days before the expiration of the Agreement, and sign our then current Agreement, which may contain materially different terms and conditions than your original contract.
d. Termination by franchisee	10.1	You may terminate the Agreement if you sell the franchise pursuant to the terms of the Franchise Agreement or do not renew.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	10.2, 10.3	We can terminate only if you default.
g. “Cause” defined – curable defaults	10.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. “Cause” defined – non-curable defaults	10.2	Do not pass initial training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.

<b>Provision</b>	<b>Section In Franchise Agreement</b>	<b>Summary</b>
i. Franchisee’s obligations on termination/renewal	11	Cease operations and stop using our marks; deliver to us business records; deliver and assign to us any photographer or advertising contracts, photographs etc.; pay debts due to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by franchisor	14.1	We may assign to a successor in interest who remains bound by terms of Agreement.
k. “Transfer” by franchisee - defined	14.2	Includes transfer of Franchise Agreement, any interest of the Franchise Agreement, or substantially all of the assets of the Franchised Business.
l. Franchisor’s approval of transfer by franchisee	14.2	We have the right to approve all transfers.
m. Conditions for franchisor’s approval of transfer	14.5	<p>You must be:</p> <ul style="list-style-type: none"> <li>-current in monetary obligations;</li> <li>-in compliance with the Franchise Agreement;</li> <li>-execute any transfer, amendment, or release forms that we may require;</li> <li>-provide to us a copy of the proposed transfer documents;</li> <li>-transferee must meet our criteria;</li> <li>-transferee must execute our then-current Franchise Agreement;</li> <li>-pay to us the Transfer Fee;</li> <li>-transferee must satisfactorily complete our initial training program;</li> <li>-comply with the post-termination provisions;</li> <li>-transferee must obtain necessary licenses and permits;</li> <li>-obtain any lessor approval for transfer;</li> <li>-the transfer must be made in compliance with any laws that apply to the transfer;</li> <li>-the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation;</li> <li>-you must request that we provide the prospective transferee with our current franchise disclosure document.</li> </ul>

<b>Provision</b>	<b>Section In Franchise Agreement</b>	<b>Summary</b>
n. Franchisor's right of first refusal to acquire franchisee's business	14.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Franchisor's option to purchase franchisee's business	11(g)	We have a right to purchase your furniture, equipment, signage, fixtures, and supplies post-termination.
p. Death or disability by franchisee	15	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	12	No competition allowed in the United States and its territories.
r. Non-competition covenants after the franchise is terminated or expires	12	You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years.
s. Modification of the agreement	16	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	18	Only the terms in the franchise agreement are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	19	You must first attempt to resolve claims against us through mediation. Illinois, Maryland, and Washington franchisees must arbitrate claims against us.
v. Choice of forum	19	All claims must be brought before a court of general jurisdiction closest to our corporate office (subject to applicable state law).
w. Choice of Law	19	Virginia law governs (subject to applicable state law).

**ITEM 18  
PUBLIC FIGURES**

We have not paid any compensation or other benefit to a public figure for the use of their endorsement or recommendation of the franchise to prospective franchisees.

**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.

We do not make any financial performance representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Christy Ford, Scout Guide, LLC, 3465 Ivy Road, Charlottesville, Virginia 22903, (434) 244-2817; the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide Outlet Summary  
For Years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	<b>2021</b>	<b>59</b>	<b>66</b>	<b>+7</b>
	<b>2022</b>	<b>66</b>	<b>73</b>	<b>+7</b>
	<b>2023</b>	<b>73</b>	<b>88</b>	<b>+15</b>
<b>Company-Owned</b>	<b>2021</b>	<b>2</b>	<b>1</b>	<b>-1</b>
	<b>2022</b>	<b>1</b>	<b>1</b>	<b>0</b>
	<b>2023</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>Total Outlets</b>	<b>2021</b>	<b>61</b>	<b>67</b>	<b>+6</b>
	<b>2022</b>	<b>67</b>	<b>74</b>	<b>+7</b>
	<b>2023</b>	<b>74</b>	<b>89</b>	<b>+15</b>

\*“Company-Owned” outlets are SCOUT Guide Businesses operated by our affiliate TSG Media LLC and its subsidiaries.

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)  
For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Arkansas</b>	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>
<b>Colorado</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>1</b>
<b>Florida</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023*</b>	<b>1</b>
<b>Georgia</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023*</b>	<b>1</b>
<b>Maryland</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>1</b>
	<b>2023</b>	<b>0</b>
<b>Minnesota</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>1</b>
	<b>2023</b>	<b>0</b>
<b>Mississippi</b>	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>1</b>
	<b>2023</b>	<b>0</b>
<b>Missouri</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>1</b>
	<b>2023</b>	<b>0</b>
<b>Ohio</b>	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>
<b>Oklahoma</b>	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>
<b>South Carolina</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>1</b>
<b>Texas</b>	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>2</b>
	<b>2023</b>	<b>1</b>

State	Year	Number of Transfers
Virginia	2021	0
	2022	0
	2023	0
Total	2021	5
	2022	6
	2023	5

\*Florida and Georgia 2023-these transfers reflect the sale of a portion of a franchisee's territory to a new franchise owner.

Table No. 3

Status of Franchised Outlets  
For Years 2021 to 2023\*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
Alabama	2021	2	2	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Arizona	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Arkansas	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	1	0	0	2
California	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	1	1
Colorado	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	2	0	0	0	0	4
Delaware	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Florida	2021	4	3	0	0	0	0	6
	2022	6	2	0	0	0	0	8
	2023	8	3	0	0	0	0	11
Georgia	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
Hawaii	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
Idaho	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
Indiana	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Louisiana	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Massachusetts	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Mississippi	2021	1	1	0	0	0	0	1
	2022	1	2	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Montana	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nebraska	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	3	0	0	0	0	0	3
	2022	3	0	0	1	0	0	2
	2023	2	0	0	0	0	0	2



State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
New York	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
North Carolina	2021	5	0	1	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Ohio	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	1	2
Oklahoma	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	1	1	0	0	1
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
South Carolina	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Tennessee	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Texas	2021	7	1	1	0	0	0	7
	2022	7	1	0	0	0	0	8
	2023	8	4	0	0	0	0	12
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	1	0	0	0	0	6
Wyoming	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	59	9	2	0	0	0	66
	2022	66	8	0	1	0	0	73
	2023	73	20	1	2	0	2	88

\*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

**Table No. 4**

**Status of Company-Owned Outlets  
For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Reacquired From Franchisees</b>	<b>Outlets Closed</b>	<b>Outlets Sold To Franchisees</b>	<b>Outlets at End of Year</b>
<b>DC</b>	<b>2021</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Virginia</b>	<b>2021</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2022</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2023</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>2021</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2022</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2023</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

\*“Company-Owned” outlets are SCOUT Guide Businesses operated by our affiliate TSG Media LLC and its subsidiaries.

**Table No. 5  
Projected Openings as of December 31, 2023**

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Open</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Virginia	0	1	0
<b>TOTALS</b>	0	1	0

Exhibit E contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit F contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet 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 have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. 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, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Exhibit G contains our audited financial statements for our fiscal years ending December 31, 2023, 2022, and 2021.

**ITEM 22**  
**CONTRACTS**

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

- C. Franchise Agreement
  - Schedule 1-Territory
  - Schedule 2-Automatic Bank Draft Authorization
  - Schedule 3-Confidentiality Agreement
  - Schedule 4-Franchisee Questionnaire
  - Schedule 5-State Addenda to the Franchise Agreement
- D. Release

**ITEM 23**  
**RECEIPT**

Exhibit J contains two copies of a Receipt of our Disclosure Document.

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**EXHIBIT A**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

**CALIFORNIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

**THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.**

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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

**SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.**

**YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER**

OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at [www.thescoutguide.com](http://www.thescoutguide.com).

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

The highest interest rate allowed by law in California is ten percent (10%) annually.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

**HAWAII ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, HI 96813

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



**ILLINOIS ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.w. is modified to provide that Illinois law applies.
  
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
  
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
  
4. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
  
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. 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.

### Initial Fee Deferral-

Items 5 and 7 of the Disclosure Document are modified to also provide: “Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchisee is open for business.”

## MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
  1.
    - Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
    - Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
    - The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Item 6 of the Disclosure Document is amended to indicate that the maximum service charge that may be imposed for an NSF check in Minnesota, pursuant to Minnesota Statute 604.113, is \$30.

**NEW YORK ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. The following information is added to the cover page of the Franchise Disclosure Document:

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum,”** and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

## **NORTH DAKOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

**Restrictive Covenants:** To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

**Applicable Laws:** North Dakota law will govern the franchise agreement.

**Jurisdiction and Venue:** The provisions concerning choice of law and jurisdiction and venue are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

**Waiver of Trial by Jury:** Any waiver of a trial by jury will not apply to North Dakota Franchises.

**Waiver of Exemplary & Punitive Damages:** Any waiver of punitive damages will not apply to North Dakota Franchisees.

**General Release:** Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

**Enforcement of Agreement:** Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 17(u) of the Disclosure Document is modified to provide that the site of mediation and arbitration shall be agreeable to all parties and may not be remote from the franchisee's place of business.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

**VIRGINIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

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

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.



## **WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Initial Fee Deferral:

Item 5 is amended to also provide: “Initial fees will be deferred until the Franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.”

**WISCONSIN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the Franchise Agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

## EXHIBIT B

### State Administrators and Agents for Service of Process

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
<b>California</b>	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013  2101 Arena Boulevard Sacramento, CA 95834 1-866-275-2677	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
<b>Connecticut</b>	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
<b>Hawaii</b>	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
<b>Illinois</b>	Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706
<b>Indiana</b>	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division West Washington Street, Room E-111 Indianapolis, IN 46204
<b>Kentucky</b>	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
<b>Maryland</b>	Office of the Attorney General Securities Division	Maryland Securities Commissioner

	200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	200 St. Paul Place Baltimore, MD 21202-2020
<b>Michigan</b>	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
<b>Minnesota</b>	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
<b>Nebraska</b>	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
<b>New York</b>	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, NY 10005 212-416-8285 Phone	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, New York 12231-0001 (518) 473-2492 Phone
<b>North Dakota</b>	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510
<b>Rhode Island</b>	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
<b>South Dakota</b>	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501

<b>Texas</b>	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
<b>Utah</b>	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
<b>Virginia</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
<b>Washington</b>	Securities Administrator Washington State Department of Financial Institutions P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd., SW Tumwater, WA 98501
<b>Wisconsin</b>	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

**SCOUT GUIDE LLC**



**FRANCHISE AGREEMENT**

**EXHIBIT C**

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WHEREAS, Scout Guide, LLC d/b/a Scout Guide (“we,” “us,” or “our”) offers a franchise opportunity for an advertising publication business, specializing in the production and distribution of high-quality advertising guides (“System”). Our system utilizes specified marketing techniques and operating procedures; and

WHEREAS, Franchisee and all Signators identified on the signature page to this Agreement, in your personal capacity, (collectively “Franchisee,” “you,” or “your”) desire to utilize our System and our trade names, service marks, and trademarks (collectively, the “Marks”); and

NOW, THEREFORE, for value received, we and Franchisee (“the Parties”) agree as follows:

## **1. GRANT OF FRANCHISE**

**1.1 Grant of Franchise.** Subject to the terms of this franchise agreement (“Agreement” or “Franchise Agreement”), we grant to you a franchise (“Franchised Business”) using our system and our Marks in the territory described in Schedule 1 (“Territory”). You agree to abide by the terms of this Agreement.

## **2. TERM AND RENEWAL**

**2.1. Term.** This Agreement will be effective for a five (5) year term beginning on the Effective Date specified in this Agreement.

**2.2 Renewal.** You may renew for another term by signing our then current franchise agreement if you are in compliance with this Agreement and meet the other conditions for renewal. You may also renew future franchise agreements if you are in compliance with such agreements and meet the other conditions for renewal by signing our then current franchise agreement. To renew, you must exercise a general release of all claims that you might have against us. Other terms, conditions, and fees may vary. If you wish to renew, you must notify us in writing at least 180 days before the expiration of this Agreement.

## **3. TERRITORY**

The territory will be for a specific geographic region that we define by zip codes, natural, or political boundaries as set forth on Schedule 1 to the Franchise Agreement.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency.

However, upon renewal, we may reduce the size of your territory if the population of your territory has grown and we reasonably feel that the territory needs to be subdivided into more than one territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We reserve the right to produce, distribute, and make sales of SCOUT Guide publications via the Internet and through direct mail in your territory. We own and operate the Internet site [thescoutguide.com](http://thescoutguide.com). The products and services offered through this Internet site may be the same or similar to those offered by you. We may operate an online version of the franchised business, and we produce and distribute advertising publications that are comprised of advertising spreads purchased by clients who are not all located within one territory, such as Category Guides. Our online activities may also include a digital advertising program by which we may promote advertisers in the Guides in, among other things, our national website, social media pages maintained by us, and editorial newsletters produced by us. We have the right to re-print advertising spreads used in your Guides in Category Guides and in other and publications and online Guides.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple

territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

#### 4. FEES AND PAYMENTS

**4.1 Initial Franchise Fee.** You must pay to us an initial franchise fee of \$50,000 per Territory.

However, if you are a current franchisee who purchases a second territory, we will discount the price of the second territory to \$40,000. However, if the second territory is one that we re-acquired from a franchisee, the discount will not apply during the first twelve months after we re-acquired the territory.

We waive the initial franchise fee for existing licensees of the Proprietary Marks converting to a Franchised Business.

The initial franchise fee is fully earned and nonrefundable as paid.

**4.2 Royalty Fee.** Beginning on the Effective Date, you agree to pay us a Royalty Fee in the amount of 10% of TSG's Royalty Rate Card Sales but not less than a Minimum Royalty Fee of \$16,000 per Guide.

“TSG Royalty Rate Card Sales” shall mean the number of advertising spreads in any version of the Guide produced by you multiplied by \$3,900 for a one-page spread or \$4,900 for a two-page spread.

TSG Royalty Rate Card fees specified above may be increased by us on an annual basis on written notice to you by an amount not to exceed \$1,000 per year, respectively.

**4.3 Delayed Print Fee.** You agree to, at a minimum, print and distribute one new version of the Guide in each twelve (12) month period (annual period) following the Effective Date. If a Guide is not printed for a particular annual period, you agree to pay a monthly \$500 Delayed Print Fee, beginning in the 15th month after the end of the prior annual period.

The Guide will not be printed until Delayed Print Fee is paid in full.

**4.4 Production Fee.** You agree to pay to us a Production Fee calculated as follows:

\$500/spread for design and production services.

Production fees for reusing a previous spread are as follows:

-\$0 for reuse of a spread with no changes

-\$0 for reuse of a spread with minor changes limited to basic text (phone number, etc.). Any

other changes requiring modifying images or photo manipulation will incur additional costs -\$250 for reuse of a spread with major changes, including extensive text modifications and/or photo manipulation.

The total time spent on redesign or edits would include up to a maximum of 3 hours design time

-\$500 for reusing a spread with major changes, including extensive text modifications and/or photo manipulation. The total time spent on redesign or edits would exceed more than 3 hours design time.

A \$5,000 deposit required at the Graphics Deadline for design and production services and is due 30 days after the Graphics Deadline for each version of the Guide. Remaining balance for design and production services due within 30 days after each version of the Guide has completed production.

We reserve the right to offer a discount to franchisees who own multiple territories and offer an incentive discount to franchisees who turn in their assets to Production on time.

**4.5 Printing and Shipping Fee Per Guide.** You agree to pay to us a Printing and Shipping Fee Per Guide which includes the third-party printing costs, the cost of shipping the printed copies of the Guide, and our printing related costs and expenses for review and editing of proofs and other related services.

The Printing and Shipping Fee Per Guide amount varies depending upon the Guide page count, quantity of Guides printed, shipping costs, and delivery location.

Normally, this fee will be in the \$35,000 - \$80,000 range.

You agree to pay this fee to us within 30 days after version of the Guide's print date.

**4.6 Distribution Fee.** You agree to pay the Distribution Fee that is charged by third party distributors of the Guide, normally in the \$10,000 - \$12,000 range annually.

**4.7 Photography Fee.** You agree to pay the Photography Fee that is charged by third party photographers for the Guide, normally \$300 - \$500 per shoot.

**4.8 Technology Fee.** You agree to pay to us a Technology Fee in the amount of \$2,100 per year, which we may increase or decrease up to 10% annually.

However, the Technology Fee will be pro-rated for the first year depending on when you acquire a franchise agreement. For example, if 50% of the year has already passed when you acquire a franchise agreement, then you would only pay 50% of the Technology Fee in Year One.

One Google Workspace account for each signatory to the Franchise Agreement is included for no additional fee; additional Google Workspace accounts are available for a fee of \$144 per year.

This fee includes the following services and platforms: "Dubsado" customer relationship management software, "Google Workspace" tools, including Gmail and Google Drive, "Emma" email marketing platform and services, "DocuSign" electronic signature solution, and "Squarespace" local city website platform.

You agree to initially pay the Technology Fee when we provide access to the platforms noted above to you, then annually thereafter.

**4.9 Missed Spread Assets Deadline Fee.** If you fail to meet either the deadline for 50% of spread materials (1st Monday of production) or the deadline for 100% of materials (2nd Monday of production), you agree to pay us a fee of \$100 per day for every day that all materials remain incomplete.

**4.10 Fee for Addition of Late Spreads.** You agree to pay us \$1,000 per business added for the addition of a spread after the deadline for 100% of materials (2nd Monday of production).

**4.11 Fee for Failure to Meet Soft & Hard Proof Week.** You agree to pay us \$1,000 per week for failure to meet the all approved deadline and stay on track to complete the soft and hard proof weeks as outlined in the original production timeline.

**4.12 Editor Conference Fee.** We may require you to pay a nonrefundable Editor Conference Fee of up to \$500 per attendee, plus costs of attendance (room, meals, etc.) if you sign up for our Annual Franchisee or Editor Conference.

**4.13 Renewal Fee.** You agree to pay us a renewal fee of \$10,000 if you wish to renew the rights under your Franchise Agreement for an additional term upon expiration of the current term. If you do not sign the then current franchise agreement to renew your franchise rights by seven days after the renewal is due, you agree to also pay to us a \$500 late renewal fee.

**4.14 Transfer Fee.** You agree to pay to us a Transfer Fee of \$12,500 if you wish to transfer ownership of the rights under this Franchise Agreement, or a majority of the ownership of this Agreement or in an entity holding this Agreement. You agree to pay us a Transfer Fee of \$2,500 for the transfer of a minority interest in the franchise. We do not charge a transfer fee if the owners of this Agreement transfer this Agreement into an entity owned by the same owners with the same ownership percentages.

**4.15 Payments for Goods or Services.** You agree to pay our affiliate, TSG Media LLC, or any other applicable provider, for services, materials and supplies, such as stationery, bookmarks, note cards and other promotional materials, which may, but are not required, to be purchased from us in addition to design/ printing services covered by the Production Fee and Printing and Shipping Fee described above. Pricing is as specified in the Manuals. You agree to make payment within 30 days of invoicing.

However, we reserve the right to require proof of ability to pay or prepayment on Production Fees and Printing and Shipping Fees and reserve the right to decline to produce or ship a Guide, except

upon prepayment of these fees, if we have a good faith basis to believe that the franchisee may have difficulty paying these fees to us.

**4.16 Insurance.** You agree to pay the insurance premiums on the insurance that we specify that you purchase. If you do not obtain the required levels of insurance, we may, at our election, procure such insurance and bill your account for the insurance, together with a fee of \$250 for our costs and expenses in so acquiring the policy or policies. You agree to pay these sums upon invoicing.

**4.17 Late Fee.** You agree to pay to us upon invoice a late fee of 1½ % per month, or the maximum amount permitted by law, whichever is less, on past due monies owed to us. In California, the maximum interest rate is 10%.

**4.18 Insufficient Funds Fee.** You agree to pay to us \$100 per transaction if an electronic transfer or other payment from you to us is declined.

**4.19 Finder's Fee.** You agree to pay to us before closing a finder's fee of 10% of the gross selling price if we find a buyer for your franchise. The Finder's Fee applies if we refer a prospective franchisee to you for any reason, including to learn more about our system, and you end up selling your franchise to the prospective franchisee.

**4.20 Audit Fee.** You agree to pay to us our cost in performing an audit of your Franchise Business, if the audit discloses an under reporting of TSG Royalty Rate Card Sales of 3% or more in any report of TSG Royalty Rate Card Sales.

**4.21 Update Training Fee.** If we offer refresher courses or update training, we reserve the right to charge, and you agree to pay, up to \$250 per day, plus any expenses we incur to provide this training. We also charge the Update Training Fee when asked to create an email for one of your team members and we will train them on our system.

**4.22 Testing/ Inspection Fees to Approve a Supplier.** You agree to pay to us \$100/hour plus any costs incurred if you request us to test and inspect a new supplier.

**4.23 Client Refunds.** If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client all or a portion of the client's fees, we may pay the client directly and bill you. You agree to pay the charges.

**4.24 Assistance Fee in the Event of Death or Incapacity.** In the event of your death or incapacity, you agree we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing operation of your Franchised Business, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.

**4.25 Sales, Excise or Gross Receipts Tax.** If required by the federal government, state or locality in which your Franchised Business is located, the initial franchise fee, royalty, and other fees and costs may be subject to sales, excise, gross receipts or similar type tax, which you agree to pay to us at the same time and in the same manner as you pay these fees and costs to us.

**4.26 Fees to Third Parties.** You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.

**4.27 Cover Press Check Fee.** You agree to pay to us \$350 after the first hour, per hour, when we wait for you to approve your Guide cover.

**4.28 Additional Hard Proof Fee.** You agree to pay to us \$175 for us to furnish a hard proof of your Guide to anyone not listed as an owner on your Franchise Agreement. We may increase this fee from time to time if our printer increases the fees to us to furnish a hard proof.

**4.29 Market Name Change Fee.** You agree to pay to us a market name change fee of \$500 if, after you and we enter into the Franchise Agreement, you ask to change your market name.

**4.30 Payment Period and Method.** Except as otherwise provided above, you agree to pay to us fees within 30 days of invoicing. You agree to pay third parties per the terms of their services. We reserve the right to modify the payment methods and schedule in our Operations Manual.

Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to this Agreement.

## **5. OBLIGATIONS OF FRANCHISOR**

**5.1. Initial Training.** We provide you with an initial training program, currently one week long, in Charlottesville, Virginia, virtually, or such other location as we designate.

**5.2 Site Selection and Build Out.** You may work from home or any office in your Territory so we therefore do not provide site selection assistance.

**5.3 Assistance to Hire and Train Employees.** We provide assistance in the type and number of employees that should be hired. However, you are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

**5.4 Assistance to obtain equipment, opening inventory, and supplies.** We provide guidance to obtain equipment, opening inventory, and supplies. We provide guidance, specifications, or approved vendors. We deliver certain opening inventory and supplies but do not install any items.

Administrative and Business Forms. We provide you with an initial set of administrative and business forms.

**5.5 Operations Manual.** We provide you access to our proprietary and confidential Operations Manual, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business (“Manual”). We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for legal or technological changes, competition, or attempts to improve in the marketplace.

**5.6 Operational Support.** We provide support to you in operational problems and issues that you may encounter in the operation of your Franchised Business.

We also offer the following Materials and Services (you can find a more detailed list of current Materials and Services in the Franchise Operations Manual).

### Materials and Services

#### Sales Materials

- Electronic Manual
- Digital sales presentation
- Webinars
- Photography agreement
- Advertiser (client) contract
- CRM service for tracking sales and distribution
- Client support tools
- Market specific graphics
- Social media platform access
- One complimentary email address per each signatory on the franchise agreement (e.g., [FirstInitialLastName@thescoutguide.com](mailto:FirstInitialLastName@thescoutguide.com)); additional G Suite accounts may be provided by Franchisor for an annual fee of \$144 per account.
- Access to TSG spreads
- Access to TSG testimonials

#### Creative Services

- Spread templates
- Client Approval Form (CAF)
- Photography standards
- TSG Cover Color choices

#### Other

- TSG Editor Workplace groups
- An electronic version of your guide and an online directory for each advertiser on the TSG website (e.g., [www.thescoutguide.com/yourcity](http://www.thescoutguide.com/yourcity))
- MyTSG (intranet portal with online resources for franchisees)

**5.7 Computer Hardware and Software.** We specify computer hardware and software to assist in the operation of your Franchised Business.



**5.8 Additional Training or Seminars.** We may elect to offer and require you to attend, either live or electronically, additional training or seminars that we may offer.

## **6. OBLIGATIONS OF FRANCHISEE**

**6.1 Training.** You must successfully complete our initial training within three (3) weeks of the Effective Date of this Agreement and before you may operate the Franchised Business.

**6.2 Site Selection and Build Out.** You may work from home or any office location in your Territory.

**6.3 Starting Date.** You agree to be operational within one month of the Effective Date of this Agreement.

**6.4 Operations Manual.** You agree to operate the Franchised Business according to the then current Operations Manual, as well as information bulletins and guidance that we disseminate electronically.

**6.5 Personal Participation.** You are required to participate personally in the direct operation of the Franchised Business or have a Designated Manager who attends and successfully completes our initial training to our satisfaction. You or your Designated Manager must work the business full time, approximately 40 hours per week. Any replacement Designated Manager must also attend and successfully complete our initial training to our satisfaction. Any Designated Manager must also sign a Confidentiality and Non-Compete Agreement as we may specify.

You and any Designated Manager must pass a background check.

All owners of this franchise must guarantee the obligations under the Franchise Agreement.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

**6.6 Authorized Products and Services Only.** You may offer for sale through your franchised business only an advertising publication business, specializing in the production and distribution of high-quality advertising guides as specified by us and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You may offer your services to any customers, consistent with your territorial rights.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the

franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

**6.7 Customer Service.** You shall serve customers patronizing your Franchised Business in a professional and respectful businesslike manner and diligently fulfill your obligations to them when they desire to purchase your goods or services.

**6.8 Employee Training.** You shall train your employees to competently and professionally carry out their duties and offer excellent customer service. You are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

**6.9 Insurance.** You are required to have insurance as may be required by your state laws and as we may specify in the Operations Manual. You must name us and all our officers, directors, members and agents and others as their interest may appear on a primary, noncontributory basis as an additional insured on these policies and send proof of same to us. Certificates of insurance must be sent in upon annual expiration date. So long as your Franchised Business is not substantially destroyed by fire or other casualty, if you suffer a loss to your franchise, such as fire or theft, you are required to use the insurance proceeds to replace or repair the premises or property damaged or lost.

**6.10 Furniture, Fixtures, Equipment, Inventory, and Supplies.** You agree to use furniture, fixtures, equipment, inventory, and supplies as we specify, which may include a vendor designation, to operate the franchise.

**6.11 Computer Hardware and Software Systems.** You are required to purchase or use such computer hardware and software systems to operate your Franchised Business as we may specify.

**6.12 Licenses and Permits.** You must obtain such state and local business and other licenses and permits as your state and local law may require.

**6.13 Sales, Photography, Graphic Design, Distribution, and Digital Presence Responsibilities.** You agree to perform the following duties:

**1. Sales:**

- a. Sell 1 and 2 page advertising spreads (a minimum of 50 pages per Guide). See Business Planning in the Manual for more detail. *We will not approve of a Guide with less than 50 total pages.*
- b. Obtain a signed client advertising contract for each spread sold
- c. Collect client money for purchase of advertising spreads
- d. Pay Scout Guide, LLC for services rendered (included but not limited to production and printing)
- e. Manage all client relationships
- f. Handle all accounting for local territory

**2. Photography:**

- a. Hire local photographer and obtain our approval
- b. Schedule and shoot each spread
- c. Photographer should shoot only in natural light
- d. Photographer should edit photographs in Photoshop to prepare them for design
- e. Photographer should submit photographs from the first three shoots for TSG approval before continuing with the remaining shoots

**3. Graphic Design:**

- a. Submit photos, text and logos by the Graphics Deadline to TSG graphics team
- b. Obtain all edits and signed client approval form from each client

**4. Distribution:**

- a. Distribution and placement of 15,000 - 30,000 books to the appropriate outlets by the Graphics Deadline every year

**5. Digital Presence:**

Maintain a digital presence via social media, email, and city web page.

**6.14 Minimum Days and Hours.** You agree to be open for business, at a minimum, the days and hours that we specify in the Operations Manual.

**6.15 Laws and Regulations.** You agree to comply with all federal, state, and local laws, and regulations.

**7. ADVERTISING**

**7.1 Use of our Marks.** We allow and require you to use our Marks to hold out your Franchised Business to the public. You agree to use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Operations Manual.

**7.2** [reserved]

**7.3 Local Advertising and Promotions.** Your advertising and promotions shall conform to the following requirements:

- a) You shall advertise and promote only in a manner that will reflect favorably on us.
- b) You agree to participate in all promotional programs that we create, offer or advertise.
- c) Your advertising must comply with federal, state, and local laws.
- d) You agree to engage in such local advertising as we specify pursuant to our guidelines. Presently, you must create a hitlist and target small business owners that you believe may be interested in your services.

**7.4 Advertising Fund and Fee.** We do not have an Advertising Fund nor require you to pay an advertising fee.

**7.5 Our Obligation to Conduct Advertising.** We advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

Corporate Website. We will develop and maintain a comprehensive website that contains your location's contact information.

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business.

Digital Campaigns. We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor.

**7.6 Use of Your Own Advertising Material.** You agree to use our advertising templates or, if you wish to use your own advertising materials, you may do so provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved.

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval.

**7.7 Entity Name Requirements.** You may not use the words "Scout," "Guide," "TSG," or any confusingly similar words, as any part of the name of a corporation, LLC or other entity. However, "The Scout Guide" followed by your entity number, or such other designation as we shall specify, shall be your "doing business as" name for an entity which owns this franchise, sometimes also called your "assumed name," "trading as" name, or "fictitious name."

**7.8 No Confusingly Similar Marks.** You agree not to use any marks that could be confused with our Marks.

**7.9 Update to our Marks.** We may replace, modify, or add to our Marks. If we replace, modify, or add additional marks, you agree to update or replace your supplies, etc. to reflect the new marks, at your expense, in the time frame we provide at the time of such an update.

**7.10 Publicity.** Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

**7.11 Name and Likeness.** You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

## **8. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS**

**8.1 Definition.** “Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, Customer Data, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

**8.2 Confidentiality.** You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information.

**8.3 Return of Information.** Upon termination or expiration of this Agreement, you will return to us all of our Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

**8.4 Customer Data.** We retain all right, title, and interest in and to the Customer Data during and after the term of this Agreement, provided that you use the Customer Data during the Term of this Agreement as permitted by this Agreement or our Manual, and in accordance with law. “Customer Data” means any and all information about Customers that may be collected in connection with their use of your franchise services, including, but not limited to, name, telephone number, address and email address.

**8.5 Intellectual Property Ownership.** We own the Franchise system and all intellectual property associated with it and your Franchised Business. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise system by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest exclusively to us. You will not undertake to obtain copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system.

**8.6 Suggestions.** You agree that we may incorporate into our business operations any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else and we shall have sole rights and title to such suggestions.

**8.7 Performance Data.** You agree that we may share performance data from your Franchised Business between our employees, franchisees and their employees. You agree to keep such performance data confidential.

## **9. REPORTS AND REVIEW**

**9.1 Reports.** You must send us such reports in the time and manner we may specify in the Operations Manual.

**9.2 Reviews.** We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. And this also includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

**9.3 Time Frame to Furnish Documents.** If, as part of a review of your business operations, we request a copy of any business records related to the Franchised Business, you must send us at your expense these records within five (5) business days of receiving our request.

**9.4 Independent Access to Information.** We have independent access to the financial information that will be generated or stored in your computer systems and reserve the right to have independent access to the transactional information as well.

## **10. TERMINATION**

**10.1 Termination by You.** You may terminate this Agreement by not renewing; that is by notifying us in writing of your desire to not renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

**10.2 Termination by Us.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- a) If you do not pass our initial training in accordance with our passing standards;
- b) If you fail to obtain our approval of a site or open on time;
- c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;

- d) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of, or plead guilty or no contest to a felony;
- e) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster;
- f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- h) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;
- i) You fail to pay suppliers an amount exceeding \$3,000 for more than 30 days;
- j) You fail to permit us to inspect or audit your franchise; or
- k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us, in any 12-month period regardless of whether such breaches were cured after notice.

**10.3 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

- a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; or
- b) Any amount owing to us from you is more than 30 days past due.

**10.4 No Refund of Initial Fee.** We have no obligation to return or refund any fee to you upon termination of this Agreement.

## **11. POST TERMINATION OBLIGATIONS**

If this Agreement expires, is not renewed, or is terminated for any reason by any party, including a sale of the Franchised Business, you must immediately:

- a) Cease to operate the Franchised Business and discontinue using any of our Marks or any marks which are likely to be confused with our Marks;

- b) Deliver to us the original and all copies, both paper and electronic, of the business records of your Franchised Business (retaining only such copies as you need for legal or tax purposes);
- c) Deliver and assign to us any photographer or advertising contracts, photographs, copyrights to any photographs or images, or other intellectual property rights related to the Franchised Business or the System not already assigned to us;
- d) Pay to us all amounts owing to us;
- e) Reimburse customers for any fees paid for services not yet rendered;
- f) At our option, and upon our request, use your best efforts to assist in our taking over the lease of the location of your Franchised Business, whether it be through a new lease or assignment;
- g) At our option, offer to us the right to purchase your furniture, equipment, signage, fixtures, and supplies within 30 days of the date of termination for the adjusted book value, which is the undepreciated book value of the assets on your most recently filed federal tax return prior to the date of the termination or expiration;
- h) Deliver to us any paper and electronic copies of the Operations Manual and any Confidential Information;
- i) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;
- j) Adhere to the provisions of the post-term covenants not to compete and not to solicit;
- k) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and
- l) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section 11.

## 12. NON-COMPETE AND NO SOLICITATION.

### 12.1 Non-Compete.

- a) **In-Term.** You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly, offer an advertising publication business.
- b) **Post-Term.** You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of this Agreement, including a sale of the franchise or your interest in it, offer an advertising publication business in the Territory or within 25 miles of the boundaries of the Territory, or within 25 miles of any other outlet of ours or a franchisee of ours in operation at the time.

**12.2 No Solicitation of Customers.** You will not, for a period of two years after expiration or termination of this Agreement, in the Territory or within fifty (50) miles of the boundaries of the



Territory, directly or indirectly solicit the patronage of any client served by your prior Franchised Business during the last 24 months that you were a franchisee, or such shorter time as you were a franchisee, for the purpose of offering such person or entity, for a fee or charge, an advertising publication business.

**12.3 Waiver of Bond.** You agree that if we bring suit to enforce Sections 11, 12.1, or 12.2 above, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**12.4 Severability.** If any covenant or provision of Section 12.1 or 12.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

### **13. ADDITIONAL IN-TERM AND POST-TERM COVENANTS**

**13.1 Maintenance of Goodwill.** You agree not to disparage us or our current and former employees, agents, members, or directors. During the term of this Agreement, you agree not to do any act harmful, prejudicial, or injurious to us.

**13.2 Independent Contractor.** You and we are independent contractors to each other. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours.

**13.3 Indemnity.** You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the Franchised Business and for all claims or demands for damage directly or indirectly related. You agree to defend, indemnify, and hold harmless us, our affiliates, our employees, officers, directors, and members with respect to any such claim, loss, or damage, including our costs and attorney fees.

### **14. TRANSFER**

**14.1 Assignment by Us.** We may assign this Agreement to an assignee who agrees to remain bound by its terms. We do not permit a sub-license of the Agreement.

**14.2 Transfer by You.** You may transfer this Franchise Agreement, any interest under this Agreement, or substantially all the assets of the Franchised Business only if we approve, and you comply with the provisions in this Section 14. We shall not unreasonably withhold approval. If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability.

**14.3 Transfer to a Controlled Entity.** A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a Controlled Entity shall not trigger the Right of First Refusal, described in Section 14.6 below. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. We do not charge a transfer fee for this change.

**14.4 Transfer within an Entity.** A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 14.6 below if only the percentage ownership, rather than the identity of the owners, is changing. Prior to the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then current amendment and release forms and/or Franchise Agreement as required by us, and you shall pay to us the applicable transfer fee specified in Section 4 above.

**14.5 Conditions for Approval of Transfer.** We may condition our approval of any proposed sale or transfer of the franchised business or of your interest in this Agreement upon satisfaction of the following occurrences:

14.5.1 You are current in all monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;

14.5.2 You are in full compliance with this Agreement;

14.5.3 You execute any transfer, amendment, or release forms that we may require;

14.5.4 You or the transferee will provide to us a copy of the proposed documents as we may request to evidence the transfer;

**For a transfer under Section 14.2 above, the following conditions also apply:**

14.5.5 The transferee must be approved by us and demonstrate to our satisfaction that s/he meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;

14.5.6 The transferee must execute our then-current Franchise Agreement;

14.5.7 You or the transferee must pay to us the Transfer Fee specified in Section 4 above;

14.5.8 The transferee must satisfactorily complete our initial training program at the transferee's expense within the time frame we establish;

14.5.9 You must comply with the post-termination provisions of this Agreement;

14.5.10 The transferee must obtain within the time limits set by us and maintain thereafter, all permits and licenses required for operation of the Franchised Business;

14.5.11 To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

14.5.12 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

14.5.13 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation and performance under its franchise agreement;

14.5.14 You must request that we provide the prospective transferee with our current franchise disclosure document;

14.5.15 Our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party;

14.5.16 We will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning the Franchised Business as you have supplied us hereunder; and

14.5.17 In any event, we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

**14.6 Right of First Refusal.** If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Franchise Agreement, any interest in it, or substantially all the assets of the Franchised Business, you shall grant us the option (the "Right of First Refusal") to purchase the Franchised Business as provided here:

- a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Franchised Business or interest in the Franchised Business at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or its owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.

- b) If we do not exercise our Rights of First Refusal, you may transfer the Franchised Business or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Section 14.5 above and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

## **15. DEATH OR INCAPACITY**

In the event of your death or incapacity, you, or your estate, as the case may be, must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new Franchisee must pay the transfer fee specified above, meet our qualifications, complete initial training, and enter into a new Franchise Agreement. And we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business. The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement.

## **16. MODIFICATION**

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent, as discussed in Section 5.

## **17. NON-WAIVER OF BREACH**

The failure of either party to enforce any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

## **18. FULL UNDERSTANDING**

This Agreement, including the schedules, is the entire agreement between the parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.

## **19. GOVERNING LAW**

**19.1 Choice of Law.** Except as to claims governed by federal law, Virginia law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between

franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

**19.2 Jurisdiction and Venue.** You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Charlottesville, Virginia. However, if you are an Illinois, Maryland, or Washington State resident or your franchise territory is located in Illinois, Maryland, or Washington State, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

**19.3 Jury Waiver.** In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

**19.4 Class Action Waiver.** You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

**19.5 Punitive Damages Waiver.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

**19.6 Limitation of Actions.** You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

**19.7 Prior Notice of Claims.** As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

**19.8 Internal Dispute Resolution.** You must first bring any Claim to one of our Co-Founders, after providing notice as set forth in Section 19.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

**19.9 Mediation.** Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”), and split any AAA and mediator fees equally.

**19.10 Waiver of bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**19.11 Attorney Fees.** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

**19.12 Third Party Beneficiaries.** Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the terms of the Governing Law provisions contained herein.

**19.13 Survival.** All of the covenants contained in this Agreement that may require performance after the termination or expiration of this Agreement will survive any termination or expiration of this Agreement.

**19.14 Severability Clause.** If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.

## **20. RELEASE OF PRIOR CLAIMS**

By executing this Agreement, the undersigned entity, if any, and individuals, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other claims relating to any dealings between any of the parties. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

## **21. NOTICES**

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, or by facsimile, to one of our Co-Founders, at our corporate office, presently 3465 Ivy Road, Charlottesville, VA 22903. Telephone: (434) 244-2817. We may also give any such notice to you in the same manner at the address indicated below your signature on this Agreement, such other more current address as we may have for you, or by e-mail.

## **22. ACKNOWLEDGMENTS**

You acknowledge that you have read our Franchise Disclosure Document and this Agreement and that you are familiar with their contents. You acknowledge that you have independently investigated the business offered hereunder and base your decision to purchase solely on such investigation. You acknowledge that we have recommended, and that you have had the opportunity to obtain, review of this Agreement and our Franchise Disclosure Document (“FDD”) by your lawyer, accountant or other business advisor prior to execution. Except as may be stated in Item 19 of our Franchise Disclosure Document, you acknowledge that no person is authorized to make and no person has made any representations to you as to the actual, projected or potential sales, volumes, revenues, profits or success of our franchise. You further acknowledge and agree that you are not a third party beneficiary to any agreement between us and any other franchisee.

## **23. GUARANTY**

The Franchisee named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity's agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Paragraphs 11-13 above**, the obligation to make specified payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

Franchisee: \_\_\_\_\_

Type: \_\_\_\_\_ (Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship (“JTROS”), Tenants in Common, Partnership).

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

**SIGNATORS:**

By: \_\_\_\_\_ By: \_\_\_\_\_  
(Signature) (Signature)

\_\_\_\_\_  
(Printed Name) (Printed Name)

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

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

Ownership Percent: \_\_\_\_\_ % (see note below) Ownership Percent: \_\_\_\_\_ % (see note below)

By: \_\_\_\_\_ By: \_\_\_\_\_  
(Signature) (Signature)

\_\_\_\_\_  
(Printed Name) (Printed Name)

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

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

Ownership Percent: \_\_\_\_\_ % (see note below) Ownership Percent: \_\_\_\_\_ % (see note below)

**Scout Guide, LLC**

By: \_\_\_\_\_ Effective Date: \_\_\_\_\_  
Susie Matheson, Co-Founder



**SCHEDULE 1 TO THE FRANCHISE AGREEMENT  
TERRITORY**

Your Territory shall be as follows:

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**SCHEDULE 2 TO THE FRANCHISE AGREEMENT**

**AUTOMATIC BANK DRAFT AUTHORIZATION**

**ACH Origination Authorization**

Please complete the following with your banking information and attach a voided check:

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

Name of Financial Institution: \_\_\_\_\_

Address of Financial Institution: \_\_\_\_\_

Routing Number: \_\_\_\_\_

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

I hereby authorize Scout Guide, LLC, its affiliate TSG Media LLC, and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Scout Guide, LLC or TSG Media LLC, or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

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

Printed Name of Person Signing: \_\_\_\_\_

Title (if any): \_\_\_\_\_

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

Telephone Number: \_\_\_\_\_

Applicant's Address: \_\_\_\_\_

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## SCHEDULE 3 TO THE FRANCHISE AGREEMENT

### CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT (“Agreement”) is made on the date entered below between Scout Guide, LLC (“Company”) and the below named recipient (“Recipient”).

WHEREAS, Company has or is about to undertake discussions with Recipient regarding a franchise business opportunity (the “Opportunity”); and

WHEREAS, in connection with the Opportunity, Company may grant to Recipient access to Confidential Information, which such Confidential Information, including its existence and terms, the Company does not want made public, except as may be required by law;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

1. **Definition.** Confidential Information shall include all oral, written, and electronic information which is furnished by Company to Recipient in connection with the Opportunity and which is not available to the public, including but not limited to all business information, agreements, manuals, operating materials, and data.
2. **Restricted Use.** Recipient agrees that the Confidential Information will not be used or disclosed to any third party except business advisors such as CPA’s or attorneys with a need to know, or in response to a lawful summons, subpoena, or discovery request, without the express prior written consent of Company.
3. **Injunctive Relief.** Recipient acknowledges that the remedy at law for any breach by it of the terms of this Agreement shall be inadequate and that the damages resulting from such breach are not readily susceptible to being measured in monetary terms. Accordingly, in the event of a breach or threatened breach by Recipient of the terms of this Agreement, Company shall be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach. Nothing herein shall be construed as prohibiting Company from pursuing any other remedies available to Company for such breach or threatened breach, including the recovery of damages from Recipient. Recipient further represents that it understands and agrees that the provisions of this Agreement shall be strictly enforced and construed against it.
4. **Non-Waiver.** No failure or delay by Company in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.
5. **Virginia Law.** This Agreement is effective upon its acceptance in Virginia by Company’s authorized personnel. Virginia governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale

of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

6. **Jurisdiction and Venue.** In any suit over any Claims, the parties agree to the sole and exclusive venue and personal jurisdiction in the state and federal court of the city or county of Company's National Office, presently in Charlottesville, Virginia.

7. **Jury Waiver.** In any trial between any of the parties, as to any Claims, the parties agree to waive their rights to a jury trial and instead have such action tried by a judge.

8. **Class Action Waiver.** Recipient agrees that any Claim Recipient may have shall be brought individually and Recipient shall not join with claims of any other person or entity or bring, join or participate in a class action against Company.

9. **Punitive Damages Waiver.** In any Claim, the parties agree to waive their rights, if any, to seek or recover punitive damages.

10. **Attorney Fees.** In any Claim, in the event that Company is the prevailing party, Company shall be entitled to recover its costs and attorney fees.

11. **Indemnity.** You agree to defend, indemnify, and hold harmless our affiliates, our employees, officers, directors, and members with respect to any claim, loss, or damage, including costs and attorney fees, incurred as a result of your breach of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Confidentiality Agreement on the date below.

FRANCHISEE:

FRANCHISOR:  
Scout Guide, LLC

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

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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

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

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

**SCHEDULE 4 TO THE FRANCHISE AGREEMENT  
FRANCHISEE QUESTIONNAIRE**

Not to be used as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY,  
ND, RI, SD, VA, WA, WI]

Do not sign this Franchisee Questionnaire if you are a resident of Maryland or the franchise is to  
be operated in Maryland.

You and we are preparing to enter into a Franchise Agreement. **You cannot sign or date this Acknowledgement the same day as the Receipt for the Franchise Disclosure Document. You must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses.

- Yes\_\_ No\_\_ 1. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
- Yes\_\_ No\_\_ 2. Do you understand all the information contained in the Franchise Agreement?
- Yes\_\_ No\_\_ 3. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes\_\_ No\_\_ 4. Do you understand all the information contained in the Franchise Disclosure Document?
- Yes\_\_ No\_\_ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes\_\_ No\_\_ 6. Do you understand the risks of developing and operating this franchise?
- Yes\_\_ No\_\_ 7. Do you understand that your investment involves substantial business risks and that there is no guarantee that your business will be profitable?
- Yes\_\_ No\_\_ 8. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, the economy, labor and supply costs and other relevant factors?
- Yes\_\_ No\_\_ 9. Do you acknowledge that the success of your franchise in large part relies upon your ability as an independent business person and your active participation in the day to day operation of the business?
- Yes\_\_ No\_\_ 10. Do you agree that no employee or other person speaking on our behalf has made any statement, promise, or agreement, that is contrary to or different from what is stated in the Franchise Disclosure Document and Franchise Agreement?

Yes\_\_ No\_\_ 11. Do you agree that no employee or other person speaking on our behalf 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 you will generate, that is not contained in Item 19 of the Franchise Disclosure Document or that is contrary to, or different from, the information contained in Item 19 of the Franchise Disclosure Document?

Yes\_\_ No\_\_ 12. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning this franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

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

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.

By signing below, you are representing that you have responded truthfully to the above questions.

[Not to be signed as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

**Hawaii Notice:** Residents of Hawaii or persons purchasing a franchise territory located in Hawaii may not execute this Questionnaire. If any such person does accidentally execute this Questionnaire, the franchisor agrees not to use the Questionnaire in any manner.

\_\_\_\_\_  
Name of Applicant (please print)

\_\_\_\_\_  
Signature

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

**Explanation of any negative responses (Refer to Question Number):**

**SCHEDULE 5 TO THE FRANCHISE AGREEMENT**  
**STATE ADDENDA TO THE FRANCHISEE AGREEMENT**



**CALIFORNIA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Sections 10.2 and 10.3 are deleted and in their place are substituted the following:

**10.2 Termination by Us Without Right to Cure.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 10.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

**10.3 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Section 20 of the Franchise Agreement, titled "Release of Prior Claims," is deleted.

Section 22 of the Franchise Agreement, titled "Acknowledgments," is deleted.

FRANCHISEE:

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

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

FRANCHISOR:  
Scout Guide, LLC

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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

**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

FRANCHISOR:  
Scout Guide, LLC

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

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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

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

**MARYLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

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

3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

5. Section 22 of the Franchise Agreement, titled "Acknowledgments," is deleted.

6. 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.

7. SCHEDULE 4 TO THE FRANCHISE AGREEMENT: FRANCHISEE QUESTIONNAIRE does not apply to Maryland franchisees and Maryland franchisee should not sign the Questionnaire to the Franchise Agreement.

Initial Fee Deferral-

The Franchise Agreement is modified to also provide: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchisee is open for business."

FRANCHISEE:

FRANCHISOR:  
Scout Guide, LLC

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

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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

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

## MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

The Franchise Agreement is amended to indicate that the maximum service charge that may be imposed for an NSF check in Minnesota, pursuant to Minnesota Statute 604.113, is \$30.

No statement, questionnaire, or acknowledgement 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 with the franchise.

FRANCHISEE:

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

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

FRANCHISOR:  
Scout Guide, LLC

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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



**NORTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a general release upon renewal of the franchise agreement.

2. The franchise agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of punitive damages are hereby deleted.

4. The provision concerning limitation of actions is modified to provide that the statute of limitations under North Dakota Law will apply.

5. The provision concerning mediation and arbitration are modified to also provide that the site of mediation and arbitration shall be agreeable to all parties and may not be remote from your place of business.

6. North Dakota law governs any cause of action arising out of the franchise agreement.

7. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

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

FRANCHISEE:

FRANCHISOR:  
Scout Guide, LLC

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

By:\_\_\_\_\_   
Susie Matheson, Co-Founder

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

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

**RHODE ISLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

FRANCHISEE:

FRANCHISOR:  
Scout Guide, LLC

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

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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

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

**SOUTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

FRANCHISEE:

FRANCHISOR:  
Scout Guide, LLC

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

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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

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

## **WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Initial Fee Deferral:

The Franchise Agreement is amended to also provide: "Initial fees will be deferred until the Franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business."

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

FRANCHISOR:  
Scout Guide, LLC

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

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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

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

**WISCONSIN ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
  
- 2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

FRANCHISOR:  
Scout Guide, LLC

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

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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

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

**EXHIBIT D  
RELEASE**

THIS RELEASE is made and given by \_\_\_\_\_,  
("Releasor") with reference to the following facts:

1. Releasor and Scout Guide, LLC (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

\_\_\_\_\_ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

\_\_\_\_\_ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §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 or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

FRANCHISEE:

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

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

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

FRANCHISOR:  
SCOUT GUIDE, LLC

By: \_\_\_\_\_  
Susie Matheson, Co-Founder

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



## EXHIBIT E

### CURRENT FRANCHISEES

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

Operational Outlets as of 12/31/23
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State of Territory	City	Franchisee Name	Address of Outlet	Phone Number of Outlet
Alabama	Birmingham	The Scout Guide Birmingham, LLC	420 Warren Rd Birmingham, AL 35213	251-272-6082
Alabama	Gulf Shores	The Scout Guide Gulf Coast, LLC	6220 Brandy Run Road N, Mobile, AL 36608	251-581-4004
Alabama	Huntsville	Bubbly, LLC	3102 Arborshade Trace, Owens Cross Roads, AL 35763	256-509-9513
Alabama	Mobile	The Scout Guide Mobile Bay, LLC	159 Roberts Street Mobile, AL 36604	251-421-1622
Arizona	Phoenix	Vallemilagros, LLC	3219 East Camelback Road #183 Phoenix AZ 85018	602-544-6010
Arizona	Tucson	Providence-Arizona, LLC	3161 N San Remo Pl. Tucson, AZ 85715	520-390-5191
Arkansas	Fayetteville	Hedgewood Publishing, LLC	P. O. Box 4705 Fayetteville, AR 72702	479-283-9372
Arkansas	Little Rock	Hedgewood Publishing, LLC	PO Box 4215, Fayetteville, AR 72702	479-283-9372
California	Newport Beach	TSG Newport Beach LLC	226 Diamond Avenue, Newport Beach, CA 92662	949-910-5062
Colorado	Aspen	Scout Guide Aspen, LLC	PO Box 4436 Basalt, CO 81621	303-250-5253
Colorado	Boulder	The Scout Guide Boulder LLC	522 Highland Avenue, Boulder, CO 80302	720-320- 5371
Colorado	Denver	TSG Denver, LLC	9780 E 62 <sup>nd</sup> Dr, Denver, CO 80230	310-909-3113
Colorado	Fort Collins	CAAdLi, LLC	6481 Sanctuary Dr, Windsor, CO 80550	970-294-6801
Delaware	Rehoboth Beach	GG Bellino LLC	6 Broad Hollow St., Rehoboth Beach, DE 19971	757.951.3387

Florida	Destin	Scout Media Holdings, LLC	211 Matties Way Destin, Florida 32541	850-502-0232
Florida	Fort Myers	Go North LLC	28831 Yellow Fin Trail, Bonita Springs, FL 34135	239.537. 3363
Florida	Jacksonville	The Scout Guide Jacksonville LLC	4042 Harbour Cove Drive Jacksonville, FL 32225	706-414-4150
Florida	Jupiter	Leuliette Media, LLC	516 S. Dixie Hwy Suite 210 West Palm Beach, FL 33401	248-885-7765
Florida	Naples	Go Far, LLC	28831 Yellow Fin Trail, Bonita Springs, FL 34135	239-537-3363
Florida	Ocala	HGS Print, LLC	6565 NW 150th Ave Morriston, FL 32668	662-891- 2438
Florida	Orlando	The Scout Guide Orlando, LLC	9227 Neher St Orlando, FL 32827	407-717-7001
Florida	Palm Beach	Leuliette Media, LLC	516 S. Dixie Hwy Suite 210 West Palm Beach, FL 33401	248-885-7765
Florida	Sarasota	TSG Sarasota, LLC	2355 Hillview Street, Sarasota, FL 34239	941-780-0907
Florida	Tampa	Oxford Exchange, LLC	4908 West Nassau St., Tampa FL 33607	813-259-0125
Florida	Wellington	The Scout Guide Wellington LLC	1115 Clare Ave, West Palm Beach, FL 33401	561-801-9332
Georgia	Alpharetta	North Atlanta Guide Media LLC	4285 Wickersham Dr NW, Atlanta, GA, 30327	404-936-0499
Georgia	Atlanta	Atlanta Guide, LLC	981 Wadsworth Drive, Atlanta, GA 30318	404-219-4409
Georgia	Augusta	TSG Augusta, LLC	12 Indian Creek Rd, Augusta, GA 30904	706-513-2891
Georgia	Sautee Nacoochee	TSG North Georgia, LLC	10 Hickory Nut Lane, Sautee Nacoochee, Georgia 30571	706-969-1150
Hawaii	Oahu	Scout Guide Oahu LLC	59-718 Kanalani Place, Haleiwa, HI 96712	209-601-1143
Idaho	Boise	TSG Boise, LLC	5437 N Riffle Way, Garden City, ID 83714	919-323-2664
Illinois	Chicago	Scout Guide Chicago LLC	2020 W Willow St, Unit D Chicago, IL 60647	(312) 590-2788

Illinois	Winnetka	TSG North Shore LLC	1255 Forest Glen Dr N, Winnetka, IL, 60093	312.805.0383
Indiana	Fishers	BBM Lifestyle, LLC	12613 Walrond Rd Fishers, IN 46037	225-485-2046
Kentucky	Lexington	HMS II, LLC	345 Colony Boulevard, Lexington, KY 40502	859-396-4628
Kentucky	Louisville	The Scout Guide Louisville LLC	345 Colony Blvd Lexington, KY 40502	859-396-4628
Louisiana	Baton Rouge	TSG of Baton Rouge, LLC	7665 Richards Drive, Baton Rouge, LA 70809	504-234-2155
Louisiana	Lafayette	ABF Investments LLC	202 Parkerson St Lafayette, LA 70506	337-354-6993
Louisiana	New Orleans	The Scout Guide New Orleans, LLC	7324 Pitt Street, New Orleans, LA 70118	504-473-8331
Maryland	Baltimore	The Bridge Group, LLC	110 Murdock Rd Baltimore, MD 21212	410-808-9939
Massachusetts	Nantucket	Leuliette Media, LLC	516 S. Dixie Hwy Suite 210 West Palm Beach, FL 33401	248-885-7765
Michigan	Ann Arbor	Scout MI Holdings LLC	200 E Liberty Ave PO Box 7268 Ann Arbor MI 48104	734-277-0612
Minnesota	Minneapolis	TSG MSP CO, LLC	17820 30 <sup>th</sup> Ave N, Plymouth, MN 55447	612-803-5304
Mississippi	Biloxi	TSG Gulf Coast MS, LLC	105 Doswell Ct. Ocean Springs, MS 39564	228-990-9733
Mississippi	Hattiesburg	The Scout Guide Hattiesburg, LLC	2516 Old Highway 24 Suite A Hattiesburg, MS 39402	601-278-3889
Mississippi	Jackson	CFK Media, LLC	121 Windrush Drive Ridgeland MS 39157	601-540-6673
Missouri	St. Louis	The Scout Guide Saint Louis LLC	#39 Tealwood St, St. Louis, MO 63141	314-348-2225
Montana	Bozeman	The Scout Guide Bozeman, LLC	PO Box 280 Wilson WY 83014	979-277-2152
Nebraska	Omaha	TSG Omaha, LLC	10708 Frances Street Omaha, Nebraska 68124	402-699-9667
New Jersey	Highlands	The Scout Guide Two Rivers and The Shore, LLC	47 Barberie Avenue, Highlands NJ 07732	732-693-8197

New Jersey	Ho-Ho-Kus	Edgewood8, LLC	25 N Saddle Brook Dr, Ho-Ho-Kus, NJ 07423	201-218-5179
New York	Hamptons	Leuliette Media Hamptons, LLC	516 S. Dixie Hwy Suite 210 West Palm Beach, FL 33401	248-885-7765
North Carolina	Asheville	The Scout Guide Asheville, LLC	129 Lochstead Court, Asheville, NC 28803	239-398-0186
North Carolina	Charlotte	The Scout Guide CLT, LLC	308 Fenton Pl, Charlotte, NC 28207	704-576-4181
North Carolina	Greensboro	TSG Triad, LLC	5416 Eastern Shores Dr, Greensboro, NC 27455	919-201-8505
North Carolina	Raleigh	Hobnob Press, Inc.	2000 Cedar Street, Durham, NC 27707	917-929-3535
Ohio	Cincinnati	TSG Cincinnati, LLC	3602 Mound Way, Cincinnati, OH 45227	415-939-5696
Ohio	Columbus	A.E.F. Guide, LLC	PO Box 873 New Albany, Ohio 43054	614-205-9564
Oklahoma	Tulsa	The Scout Guide Tulsa, LLC	3701-A S Harvard Ave #535, Tulsa, OK 74135	913-645-9223
Pennsylvania	Philadelphia	Wightman Publishing, LLC	6808 McCallum Street, Philadelphia, PA 19119	212-518-7166
Pennsylvania	Pittsburgh	Prepster Brands, LLC	401 McCallmont Road Renfrew, PA 16053	724-968-6495
South Carolina	Beaufort	B.B. Scout, LLC	PO Box 666, Beaufort, SC 29901	917-445-7408
South Carolina	Charleston	The Scout Guide Charleston LLC	1261 Blakeway Street Charleston, SC 29492	513-310-5431
South Carolina	Greenville	Bubbly, LLC	3102 Arborshade Trace Owens Cross Roads, AL 35763	256-509-9513
Tennessee	Chattanooga	The Scout Guide Chattanooga, LLC	1073 W Mississippi Ave Chattanooga, TN 37405	423-310-5848
Tennessee	Knoxville	TSG Knoxville, LLC	3612 Taliluna Ave Knoxville Tn 37919	817-372-3194
Tennessee	Memphis	Steph TSG, LLC	196 Cherry Circle East Memphis, TN 38117	901-603-7556
Tennessee	Nashville	Pemberley Press, LLC	108 Haverford Avenue Nashville, TN 37205	615-308-9696

Texas	Austin	Be the Good Public Relations, LLC	2713 Trail of the Madrones, Austin, TX 78746	210-310-9537
Texas	College Station	Danaid LLC	2727 Revere St. #4086 Houston, TX 77098	713.557.9880
Texas	Dallas	The Scout Guide Dallas LLC	5119 Homer St. Dallas, TX 75206	404.323.1498
Texas	Fort Worth	Scout FW, LLC	3901 Arlan Lane, Fort Worth, TX 76109	512-658-7076
Texas	Fredericksburg	Scout Guide Hill Country, LLC	112 King William St, San Antonio, TX 78204	210-393-5186
Texas	Houston	Lepidoptera Incorporated, LLC	2727 Revere St #4086, Houston, Texas 77098	713-557-9880
Texas	Lubbock	O DOUBLE P, LLC	6211 98TH STREET, LUBBOCK, TX 79424	(806) 778-3468
Texas	Midland	TSG West Texas, LLC	3117 Stanolind Avenue Midland, Texas 79705	432-559-8255
Texas	Plano	Lawson Publishing, LLC	1921 Patton Court Fort Worth, Texas 76110	940.300.1053
Texas	San Antonio	Scout Guide San Antonio, LLC	112 King William St, San Antonio, TX 78204	210-393-5186
Texas	Southlake	Lawson Publishing, LLC	1921 Patton Court Fort Worth, Texas 76110	940-300-1053
Texas	Tyler	Scout Guide ETX, LLC	3146 Club Drive; Tyler, TX 75703	(214) 497-8722
Utah	Park City	The Scout Guide Park City, LLC	2766 Bitterbrush Dr Park City, UT 84098	435-729-9322
Virginia	Alexandria	Alexandria Scout Guide, LLC	5301 Burke Dr, Alexandria, VA 22309	540-270-4002
Virginia	Middleburg	TSG Hunt Country, LLC	10448 Royston Lane Marshall, VA 20115	708-560-1827
Virginia	Richmond	The Scout Guide Richmond, VA	6014 Saint Andrews Lane, Richmond VA 23226	443-223-7979
Virginia	Roanoke	Replanted LLC	94 Boxwood Lane, Daleville, VA 24083	704.512.9427
Virginia	Virginia Beach	The Scout Guide Tidewater Virginia, LLC	2708 Ashbys Bridge Court Virginia Beach, VA 23456	757-305-8122

Virginia	Williamsburg	SH Media, LLC	8975 Severn Harbor Lane, Hayes, VA 23072	804-815-2204
Wyoming	Jackson	Jackson Hole Scout Guide, LLC	PO Box 280 Wilson WY 83014	979-277-2152

Franchise Agreement Signed but Outlet Not Yet Open as 12/31/23
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State of Territory	City	Franchisee Name	Address of Outlet	Phone Number of Outlet
N/A				

**Notes:**

The franchise for the Nantucket, Massachusetts market is operated by Leuliette Media, LLC, the principal office of which is located in Palm Beach, Florida.

## EXHIBIT F

### FORMER FRANCHISEES (For the Fiscal Year Ending 12/31/2023)

The following is a list of Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

#### Arkansas:

The Scout Guide Little Rock, LLC	Little Rock, Arkansas	501-352-0190
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#### California:

Sunshine and 75 LLC	San Diego, California	310-740-3218
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#### Colorado:

Boulder Scout Guide LLC	Boulder, Colorado	720-448-6327
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#### Florida:

Leuliette Media LLC	Palm Beach, Florida (split Wellington off into separate market, but kept additional territory)	248-885-7765
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#### Georgia:

Atlanta Guide LLC	Atlanta, Georgia (split Alpharetta off into separate market, but kept additional territory)	404-219-4409
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#### Ohio:

Cleveland & Akron Scout Guide LLC	Cleveland, Ohio	330-990-7702
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**Oklahoma:**

TSG Edmond, LLC	Edmond, Oklahoma	405-397-2528
The Go 2 Group LLC	Oklahoma City, Oklahoma	405-626-4280

**South Carolina:**

Mes Filles LLC	Greenville, South Carolina	864-414-4384
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**Texas:**

Wilbanks Publications LLC	Dallas, Texas	757-630-6035
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**EXHIBIT G**

**Financial Statements**

**SCOUT GUIDE, LLC**  
**(A WHOLLY-OWNED SUBSIDIARY OF**  
**TSG HOLDING COMPANY, LLC)**

**FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2023**



**SCOUT GUIDE, LLC**  
**(A WHOLLY-OWNED SUBSIDIARY OF**  
**TSG HOLDING COMPANY, LLC)**

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## REPORT OF INDEPENDENT AUDITORS

To the Members  
of TSG Holding Company, LLC

### ***Opinion***

We have audited the accompanying financial statements of SCOUT GUIDE, LLC, which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of income and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCOUT GUIDE, LLC as of December 31, 2023, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 SCOUT GUIDE, 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 SCOUT GUIDE, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Members  
of TSG Holding Company, LLC

## **REPORT OF INDEPENDENT AUDITORS**

### ***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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 SCOUT GUIDE, 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 SCOUT GUIDE, 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.

*Hantymon Wiebel, LLP*

Charlottesville, Virginia  
February 15, 2024

**SCOUT GUIDE, LLC**  
**(A WHOLLY-OWNED SUBSIDIARY OF**  
**TSG HOLDING COMPANY, LLC)**

**BALANCE SHEETS**  
**DECEMBER 31, 2023, 2022, AND 2021**

**ASSETS**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents .....	\$ 651,215	\$ 270,248	\$ 143,364
Accounts receivable - trade .....	888,498	743,702	632,129
Allowance for credit losses .....	( 116,000)	( 70,000)	( 70,000)
Accounts receivable - trade (net) .....	772,498	673,702	562,129
Total current assets .....	1,423,713	943,950	705,493
Total assets .....	<u>\$ 1,423,713</u>	<u>\$ 943,950</u>	<u>\$ 705,493</u>

**LIABILITIES AND MEMBERS' EQUITY**

<b>CURRENT LIABILITIES</b>			
Accounts payable .....	\$ 28,654	\$ 316	\$ 912
Deferred revenue - franchise fees .....	235,486	243,230	205,090
Deferred revenue - refundable deposits .....	376,184	192,100	92,502
Total current liabilities .....	640,324	435,646	298,504
<b>LONG-TERM LIABILITIES</b>			
Deferred revenue .....	649,938	182,950	193,632
Total long-term liabilities .....	649,938	182,950	193,632
Total liabilities .....	1,290,262	618,596	492,136
<b>MEMBERS' EQUITY</b> .....	133,451	325,354	213,357
Total liabilities and members' equity .....	<u>\$ 1,423,713</u>	<u>\$ 943,950</u>	<u>\$ 705,493</u>

(The accompanying notes are an integral part of these financial statements)

**SCOUT GUIDE, LLC**  
**(A WHOLLY-OWNED SUBSIDIARY OF**  
**TSG HOLDING COMPANY, LLC)**

**STATEMENTS OF INCOME AND MEMBERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

	2023	2022	2021
<b>REVENUE</b>			
Franchise fees .....	\$ 285,756	\$ 277,542	\$ 225,300
Royalties .....	1,672,290	1,332,240	947,470
Production and printing fees .....	4,689,990	3,441,552	2,398,330
Shipping fee revenue .....	107,624	87,935	42,066
Technology fees .....	147,999	110,383	78,042
Finance charges .....	20,173	18,001	16,917
Other income .....	13,436	5,000	5,225
Less: Discounts and credits .....	<u>( 346,865)</u>	<u>( 257,721)</u>	<u>( 163,212)</u>
Total revenue .....	6,590,403	5,014,932	3,550,138
<b>COST OF REVENUE</b>			
Production and printing .....	<u>3,008,214</u>	<u>2,120,264</u>	<u>1,450,372</u>
<b>GROSS PROFIT</b> .....	3,582,189	2,894,668	2,099,766
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> .....	<u>3,201,092</u>	<u>2,471,671</u>	<u>1,850,422</u>
<b>NET INCOME</b> .....	381,097	422,997	249,344
<b>MEMBERS' EQUITY, BEGINNING OF YEAR</b> .....	325,354	213,357	334,013
<b>MEMBERS' CONTRIBUTIONS (DISTRIBUTIONS)</b> .....	<u>( 573,000)</u>	<u>( 311,000)</u>	<u>( 370,000)</u>
<b>MEMBERS' EQUITY, END OF YEAR</b> .....	<u><u>\$ 133,451</u></u>	<u><u>\$ 325,354</u></u>	<u><u>\$ 213,357</u></u>

(The accompanying notes are an integral part of these financial statements)

**SCOUT GUIDE, LLC**  
**(A WHOLLY-OWNED SUBSIDIARY OF**  
**TSG HOLDING COMPANY, LLC)**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income .....	\$ 381,097	\$ 422,997	\$ 249,344
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for credit losses .....	46,000	....	....
Bad debt expense.....	....	46,599	5,334
(Increase) decrease in:			
Accounts receivable .....	( 144,796)	( 158,172)	( 169,714)
Increase (decrease) in:			
Accounts payable .....	28,338	( 596)	( 3,951)
Deferred revenue .....	459,244	27,458	169,700
Accrued customer discounts .....	....	....	( 25,740)
Refundable deposits .....	184,084	99,598	( 101,940)
	<u>953,967</u>	<u>437,884</u>	<u>123,033</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distributions to Member .....	( 573,000)	( 311,000)	( 370,000)
	<u>( 573,000)</u>	<u>( 311,000)</u>	<u>( 370,000)</u>
Net cash provided by (used in) financing activities .....	<u>( 573,000)</u>	<u>( 311,000)</u>	<u>( 370,000)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	380,967	126,884	( 246,967)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<u>270,248</u>	<u>143,364</u>	<u>390,331</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<u>\$ 651,215</u>	<u>\$ 270,248</u>	<u>\$ 143,364</u>

(The accompanying notes are an integral part of these financial statements)



**SCOUT GUIDE, LLC**  
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**NOTES TO FINANCIAL STATEMENTS**

**REPORTING ENTITY AND PERIOD**

Prior to February 21, 2013, the business was organized as Scout Guide, LLC (Scout Guide or the Company), a multi-member limited liability company formed in the Commonwealth of Virginia. On February 21, 2013, TSG Holding Company, LLC was formed, of which Scout Guide, LLC became a wholly-owned subsidiary. Intangible assets, such as the trademarks for Scout Guide, LLC, are held by the parent company in a separate limited liability company. Members are not liable, responsible, or accountable to the Company, the affiliated companies, or any other member for damages or otherwise for any acts, performed or omitted, unless illegal. No member, manager, or other agent of the Company has any personal obligation for any liabilities of the Company, whether such liabilities arise in contract, tort, or otherwise.

**NATURE OF OPERATIONS**

The operations of the Company include the development and franchising of a system of specialized upscale advertising guides and websites throughout the United States. At December 31, 2023, there were 88 markets in operation by franchisees throughout the United States. At December 31, 2022, there were 75 markets in operation by franchisees throughout the United States. At December 31, 2021, there were 68 markets in operation by franchisees throughout the United States. At December 31, 2023, 2022, and 2021, none of these markets were corporately run.

During the year ended December 31, 2023, sixteen franchises were sold to new or previously-reclaimed markets, two existing markets split, three franchises were transferred, five franchises were terminated, and twenty-three franchises were renewed.

During the year ended December 31, 2022, six franchises were sold to new or previously-reclaimed markets, two existing markets split, four franchises were transferred, one franchise was terminated, and twelve franchises were renewed.

During the year ended December 31, 2021, nine franchises were sold to new or previously-reclaimed markets, two existing markets split, five franchises were transferred, two franchises were terminated, and eleven franchises were renewed.

**SIGNIFICANT ACCOUNTING POLICIES**

***Recently Adopted Accounting Guidance***

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 326 *Financial Instruments – Credit Losses*, which significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

**SCOUT GUIDE, LLC**  
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**NOTES TO FINANCIAL STATEMENTS**

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

***Cash and Cash Equivalents***

The Company considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company occasionally maintains cash deposits in excess of federally-insured amounts. Cash accounts in excess of federally-insured limits are subject to risk of loss.

***Revenue Recognition***

Under FASB ASC Topic 606, *Revenue from Contracts with Customers*, the Company recognizes revenue over time as control is transferred to the customer for each separately-identifiable performance obligation in a contract representing a promise to transfer a distinct service to a customer. The Company's right to consideration from its customers is outlined in each franchise agreement. Payments for franchise fees are paid at initiation of the franchise agreement and all other goods and services correspond directly with the value to the customer of the Company's performance completed to date. Therefore, the Company has applied the right-to-invoice practical expedient in FASB ASC 606 for all goods and services except franchise fees. Payment is generally due between 30 to 60 days of invoicing.

The standard creates a single framework for recognizing revenue from contracts with customers that fall within its scope and provides guidance on the recognition of gains or losses from the transfer of nonfinancial assets. The Company's services that fall within the scope of FASB ASC 606 include franchise, technology, production and printing, royalty, and shipping fees.

Franchise fees - The Company recognizes franchise fee revenue for financial reporting purposes over the term of the initial franchise agreement. The Company provides franchisees with use of its proprietary marks; standards and specifications for production and publication, assistance, and training; sales and management assistance and training; operating procedures for the production and promotion of guides; and specialized methods and techniques for publication, distribution, customer service, and sales promotion and advertising.

Technology fees - The Company began charging a fixed fee in 2019 for the Company's maintenance of digital platforms and subscription costs for use of the platforms in the franchisee's business. These fees are recognized over time during the year in which the fee is paid. All charges for technology fees are fully earned as of the end of the year in which they are paid.

**SCOUT GUIDE, LLC**  
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**NOTES TO FINANCIAL STATEMENTS**

Production and printing fees - Production and printing fees are charged for the design, production, and printing of the franchisee's guides. Production services include design and layout of advertisements in the guides and other production services relating to the guides. Printing services include review and editing of printer proofs and the printing of the guides. Revenue for production fees are recognized at the point in time when the production work is complete and the guide is sent to the printer. Printing fees are recognized at the point in time when the guides are completed and transferred to the franchisee.

Royalty fees - Royalty fees are charged to franchisees as outlined in the franchise agreement. Generally, royalty fees relate to the number of advertising spreads in each guide. Revenue for royalty fees is recognized at the point in time when the guides have been approved and sent to the printer.

Shipping fees - Shipping fees are charged for the cost of shipping the printed copies of the guide. The Company accounts for shipping as a fulfillment cost, not a separate performance obligation, and recognizes these costs as revenue in the period when revenue for the printed guide is recognized.

***Contract Assets and Liabilities***

For each of the Company's contracts, the timing of revenue recognition, customer billings, and cash collections may result in a net contract asset or liability at the end of each reporting period. Contract assets consist of unbilled receivables, and contract liabilities consist of advance payments from customers, billings in excess of revenue recognized, and expected discounts on future sales. The Company did not have any contract assets at December 31, 2023, 2022, 2021, or 2020. The Company had contract liabilities totaling \$1,261,608, \$618,280, \$491,224, and \$449,204 at December 31, 2023, 2022, 2021, and 2020, respectively.

***Accounts Receivable***

Accounts receivable consist of amounts due from franchisees related to franchise agreements, royalties, and design and printing revenue earned. Terms for repayment vary by billed item. Receivables are generally due 30 days after billed, with the exception of royalties and print fees, which are due 60 days after billing. Finance charges begin to accrue once an account is past due and continue to accrue regardless of status. All receivables are unsecured and subject to certain credit risks.

The amount of receivables 90 days past due was approximately \$170,482, \$113,606, and \$151,905 at December 31, 2023, 2022, and 2021, respectively. The Company had accounts receivable totaling \$467,749 as of the year ended December 31, 2020.

**SCOUT GUIDE, LLC**  
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**NOTES TO FINANCIAL STATEMENTS**

***Allowance for Credit Losses***

Prior to the adoption of FASB ASC 326, the Company considered the allowance for credit losses (previously named allowance for uncollectible accounts) based on factors surrounding the collection risk of specific customers, historical trends, projection of trends, and other information. Management of the Company periodically reviewed the collectability of accounts receivable, and those accounts that were considered uncollectable were written off as bad debts. Based upon management's review, a \$70,000 allowance for credit losses was established as of December 31, 2022 and 2021.

With the adoption of FASB ASC 326, the Company now recognizes an expected allowance for credit losses when an account receivable is initially recorded. At each balance sheet date, beginning with December 31, 2023, the Company recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exists. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by management. The Company believes historical loss information is a reasonable starting point at which to calculate the expected allowance for credit losses, as the Company's accounts receivable portfolio has remained constant since the Company's inception. As of December 31, 2023, management's estimate, using the updated methodology, of the allowance for credit losses was \$116,000

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If recoveries are made from any accounts previously written off, they are recognized as income or an offset to credit loss expense in the year of recovery, in accordance with the Company's accounting policy election. The total amount of write-offs was \$0, \$46,599, and \$5,334 for the years ended December 31, 2023, 2022, and 2021, respectively.

***Use of Estimates***

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

***Income Taxes***

Under the provisions of the Internal Revenue Code and applicable state laws, the Company is not subject to income taxes. The Company is a single-member limited liability company, which is disregarded for tax purposes. Taxable profits and losses are reported by the parent company, TSG Holding Company, LLC. The parent company's profits and losses are allocated to, and are reported on, the individual members' tax returns. Therefore, no provision for income tax expense has been included in the accompanying financial statements.

**SCOUT GUIDE, LLC**  
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**TSG HOLDING COMPANY, LLC)**

**NOTES TO FINANCIAL STATEMENTS**

*Accounting for Uncertainty in Income Taxes*

The Company has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the Financial Accounting Standards Board and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Company.

Prior to being consolidated by TSG Holding Company, LLC, Scout Guide, LLC was a multi-member limited liability company and filed partnership income tax returns.

*Subsequent Events*

Management has evaluated subsequent events through February 15, 2024, which is the date the financial statements were available to be issued.

**ALLOWANCE FOR CREDIT LOSSES**

Changes in the allowance for credit losses on accounts receivable for the year ended December 31, 2023 were as follows:

Beginning balance .....	\$ 70,000
Provision for credit losses .....	46,000
Write-offs.....	....
Recoveries.....	<u>....</u>
Ending balance.....	<u>\$116,000</u>

**DEFERRED REVENUE - REFUNDABLE DEPOSITS**

At December 31, 2023, the Company had six franchisees that had made a total of \$376,184 in deposits for printing and production costs to be incurred in the year ending December 31, 2024.

At December 31, 2022, the Company had three franchisees that had made a total of \$192,100 in deposits for printing and production costs to be incurred in the year ending December 31, 2023.

At December 31, 2021, the Company had one franchisee that had made a total of \$92,502 in deposits for printing and production costs to be incurred in the year ending December 31, 2022.

**SCOUT GUIDE, LLC**  
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**NOTES TO FINANCIAL STATEMENTS**

**DEFERRED REVENUE - FRANCHISE FEES**

The Company had \$885,424, \$426,180, and \$398,722 of franchise fees that had been received but had not been recognized as revenue under FASB ASC 606 (see **Revenue Recognition**) at December 31, 2023, 2022, and 2021, respectively.

**RELATED PARTY TRANSACTIONS**

The Company obtains and pays for editorial and management services from its sister company, TSG Media, LLC. The Company pays a yearly fee to its sister company, TSG IP Company, LLC, for use of the Scout Guide trademark. Both sister companies are single-member limited liability companies, with TSG Holding Company, LLC as the sole member. At December 31, 2023, 2022, and 2021, there were no related-party receivables or related-party payables. For the year ended December 31, 2023, amounts paid to TSG Media, LLC totaled \$3,000,000, and amounts paid to TSG IP Company, LLC totaled \$5,000. For the year ended December 31, 2022, amounts paid to TSG Media, LLC totaled \$2,270,000, and amounts paid to TSG IP Company, LLC totaled \$5,000. For the year ended December 31, 2021, amounts paid to TSG Media, LLC totaled \$1,714,000, and amounts paid to TSG IP Company, LLC totaled \$5,000.

**EXHIBIT H**  
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**EXHIBIT I**  
**STATE EFFECTIVE DATES**

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

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	May 4, 2023
Minnesota	Pending
New York	Pending
Rhode Island	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J  
RECEIPT**

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

If Scout Guide, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is Scout Guide, LLC located at 3465 Ivy Road, Charlottesville, VA 22903. Its telephone number is (434) 244-2817.

Issuance Date: March 29, 2024

The franchise seller for this offering is:

X	Melissa Haran, 3465 Ivy Road, Charlottesville, VA 22903	(202) 531-0341
X	Susan Matheson, 3465 Ivy Road, Charlottesville, VA 22903	(434) 466-3555

We authorize the respective state agencies identified in Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document dated March 29, 2024 that included the following Exhibits:

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
- C. Franchise Agreement
  - Schedule 1-Territory
  - Schedule 2-Automatic Bank Draft Authorization
  - Schedule 3-Confidentiality Agreement
  - Schedule 4-Franchisee Questionnaire

Schedule 5-State Addenda to the Franchise Agreement

- D. Release
- E. List of Current Franchisees
- F. List of Former Franchisees
- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
- J. Receipts

**PROSPECTIVE FRANCHISEE:**

\_\_\_\_\_  
**Date you received this Disclosure Document**

**If an individual:**

**If a business entity:**

\_\_\_\_\_  
**Name of Business Entity**

\_\_\_\_\_  
**Signature**

**By:** \_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

\_\_\_\_\_  
**(Telephone number)**

Please sign, date, and retain this copy for your records.

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New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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\_\_\_\_\_  
**Date you received this Disclosure Document**

**If an individual:**

**If a business entity:**

\_\_\_\_\_  
**Name of Business Entity**

\_\_\_\_\_  
**Signature**

**By:** \_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

\_\_\_\_\_  
**(Telephone number)**

Please sign, date, and return this copy to us