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THE SPORTS SECTION, INC.

INFORMATION FOR PROSPECTIVE FRANCHISEES

REQUIRED BY FEDERAL TRADE COMMISSION

\* \* \* \* \*

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

FEDERAL TRADE COMMISSION  
WASHINGTON, D.C. 20580

STATE MANDATED DISCLOSURES WHICH SUPPLEMENT THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR ARE PROVIDED IN AN ADDENDUM IMMEDIATELY FOLLOWING ITEM 23. IF THE DISCLOSURES ARE APPLICABLE TO YOU, PLEASE REVIEW THEM CAREFULLY. THIS OFFERING CIRCULAR IS EFFECTIVE IN CERTAIN STATES ON THE DATES LISTED IN ATTACHMENT 1 OF THIS OFFERING CIRCULAR.



## FRANCHISE OFFERING CIRCULAR

### THE SPORTS SECTION, INC.

A Georgia Corporation  
2150 Boggs Road, Suite 200  
Duluth, Georgia 30096  
(678) 740-0800  
[www.sports-section.com](http://www.sports-section.com)

The franchisee will operate a business that promotes, markets and sells specialty photographic products to individuals and groups that participate in youth sports and social and school events.

We offer four different franchise plans. The initial franchise fees range as follows: \$12,900 for Plan 4, \$18,900 for Plan 3, \$25,900 for Plan 2, or \$33,900 for Plan 1, depending on the franchise plan you select. The estimated initial investment required for a Plan 1, 2, 3 or 4 franchise ranges from \$24,650 (Plan 4) to \$61,550 (Plan 1). If you participate in our TSS Express Program for event photography, your initial fees to participate will range between an additional \$8,000 - \$18,000 or more for, among other things, equipment, training fees, software license fees and technical support. See Item 7, Note 14 of this Offering Circular for more information on the TSS Express Program. Items 5 and 7 of this Offering Circular describe these amounts in detail.

#### Risk Factors:

1. THE FRANCHISE AGREEMENT STATES THAT YOU MUST ARBITRATE (OR UNDER CERTAIN CIRCUMSTANCES TO LITIGATE) WITH US ONLY IN ATLANTA, GEORGIA. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE OR LITIGATE WITH US IN GEORGIA THAN IN YOUR HOME STATE. THIS REQUIREMENT MAY NOT BE ENFORCEABLE IN YOUR STATE. SEE THE ADDENDUM TO OUR FRANCHISE AGREEMENT.
2. THE FRANCHISE AGREEMENT STATES THAT GEORGIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. THIS REQUIREMENT MAY NOT BE ENFORCEABLE IN YOUR STATE. SEE THE ADDENDUM TO OUR FRANCHISE AGREEMENT.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

**Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular.** If you learn that anything in the Offering Circular is untrue, contact the Federal Trade Commission and the state authority listed in Exhibit A.

You may have elected to receive an electronic copy of this Offering Circular. If so, you should print or download this Offering Circular for future reference. You have the right to receive a paper copy of this Offering Circular up until your purchase of a franchise. To obtain a paper copy, write to us at 2150 Boggs Road, Suite 200, Duluth, Georgia 30096, or call us at (800) 321-9127.

The date of issuance of this Offering Circular is ~~August 31~~, September 30, 2005. The effective dates of this Offering Circular for certain states are listed on Attachment 1 following this page.

## ATTACHMENT 1

The effective date of registration and the issuance dates of this Offering Circular or exemption in the registration or non-registration states listed below are:

| State               | Effective Date            |
|---------------------|---------------------------|
| California          |                           |
| Florida (exemption) |                           |
| Hawaii              |                           |
| Illinois            |                           |
| Indiana             |                           |
| Maryland            |                           |
| Michigan            | September 1, 2005         |
| Minnesota           |                           |
| New York            |                           |
| North Dakota        |                           |
| Rhode Island        |                           |
| South Dakota        | <u>September 28, 2005</u> |
| Utah (exemption)    | July 26, 2005             |
| Virginia            |                           |
| Washington          |                           |
| Wisconsin           |                           |

**INFORMATION FOR RESIDENTS OF THE STATE OF MICHIGAN**

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

(A) A PROHIBITION OF 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 EACH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS 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 QUALIFICATION OR STANDARDS.**

**(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.**

**(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.**

**(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.**

**(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).**

**(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.**

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

**ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTN. FRANCHISE SECTION, 670 LAW BUILDING, 525 W. OTTAWA STREET, LANSING, MICHIGAN 48913, 517-373-7117.**

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## Item 1

### THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor is The Sports Section, Inc. For ease of reference, this Offering Circular will refer to The Sports Section, Inc. as “we” or “us.” We will refer to the person who buys a franchise from us, as well as the buyer’s owners if the buyer is a corporation, partnership, limited liability company, or other entity, as “you.” If you are a corporation, partnership, limited liability company, or other entity, certain provisions of our Franchise Agreement also apply to your owners. If a provision of the Franchise Agreement applies to your owners, we will note it.

We are a Georgia corporation incorporated on December 19, 1984. Our principal business address is 2150 Boggs Road, Suite 200, Duluth, Georgia 30096. We do business under the names “The Sports Section” and “TSS Photography.” We do not do business under any other names. We first began offering and selling franchises in February 1985. Our agents for service of process are disclosed in Exhibit A.

#### **Our Predecessors and Affiliates**

Before we were incorporated, R. Daniel Burgner and Carl Hansson, our principal officers and only directors, conducted the business as a sole proprietorship known as “The Sports Section” (the “Predecessor”). The Predecessor began offering specialty photographic products for sale to the public in 1983. The Predecessor also entered into a limited number of license agreements during 1983, which gave others the right to market and promote those photographic products.

Mr. Burgner and Mr. Hansson formed B&H Products, Inc., a Georgia corporation (the “Parent Corporation”) in March 1983. The Parent Corporation was responsible for processing and developing film into specialty products the Predecessor sold. In December 1984, Mr. Burgner and Mr. Hansson decided to franchise the concept of a business that marketed photographic products primarily involving group and individual photos of athletic teams. As a result, Mr. Burgner and Mr. Hansson formed us, and all of the rights to the Predecessor’s business concept and related intellectual property became our rights.

In 2004, the corporate name of the Parent Corporation was changed to TSS Photography, Inc. The Parent Corporation is our sole shareholder and Mr. Burgner and Mr. Hansson are the sole shareholders of the Parent Corporation. We and the Parent Corporation have the same principal business address.

We do not own any franchises; however, Mr. Burgner and Mr. Hansson previously operated a Sports Section franchise in Gainesville, Florida. Neither we, the Parent Corporation, nor the Predecessor have ever: (i) sold franchises in any other line of business; or (ii) conducted a business of the type described in this Offering Circular. Other than our Parent, we have no other affiliates.

#### **Our Business**

Our business consists of selling and servicing franchises to qualified individuals so that they may promote, market and sell specialty photographic products under the trade name “The Sports Section” to individuals and groups that participate in youth sports and special events (the “Franchised Business”).

You must sign our standard form of Franchise Agreement (Exhibit B to this Offering Circular). Under the Franchise Agreement, you may promote, market and sell our products within an exclusive territory using our trade secrets, know-how and other proprietary and confidential information



(collectively, the “Proprietary Information”), our standards and specifications, and our trademarks and service marks (collectively, the “Marks”), all of which are intended to create, promote, and maintain a uniform image of high-quality products and services (collectively the “Franchisor’s Methods”). We currently produce, with the Parent Corporation, more than 140 photographic products generated from image-capturing photographic equipment, like digital photography. Due to the growth of digital photography, we created a program which is available to our franchisees called the “TSS Express Program.” The “TSS Express Program” (or “The Program”) facilitates on-site photographing of sports and social events and other organized activities and the sale of these photographs through a limited product offering. By participating in the TSS Express Program, you enhance your revenue opportunities and help offset the seasonal effect of some aspects of the Franchised Business by marketing the products and your services to individuals and groups involved in a wide range of social events and organized activities rather than just sports. We also offer e-commerce sales of photographic products through customized websites, and we share the revenue we realize from these sales with the franchisee who generated the photographs. For purposes of this Offering Circular, “Products” refers to our specialty photographic products generated from digital files, digitally-produced photographic prints and other related products. You will market the Products and your services predominantly to youths and young adults. The Parent Corporation performs all processing and developing of Products for digital files, as well as the fulfillment of all e-commerce sales. We describe our Products on our Product price list (the “Product Price List”), which is available upon request and is also available through the O. E. Software (see Item 11 of this Offering Circular for a description of this computer program).

**We offer different franchise plans, which we refer to as “Plan 1,” “Plan 2,” “Plan 3,” and “Plan 4.” We often refer to a plan as a “Plan,” or to the plans collectively as the “Plans.” The Plans are based, in part, on population within your protected territory (your “Territory”). Plan 4 is available only in certain rural, non-metropolitan areas with a population no greater than 100,000. Schedule D to the Franchise Agreement describes in detail the elements of the Plans and the differences between them.**

You and all of your officers, directors, owners and employees must undergo at your expense a comprehensive full service criminal background screening by a vendor of our choice. You must show us the results. This process may be conducted yearly without notice.

### **Competition**

You will compete with other businesses that offer similar photographic services, including freelance photographers, studio owners and other photographic portrait specialists, who augment their current services by adding sports-related products. We believe our Products and the Franchisor’s Methods will continue to remain unique and distinctive despite other parties’ entries into the marketplace. In addition, there are numerous laboratories and film developing outlets that offer sports-related photographic products, and the use of digital photography at sporting events and social activities continues to grow significantly. As a result, you are likely to confront additional competitors that are capitalizing on the popularity of these types of products. For planning purposes, you should assume that the market for items like the Products, and for services like those you offer, is a mature market and that you will face significant competition.

### **Industry-Specific Laws**

There are no regulations specific to the operation of a Sports Section franchise. However, you must comply with all statutes, regulations, ordinances, codes, case law, judgments, injunctions, and other laws, (collectively the “Laws”) that apply to the operation of businesses in general. Consult your attorney about these Laws and the effect they may have on your Franchised Business.

The United States enacted the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” (the “USA Patriot Act”). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the Patriot Act and related regulations at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>.

## Item 2

### **BUSINESS EXPERIENCE**

#### President, Chief Operating Officer and Director: R. Daniel Burgner

Mr. Burgner created the Sports Section photography concept and sales strategy. He has been our President and a member of our Board of Directors since we were formed in December 1984. He has served as our Chief Operating Officer since January 1992. Mr. Burgner has also served as President and a member of the Board of Directors of the Parent Corporation since it was formed in March 1983. Mr. Burgner held similar positions in the Predecessor before its merger with the Parent Corporation. Mr. Burgner’s positions with us, the Parent Corporation, and the Predecessor have been based in the Atlanta metropolitan area.

#### Chairman of the Board, Chief Executive Officer, Secretary and Treasurer: Carl E. Hansson

Mr. Hansson, creator of the Sports Section concept, has served as our Secretary and Treasurer since we were formed in December 1984. From December 1984 to January 1992, Mr. Hansson also served as a member of our Board of Directors and as Vice President. In January 1992, he was elected Chairman of the Board and appointed Chief Executive Officer, in addition to his other offices. Mr. Hansson has also held the positions of Vice President, Secretary-Treasurer and Director of the Parent Corporation since it was formed in March 1983. Mr. Hansson held similar positions in the Predecessor before its merger with the Parent Corporation. Mr. Hansson’s positions with these companies have all been based in the Atlanta metropolitan area.

#### Vice President of Sales and Marketing: Joseph D. Lindenmayer

Mr. Lindenmayer was appointed our Vice President of Sales and Marketing in June 2000. From October 1995 to June 2000, he served as our Franchise Sales Director. Mr. Lindenmayer has been with us since 1993 and he operated a Sports Section franchise from 1994-1995.

#### Director of Sales Operations: Susan P. Rosseel

Ms. Rosseel joined us as Sales and Marketing Coordinator in December 1999. In June 2004, she was promoted to Director of Sales Operations. From April 2001 to May 2004, she served as our Sales Operations Manager. Ms. Rosseel served in accounts receivable and the catering office of the Atlanta Athletic Club from November 1998 to December 1999.

National Sales Manager: Eric A. Atkins

Mr. Atkins was appointed as our National Sales Manager in August 2005. From May 2003 to July 2005, Mr. Atkins served as our Senior Field Sales Representative. From May 2001 to May 2003, Mr. Atkins served as our Field Sales Representative. From May 1999 to December 2000, Mr. Atkins served as assistant golf professional for the Willow Run Golf Course in Sioux Falls, South Dakota.

Field Sales Representative: Phil Cox

Mr. Cox was appointed Field Sales Representative in March 2004. From August 2002 to June 2003, Mr. Cox served as an independent distributor for Horizon Foods in Smyrna, Georgia. From May 1996 to April 2002, he served as Store Manager for The Mattress Firm in Atlanta, Georgia.

Franchise Development Coordinator: René Purser

Ms. Purser joined us as Franchise Development Coordinator in July 2004. From February 2003 to January 2004, Ms. Purser served as a loan officer and customer service representative for Atlantic State Bank in Suwanee, Georgia. From July 2001 to August 2002, Ms. Purser served as an administrative assistant for GeoTrust, Inc. in Alpharetta, Georgia. From April 2000 to July 2001, Ms. Purser was a bartender for Dunwoody Tavern in Dunwoody, Georgia. From February 1999 to July 2000, she served as senior teller and a customer service representative for Wachovia Bank in Dunwoody, Georgia.

Franchise Development Director: Jan D. Rhodes

Mr. Rhodes joined us as our Franchise Development Director in May 2000. From August 1998 to May 2000, Mr. Rhodes served as a Vice President of Franchise Development for Inches-A-Weigh in Birmingham, Alabama. From August 1996 to August 1998, he served as Vice President of Franchise Development for The Dwyer Group in Waco, Texas.

Production Manager: Ted Mosley

Mr. Mosley has served as our Production Manager since August 2000. From February 1996 to July 2000, he served as a planning/packaging supervisor for Fuji Film in Greenwood, South Carolina.

Photo Program Manager: Jana R. Pittson

Ms. Pittson has served as our Photo Program Manager since August 2000. From August 1999 through July 2000, she served as our photo quality specialist. From May 1998 to August 1999, she was a freelance photographer and lab technician with 3DX in Suwanee, Georgia. She was a staff photographer with the *Citrus County Chronicle* in Crystal River, Florida from January 1993 to October 1998.

Franchise Buyer, Inc. d/b/a Franchise Buyer (Franchise Broker)

We use Franchise Buyer, Inc. ("Franchise Buyer") and its independent consultants as our franchise brokers. Franchise Buyer markets our franchise opportunity to prospective franchisees through electronic and print media. FranchiseBuyer refers our prospective franchisees to its independent consultants who provide franchise consulting services and referrals to us.

Franchise Buyer, Inc. is a New Hampshire corporation formed on December 21, 2004 and located in Portsmouth, New Hampshire. Franchise Buyer is a wholly-owned subsidiary of Franchise Solutions Inc., a Virginia corporation ("Franchise Solutions"). On January 31, 2005, Franchise Buyer acquired all

of the assets of FranchiseBuyer LLC, a Delaware limited liability company formed July 8, 2002 (“FBL”), including all of FBL’s contractual relationships with participating franchisors and independent contracts. Franchise Solutions also acquired all of the assets of FBL’s parent – Franchise Solutions Corp., a Delaware corporation (“FSC”), on January 31, 2005. Franchise Buyer commenced business operations in February 2005, when it completed its acquisition of FBL. See Exhibit F to this Offering Circular for a list of Franchise Buyer’s independent consultants.

Chairman: Michael W. Alston

Mr. Alston became Chairman of Franchise Buyer in December 2004. Mr. Alston has also served as Vice President/Corporate Development and New Ventures of Landmark Communications, Inc. (“Landmark”) in Norfolk, Virginia since November 2004. Landmark is the parent of Franchise Solutions and, therefore, is an affiliate of Franchise Buyer. From March 1995 through October 2004, Mr. Alston served as General Manager, Interactive Media for The Virginian-Pilot (a unit of Landmark) in Norfolk, Virginia.

Sole Director, Vice President and Secretary: Guy R. Friddell, III

Mr. Friddell became the Sole Director, Vice President and Secretary of Franchise Buyer in December 2004. He also serves as Executive Vice President and General Counsel of Landmark in Norfolk, Virginia. He has served in that capacity for more than 5 years.

President: Matthew A. Alden

Matt Alden became President of Franchise Buyer and Franchise Solutions in February 2005, immediately following the acquisition of the FBL and FSC business and assets. Prior to that, Mr. Alden served as President and General Manager of FBL since its formation in July 2002, and as General Manager of FBL’s parent company, FSC, since March 1995.

Vice President: Steven A. Olson

Mr. Olson became Vice President of Franchise Buyer in February 2005, immediately following Franchise Buyer’s acquisition of FBL. Prior to that, Mr. Olson served as Vice President of FBL from September 2003 to January 31, 2005. From October 2000 through August 2003, Mr. Olson was the Director of Franchise Development of Molly Maid, Inc. in Ann Arbor, Michigan. From September 1998 through September 2000, he served in franchise sales for the Packaging Store, Inc. in Denver, Colorado.

Director of Franchisor Relations: Stephen Collins

Mr. Collins became Director of Franchisor Relations of Franchise Buyer in February 2005, immediately following Franchise Buyer’s acquisition of FBL. From January 2004 to January 2005, he served as Consultant and Franchisor Relations for FSC in Portsmouth, New Hampshire. Prior to that, he served FSC as Program Director – Franchise Buyer Resales from January 2004 through December 2004, and as their Senior Client Consultant from November 1999 through January 2004.

### Item 3

#### LITIGATION

##### Concluded Processing

Ray Rawlings v. B&H Products, Inc., The Sports Section, Inc., Dan Burgner, Carl Hansson, Joseph Lindenmayer and Does 1 through 100; Case No. 03-CV-0512-IEG-JFS, United States District Court, Southern District of California, which was removed on March 14, 2003, from the Superior Court of California, County of San Diego, San Diego Judicial District, Case No. GIC 804788, originally filed on January 31, 2003. The plaintiff, a current franchisee, alleged that we failed to properly notify him of the alleged problems our previous franchisee experienced in the plaintiff's territory prior to the plaintiff signing our franchise agreement. The complaint consisted of claims for (a) violation of California's Business and Professions Code § 172000-17209, (b) false advertising under Business and Professions Code § 17500, (c) violation of the Corporations Code § 31201, (d) fraud and deceit, and (e) misrepresentation. On March 19, 2003, we moved to dismiss the lawsuit or in the alternative to compel arbitration since the plaintiff's franchise agreement provided that all actions instituted by franchisees are subject to arbitration. On June 9, 2003, the Court granted our Motion to Dismiss and to Compel Arbitration. Following the dismissal of the lawsuit, Mr. Rawlings initiated an arbitration against us, our Parent Corporation, and three of our officers, Dan Burgner, Carl Hansson and Joseph Lindenmayer. The arbitration was filed with the American Arbitration Association ("AAA") in San Diego, California on or about July 14, 2003, No. 002-LFI-Q09. The arbitration restated the allegations in the lawsuit, but requested damages in the amount of \$75,000. The AAA transferred the arbitration to Atlanta, Georgia, as required by the petitioner's franchise agreement. On or about June 29, 2004, the parties to the proceeding entered into a Settlement Agreement and Release. Without admitting any liability to the other, the parties dismissed the arbitration and exchanged full releases. As part of settlement, among other things, we agreed to reflect on our website that the plaintiff's territory was available for sale and we would also review our database of leads and send a letter advising them that the plaintiff's market was available. Additionally, we waived our right to collect a judgment for attorneys' fees (a minimal amount less than \$7500) and we gave the plaintiff a limited amount of discounts on future Products ordered.

See Exhibit F of this Offering Circular for litigation that must be disclosed by our franchise brokers.

Other than the action described above, no litigation must be disclosed in this Offering Circular.

### Item 4

#### BANKRUPTCY

No person or entity previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code (or comparable foreign law) required to be disclosed in this Item.

## Item 5

### INITIAL FRANCHISE FEE

You must pay an initial franchise fee when you sign the Franchise Agreement. The amount of the initial franchise fee will depend on the Plan you purchase. The Plans are based, in part, on population within your protected Territory. Plan 4 is available only in certain rural, non-metropolitan areas with a population no greater than 100,000. Territories and population counts are based on information specified in American Map Corporation's most recent edition of *Pinstripe Business Control Atlas*, which provides information based on the most recent 10-year Census Statistical Data available from the United States Department of Commerce - Bureau of the Census. Occasionally, we may obtain population information directly from the Bureau of the Census' worldwide web site or its periodic publications which further define population counts.

The initial franchise fees are as follows:

| If you Select Plan: | Your Territory Will Have a Maximum Population of: | Your Initial Franchise Fee Will Be: |
|---------------------|---|-------------------------------------|
| 1                   | 400,000   | \$33,900                            |
| 2                   | 300,000   | 25,900                              |
| 3                   | 200,000   | 18,900                              |
| 4                   | 100,000   | 12,900                              |

All franchise fees are payable in one lump sum.

If you want to purchase additional franchises, we reduce the initial franchise fee for the additional franchises as follows:

| Plan | Franchise Fee for Each Additional Franchise (20% Discount) |
|------|--|
| 1    | \$27,120   |
| 2    | \$20,720   |
| 3    | \$15,120   |
| 4    | \$10,320   |

However, to qualify for this special pricing, you must reach Plan 1 status by previously having purchased either: (i) a Plan 1 franchise; or (ii) additional contiguous population to increase the population associated with your Plan 2, 3, or 4 franchise to a minimum population level of 400,000. You may, subject to our consent, expand the population associated with your Territory by purchasing additional territory. See Item 12 of this Offering Circular.

Once you sign the Franchise Agreement, your initial franchise fee and additional population fee, if any, are not refundable under any circumstances. The initial franchise fee and additional population fee are uniform for all franchisees selecting the same Plan as offered in this Offering Circular.

Our normal practice is to provide you with Sales and Marketing Training once we approve you as a franchisee and we receive your signed Franchise Agreement. See Item 11 of this Offering Circular. Prior to signing your Franchise Agreement, we ask for a \$1,000 deposit for each separate territory you want to purchase as a means of showing your serious interest in purchasing a franchise and so that we do not sell the territory you've designated to another franchisee. Upon our receipt of the deposit, we will prepare your Franchise Agreement. You are only permitted to hold a territory for 30 days. If you decide not to sign the Franchise Agreement, you will have no further obligation to us and we will refund the deposit less our reasonable direct expenses in preparing the Franchise Agreement and in preparing to provide Sales and Marketing Training (e.g. purchase of airline tickets), if any. The \$1,000 deposit is the same for all Plans. If you sign the Franchise Agreement, we will apply the entire deposit toward your initial franchise fee and it will be non-refundable in the same manner as the remainder of the initial franchise fee.

At your option, you may participate in our TSS Express Program for digital photography. Although we recommend that you wait to participate in the Program until you have operated your franchise for at least two years, you may, with our approval, participate sooner. To participate, you must purchase the necessary software and digital equipment, which we refer to as the "TSS Express Photography System" (the "Express Photography System") when you start the Program. To use the Express Photography System, Express Digital of Colorado must license you, through us, to use their proprietary software program currently known as, the Sports and Event Workflow Software ("SEW Software"). The items comprising the Express Photography System are listed in Item 7, Note 13 of this Offering Circular, and require an estimated additional investment payable to us or approved suppliers of the equipment of between \$8,000 and \$18,000, depending on the type of equipment you select. The equipment is often interchangeable between schools and sports team day and events.

The additional investment payable to us includes a one-time software license fee currently calculated at \$1,795 for the SEW Software. You will pay the software license fee to us when you start the Program. All software license fees are non-refundable. We are currently the only authorized supplier of the SEW Software to our franchisees. You must also purchase annual technical support from us. The annual technical support fee currently ranges between \$159-\$399 for the first year of support and \$119-\$299 for each additional year of support, although these prices are subject to change without notice. Additionally, you must purchase your digital printer(s) and media used in this printer(s) from us or from a dealer we authorize. The current cost of the printer(s) and media are shown in Item 7. Finally, optional training for the TSS Express Program is available for a separate charge of \$250 per day for one attendee plus expenses, when the training is conducted at TSS Headquarters; and \$500 for one attendee plus expenses, when the training is conducted on-site in your franchise territory.

Some states require the initial franchise fee and any other initial fees payable by the franchisee to be deferred until the Franchised Business opens. See the Addendum following Item 23 and our Franchise Agreement for additional information concerning whether your state requires us to defer these fees.

**Item 6**

**OTHER FEES**

| Name of Fee <sup>(1)</sup>   | Amount   | Due Date                                    | Remarks  |
|--|--|---|--|
| Processing and Developing Fees for Digital Files <sup>(2)</sup>                  | See our Product Price List   | On delivery of images to Parent Corporation | The Parent Corporation processes and develops all Products and receives all processing and developing fees. <sup>(2)</sup>   |
| License fees related to Sports and Event Workflow Software (TSS Express Program) | See Items 5 and 7  | As incurred                                 | We are the only authorized supplier for this software program.   |
| Technical support for Sports and Event Workflow Software                         | See Items 5 and 7  | As incurred                                 | Support is available through us. All technical support for the SEW Software is mandatory through Express Digital.  |
| Transfer of Franchise  | Amount of Transfer Fee is shown on Schedule A to the Franchise Agreement, but subject to change on 90 days' notice to you                                  | Before transfer                             | Payable prior to transferring the Franchise Agreement. No charge if you transfer to a corporation that you control. Includes our costs to train your transferee.   |
| Commission Under Finders Agreement   | Sliding scale depending upon total present value of all consideration paid to franchisee (or its owners) for the franchise. Minimum commission of \$4,000. | At closing of sale of franchise             | We offer on a strictly voluntary basis to assist the franchisee in locating prospective purchasers for its franchise. See Note 3.  |
| Additional Optional Training <sup>(4)</sup>                                      | \$450 per person for more than two trainees, but subject to change on notice to you  | Before you attend training                  | We train up to two people (owner and one additional person) at no additional charge as part of Sales and Marketing Training, Photography Training, and TSS University. Additional training spaces are available for additional participants. Training associated with the TSS Express Program is separate from all other training and is fee based at a daily rate, currently \$250 per day at TSS Headquarters and \$500 per day on-site in your franchise territory, plus reimbursement of our expenses. Training for the TSS Express Program is usually provided at TSS Headquarters, in which case we conduct a SuperSession comprised of a number of representatives of different franchises. |
| Additional Assistance  | Per diem consultation fee is shown on Schedule A to the Franchise Agreement, plus expenses, but subject to change on notice to you                         | On receipt of invoice                       | This is for additional or special training or assistance you need or request.  |



| Name of Fee <sup>(1)</sup>                              | Amount   | Due Date                              | Remarks   |
|---|--|---------------------------------------|---|
| Renewal Fee   | Plan 1: None<br>Plans 2, 3, and 4: \$1,000   | On renewal of Franchise Agreement     |   |
| Territory Expansion <sup>(5)</sup>                      | \$.05 per person if purchased when you sign the Franchise Agreement; or \$.07 per person if purchased at any time after you sign the Franchise Agreement | See Note 5                            | See Note 5  |
| Administrative Fee - Territory Exchanges <sup>(6)</sup> | Either \$1,000 or \$750 plus \$.07 per additional person depending upon the amount of the additional population  | Before Territory exchange             | Payable if you exchange part of your Territory (for an area in close proximity to your original Territory), but keep your office in same location.        |
| Audit   | Reasonable cost of inspection or audit   | On receipt of invoice                 | Payable only if our inspection or audit reveals an event of default that causes us to attempt to terminate the Franchise Agreement.                       |
| Indemnification   | Will vary under circumstances  | As incurred                           | You must reimburse us if we are held liable for claims, damages or lawsuits from your operation of the Franchised Business.                               |
| Costs and Attorneys' Fees                               | Will vary under circumstances  | As incurred                           | Payable on your failure to comply with the Franchise Agreement or if there are other claims related to our relationship.                                  |
| Insurance   | Will vary under circumstances  | On receipt of invoice                 | You must reimburse us if we purchase insurance for you because you failed to do so.   |
| Custom TSS Website Maintenance                          | None, unless you request optional upgrades   | Fees for upgrades are due as incurred | We will build a basic site free of charge. You may purchase optional upgrades.  |
| Software Updates <sup>(7)</sup>                         | Less than \$500 per year   | Before receiving update               | You must use our proprietary order processing and franchise operations management computer software, and, if we release upgrades, you must purchase them. |
| Annual Convention                                       | \$275 per attendee   | Prior to attendance                   | You are responsible for all travel, food, and lodging expenses you and your participants incur in attending the annual convention.                        |
| Interest  | Lesser of maximum legal interest rate or 12% per annum   | On receipt of invoice                 | You must pay interest on any amounts past due.  |

**Explanatory Notes**

1. Unless we specify otherwise: (i) all fees are imposed by and payable to us; and (ii) all fees are non-refundable.

2. We have established a 5% surcharge on processing and developing fees for franchisees who purchase Plans 2, 3, or 4. This surcharge will only be applied against the first \$100,000 in base Product fees (exclusive of the surcharge) you pay during the term of the Franchise Agreement. After you reach the \$100,000 base Product fee level, you will be charged the base Product fees without any surcharge. If you purchase a Plan 1 franchise, you pay base Product fee at all times, without a surcharge. In addition, we have established certain percentage reductions in the base Product fees based on base Product fees you paid during a calendar year. We have also established certain minimum productivity requirements that each franchisee must attain. See Item 12 of this Offering Circular. Processing and developing fees are subject to change as market conditions warrant with 60 days' notice; however, we limit the price increase during any calendar year to the greater of 5% or 1.05 times the increase in the costs associated with processing and developing. For the TSS Express Program, we will receive fees as follows: TSS Express Fulfillment - \$0.20 per 8x10 and \$0.10 per 5x7 unit sold and delivered by you via your Express Photography System. This will be monitored through the O.E. Software (see below) and the fees will be billed on a quarterly basis. These fees are collected at the time the orders are submitted for processing.

3. If you want to sell your Franchised Business and you want our assistance in locating prospective purchasers, you can retain us by notifying us and signing our then-current form of Finders Agreement (see Exhibit I to this Offering Circular for the form as of the date of this Offering Circular). This is a voluntary, non-exclusive program which means you can retain us and still continue to look for prospective purchasers on your own. If you sign the Finders Agreement and we refer or introduce you to the person or entity that eventually purchases your Franchised Business, you must pay us a commission based on the total present value of any and all cash and non-cash consideration payable to you or to your owners for your Franchised Business (the "Purchase Price"). The Purchase Price on which our commission will be based will include the price paid for your stock if it is a stock deal and the price paid for your assets if it is an asset deal. Amounts payable for consulting agreements, non-compete agreements and other agreements entered into between you and the purchaser will be valued and added to the Purchase Price, as will the value of any assumed liabilities and any contingent consideration such as earn-outs. Our commission will be a percentage of the Purchase Price, but our commission will not be less than \$4,000. Our percentage of the Purchase Price decreases as the amount of the Purchase Price increases. See Section 5 of the Finders Agreement for the percentages and the corresponding Purchase Price amount. Either party may terminate the Finders Agreement upon 30 days' advance notice, but we will still be paid our commission if you sell your franchise to someone we introduced or referred you to before the date of termination. Despite signing a Finders Agreement with us, we still recommend you retain a business broker or sales agent to help you with your sale. We do not provide any legal or accounting advice and we will still receive the transfer fee due under your franchise agreement. To assist you in completing the sale of your Franchised Business, if you have a Finders Agreement with us, the purchaser will pay the purchase price to us and we will deduct our commission and then forward the balance to you. Please read the Finders Agreement carefully. We have the right to change the form of Finders Agreement at our discretion.

4. See Item 11 of this Offering Circular for a more complete description of the training programs we provide to you. There are a limited number of spaces available in each of our training programs for you and your staff.

5. If you have fully complied with the terms of the Franchise Agreement and you want to expand the population your Franchised Business serves, we will evaluate economic conditions, your past performance and the general demand for franchises to determine whether to permit you to expand. One condition to any expansion is that the additional population must be located in a geographic area that is contiguous to your existing Territory. If you want additional population and you have already signed your Franchise Agreement, you will sign an amendment to the Franchise Agreement that will amend your Territory to reflect the additional area. We may also permit you to purchase additional population for your Territory at the time you sign your Franchise Agreement. We reserve the right to decide whether it is in the best interests of our franchise system to permit you to expand your population base, how much additional population you may add, and the geographic location of the additional population. There is no guarantee that we will permit you to increase the population of your Territory. Fees associated with the additional population are due at the time you sign the Franchise Agreement, if you purchase the additional population at the time you sign the Franchise Agreement; or at the time you sign the amendment expanding your Territory, if you purchase the additional Territory after you have signed the Franchise Agreement. See Item 12 to this Offering Circular.

6. With our consent, you may exchange all or part of your Territory for a currently unassigned territory with more or less population within the same vicinity as your current Territory. You must pay an administrative fee to exchange your Territory, to reimburse us for our consent and to document the exchange. If the population in your new Territory does not exceed the population of your current Territory by 8,334, our administrative fee is \$1,000. If the population in your new Territory exceeds the population in your current Territory by 8,335 or more, our administrative fee is \$750 plus \$.07 per person for the excess population.

7. You must use, and keep up-to-date: (i) our proprietary order processing software ("O. E. Software"), including the digital order processing software for all orders of Products and ancillary items, like marketing materials, as well as the maintenance of your TSS Kids Club database; and (ii) franchise operations management software ("F.O.M.S.") for operations of the Franchised Business. We refer to these software programs collectively as "TSS Corporate Software." We do not currently charge a license fee for your right to use the TSS Corporate Software, but you must purchase (from third party suppliers of your choosing) the computer equipment you need to operate the TSS Corporate Software. We may release yearly upgrades for the

TSS Corporate Software. If we release these upgrades, you must purchase them. The fees we charge for these upgrades will be nominal.

## Item 7

### INITIAL INVESTMENT

| Expenditure  | Estimated Amount<br>or Estimated<br>Low-High Range | Method of<br>Payment | When Due                                 | Refundable | To Whom<br>Payment is<br>Made |
|--|--|----------------------|--|------------|-------------------------------|
| Initial Franchise Fee  | \$12,900 - \$33,900                                | Lump sum             | On signing<br>Franchise<br>Agreement     | No         | Us                            |
| Deposit <sup>(1)</sup>                                       | \$1,000  | Lump Sum             | Before signing<br>Franchise<br>Agreement | Yes        | Us                            |
| Training Expenses <sup>(2)</sup>                             | \$0 - \$2,000                                      | As Incurred          | As Incurred                              | No         | Third Parties                 |
| Real Estate/Office <sup>(3)</sup>                            | \$50 - \$100                                       | As Agreed            | Monthly                                  | No         | Landlord, Third<br>Parties    |
| Office Equipment, Supplies,<br>Furniture <sup>(4)</sup>      | \$200 - \$3,300                                    | As Agreed            | As Incurred                              | No         | Us or Outside<br>Suppliers    |
| Photographic Equipment <sup>(5)</sup>                        | \$8,000 - \$10,000                                 | Lump Sum             | As Incurred                              | No         | Us or Outside<br>Suppliers    |
| Opening Inventory <sup>(6)</sup>                             | \$0  | N/A                  | N/A                                      | N/A        | N/A                           |
| Transportation - 3 months <sup>(7)</sup>                     | \$750 - \$1,500                                    | As Incurred          | As Incurred                              | No         | Outside<br>Suppliers          |
| Advertising – 3 months <sup>(8)</sup>                        | \$0 - \$1,000                                      | Lump Sum             | As Incurred                              | No         | Advertising<br>Sources        |
| Miscellaneous Opening<br>Costs <sup>(9)</sup>                | \$250 - \$1,250                                    | As Incurred          | As Incurred                              | No         | Third Parties                 |
| Website Maintenance  | \$0 - \$250  | As Incurred          | As Incurred                              | No         | Us                            |
| Processing and Developing<br>Fees - 3 months <sup>(10)</sup> | \$500 - \$1,250                                    | Lump Sum             | As Incurred                              | No         | Us or Parent<br>Corporation   |
| Additional Funds - 3<br>months <sup>(11)</sup>               | \$1,000 - \$6,000                                  | As Incurred          | As Incurred                              | No         | Third Parties                 |
| <b>TOTAL</b> <sup>(12)(13)</sup>                             | <b>\$24,650 - \$61,550</b>                         |                      |  |            |                               |

#### Explanatory Notes

1. You must give us a deposit at the time you decide to buy a franchise but before you sign your Franchise Agreement. The deposit reimburses us for the expense in preparing your Franchise Agreement, to hold your proposed territory for 30 days and to cover the costs we incur in preparing to provide initial training. See Item 5 of this Offering Circular. If you sign the Franchise Agreement at or before the end of the 30 day period, we will credit the amount of the deposit towards the initial franchise fee. If you do not sign a Franchise Agreement within the 30 day period, we will refund the deposit less any direct expenses we incurred in preparing your Franchise Agreement and preparing to conduct your initial training.

2. If we provide Sales and Marketing Training, Photography Training, and TSS Express Program Training at your location, your training expenditures should be negligible. Within your first six months of operation, you must attend the first scheduled TSS University and you must cover any expenses not covered by the initial franchise fee. TSS University class registrations, lodging, and two meals a day provided at TSS Headquarters for you (or your owner) and one guest attending at the

same time are included in the initial franchise fee. We will reimburse you up to \$500 through a processing and developing credit for your out-of-pocket expenses incurred in attending TSS University. If you do not attend the first scheduled TSS University, any processing and developing charges you incur with us or our designee will not count toward any special pricing or award level considerations until you attend TSS University. If you cancel or reschedule training dates, you must reimburse us for our training expenses, including our travel, food, and lodging expenses. Training for the TSS Express Program is an extra per diem charge for two attendees plus expenses.

3. You must establish and maintain an office and dedicated telephone for your Territory. We impose no requirement or restriction on the size of your office, and the rental costs could thus vary from a negligible amount for an in-home office to a substantial amount for an office in a high visibility office complex, which almost never occurs. A 10 foot by 10 foot (10'-by-10') room should provide sufficient space for your requirements. Most franchisees locate their offices in their residences, although we do not require you to have an office in your residence. You will not need to redecorate or redesign your home if you decide to locate the office there. Because a significant number of franchisees use their homes for their offices, we have not included a line item for a security deposit. The estimated cost listed is calculated by assuming a cost of \$500 to \$2,000 per month for renting or leasing a home and taking the percentage of the office space to be used, approximately 5%.

4. These expenditures include a desk, file cabinet, telephone, fax/modem, answering machine, personal computer system, office supplies, and stationery. The low end of the range would be your estimated expenditure if you already own your office equipment (including your computer system) and office furniture, and you lease your telephone and answering machine. The high end of the range would be your estimated expenditure if you purchase your furniture and computer equipment. See Item 8 of this Offering Circular for a description of the computer requirements for our software programs. See Item 11 of this Offering Circular for additional information. This item does not include photographic equipment or supplies (see Notes 5, 6, 7, and 8 of this Item 7, below).

5. This item includes one minimum required digital equipment set-up:

| Quantity | Description  |
|----------|--|
| 2        | Fuji S3 Cameras (TSS HQ Sells S3's with Crop Masks*)     |
| *2       | Crop Masks (for Non-HQ Cameras)—Mask is Mandatory        |
| 4        | Sandisk 512MB Memory Cards (2 per Fuji S3)               |
| 1        | CompactFlash Card Reader (Sandisk)                       |
| 2        | Nikon 18-70mm 3.5-4.5D AF Lenses                         |
| 2        | 67mm UV Filters (Protection for Lens)                    |
| 2        | Nikon SB-800 Speedlights (Flash)                         |
| 1        | AA 40 Pack (for Nikon Flashes)                           |
| 1        | Quantum Turbo Battery (Battery for Flash on Long Shoots) |
| 1        | Quantum CKE Cord   |
| 1        | Quantum Radio Slave 4i Set                               |
| 2        | Bogen 3001N Legs   |
| 2        | Bogen 3030 Heads   |
| 1        | Polaris Flash Meter                                      |
| 1        | Novatron V600 Custom Kit (Available only from Showcase)  |
| 1        | Calibration Exposure Target                              |
| 1        | Novatron 2-Stop Head                                     |
| 1        | Novatron Gel Kit   |
| 1        | Novatron Gel Holder                                      |
| 1        | Novatron Honeycomb Course Grid with Gel Holder           |
| 1        | JTL 900 Chrome Light Stand                               |

| Quantity | Description   |
|----------|---|
| 1        | Westcott Background Stand for Collapsible Backdrop          |
| 1        | Westcott 5x6 2:1 Coasta Brava/Canberra                      |
| 1        | JTL Backdrop Stand  |
| 1        | Photogenic Pneumatic Stool                                  |
| 1        | External CD Burner (if PC does not include internal burner) |

We provide a grey muslin backdrop, a photo case and display board with your starter kit. See Notes 6 and 7 of this Item 7, below. You may need additional set-ups as your business expands. The retail price for these items is outside our control. Prices tend to reflect conditions in the photography industry and general principles of supply and demand.

6. We will provide you, at no additional charge, with a photo presentation book, an initial reasonable supply of photo samples covering most activities, a starter kit, and the necessary paper forms to begin operation.

7. This item includes estimated expenses to lease a late-model automobile, including gas and maintenance for three months. If you purchase an automobile rather than leasing one, your initial investment may be significantly higher.

8. We do not require you to advertise, although we suggest that you advertise in a variety of publications in your Territory.

9. This item covers your miscellaneous opening costs and expenses, like prepayments to utilities, business license fees, legal and accounting expenses and insurance premiums.

10. The revenues you receive from customers will generally offset your processing and developing fees, and your print fees for the Program if you add it to your Franchised Business. You will receive, on a quarterly basis, a portion of the revenue we receive from selling your photographs over our website. See Item 11 of this Offering Circular.

11. This item is for your initial startup expenses for a three-month period. It assumes you take a small draw or salary for yourself, and that you do not have any fulltime employees. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your expenses will depend on a number of factors, including the type of Plan you select, when you begin offering the Program, your business acumen, your experience and skill, economic conditions in your Territory, the demand for the Products and event, portrait, and school photography in your Territory (if you add all components of the Program), competition, your marketing and sales capabilities, your ability to follow our methods, directions and instructions, and the number of hours per day you are willing to invest in the Franchised Business. These funds will be used to cover the expense of the background screening performed by Southeastern Security Consultants, Inc. that each of your owners and field staff engaging in photography with customers must undergo. See Item 8.

12. The "Total" shown in the table is not affected by the initial training deposit because we apply the deposit to the initial franchise fee.

13. These figures do not include participation in the TSS Express Program and the expenses associated with the purchase of the Express Photography System (software, equipment and support). The estimated cost for the Express Photography System ranges from \$8,000 - \$18,000, depending upon the type of equipment you select. The Express Photography System includes the use of the SEW Software from Express Digital that must be purchased through us. The current price (including 10% discount) for the SEW Software is \$1,795. In addition, you must purchase technical support at a cost of 20% of the software list price. Technical support includes upgrades and updates to the SEW Software, and also includes telephone support. By participating in the Program you must purchase the digital printer(s) and dye-sub photo paper directly from us or from an authorized dealer we approve; however, you may purchase the other components of the Express Photography System from any vendor that sells the items. Prices for digital printers currently range from \$2,150-\$2,950 and prices for digital paper range from \$144-\$740 depending upon size, quantity and quality. As of the date of this Offering Circular, the minimum requirements of the Express Photography System are:

## EVENT PHOTO COMPONENT

| Item   | Description  |
|--|--|
| <b>Software</b>  | <b>Sports &amp; Event Workflow Software</b>  |
| <b>Computer</b><br>The computer system used to support the TSS Express System must meet the following minimal requirements:  | Typical system by DELL:<br><br>Inspiron 5150 – Intel®, Pentium IV Processor, 3.0GHz, 15.0 XGA<br><br>Operating System – Microsoft® Windows® XP Professional<br><br>Memory – 512MB Shared DDR, 266MHz, 2 Dimms, PC2100 SDRAM<br><br>Hard Drives – 40GB Ultra ATA Hard Drive<br><br>Fixed CD/DVD Drives – 24X CD-RW/DVD Combo Drive Upgrade! (from CD-ROM)<br><br>Primary Battery – 65Whr Lithium Ion Primary Battery<br><br>Productivity Software – Upgrade to Microsoft® Office Small Business<br><br>Modem – Internal 56K Modem<br><br>External Mouse – Dell 2-button Scroll Optical USB Mouse<br><br>Anti-Virus Software (we recommend McAfee or Norton)<br><br>External Camera Card Reader – Sandisk Compact Flash Camera Card Reader |
| <ul style="list-style-type: none"> <li>▪ PC (or comparable laptop) with Pentium IV Processor (1.5 GHz) or higher</li> <li>▪ Microsoft Windows 2000 Professional or XP Professional Operating System</li> <li>▪ Windows 98 Second Edition/2000/XP Operating System</li> <li>▪ 512 Mb RAM (or more, depending on camera file size)</li> <li>▪ 40 GB Hard Drive (or more, depending on storage requirements)</li> <li>▪ Minimum 15" SVGA Monitor/Display</li> <li>▪ CD-ROM and CD-RW Drive</li> <li>▪ Picture Card Reader (Compact Flash, MicroDrive, or PCMCIA)</li> <li>▪ Universal Serial Bus (USB) Connectivity</li> <li>▪ Firewire (IEEE 1394) Connectivity – OHCI Compliant</li> <li>▪ Adaptec® 1460 or 1480 Slim SCSI PC Card</li> </ul> |  |
| <b>Camera Bodies</b>   | Nikon D2H, Fuji S2 or Fuji S3  |
| <b>*Lenses</b>   | 28-80 Zoom Lens and/or 80-200 f/2.8 Zoom Lens  |
| <b>*Flash</b>  | SB 800   |
| <b>Camera Cards</b>  | Sandisk Compact Flash Cards:<br>128MB, 256MB or 512MB  |
| <b>Camera Batteries</b>  | Varies by manufacturer   |
| <b>Miscellaneous</b>   | SCSI Cables for Digital Printer, Additional Power Cords, Sync Flash Cords  |
| <b>Digital Onsite Printer</b>  | Sony UPDR100 5x7 Printer; Sony UPDR150 5x7 Printer; or Sony UPD70A 8x10 Printer  |
| <b>Digital Paper</b>   | UPDR100 5x7 Printer: UPCR35; UPCR46; or UPCR57 A; or UPD70A 8x10 Printer: UPC741; UPCR155  |
| <b>Cases for Housing/Carrying System</b>   | Varies   |

\*These items may be utilized from your inventory of equipment required to perform a picture day.

We relied on our principals' experience in operating a Sports Section franchise to complete these estimates. You should review these estimates carefully with a business advisor before you make any decision to purchase a franchise. Except for extraordinary circumstances (see Item 10), we do not offer financing directly or indirectly for any part of your initial investment. The availability of financing will depend on factors like your creditworthiness, your ability to borrow, economic conditions in your area, the practices and policies of your financial institutions, and the availability of financing generally. For future planning purposes, other than processing and developing fees, most costs and expenses you will incur in operating a Franchised Business are out of our control and are more likely affected by general economic conditions.

## Item 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Franchised Business according to our standards and specifications. For example, we regulate, among other items, the types, models and brands of photographic equipment you may use in operating your Franchised Business, as well as the Products you offer and the source of those Products, which source may be limited to, or include, us or the Parent Corporation. In order to ensure a consistently high-quality finished Product, you must deliver all digital files to be developed and processed into Products to the Parent Corporation for all your customers, and you may not use any other development facility without our written consent. Fees for processing and developing your photographs/images associated with the Program will be based on the Product Price List. **See special pricing conditions on processing and developing fees on the Product price list.** During the fiscal year ended May 31, 2005, the Parent Corporation's revenues from the processing and developing of Products were \$9,277,089 or 92% of the Parent Corporation's total revenues of \$10,068,417. We obtained this information from reviewing the Parent Corporation's audited financial statements. We do not receive any payments or commissions from the revenue the Parent Corporation generates. Our total revenues for our fiscal year ended May 31, 2005 were \$2,127,970, as stated in our audited financial statements. We do not derive any revenues from your Product-related purchases.

If you participate in the TSS Express Program, you must purchase the Express Digital proprietary software through us. We intend to offer the SEW Software at a reasonable price, including a 10% vendor discount. To use these Software programs, Express Digital must license you and you will pay us the applicable one-time license fee(s). You are also required to purchase the annual technical support for these Software programs from us. Currently, we are the only approved supplier for products and services under the TSS Express Program, although for the equipment components of the TSS Express Program, you can purchase them from any vendor or manufacturer, provided the equipment components meet our specifications.

You must use The Sports Section envelopes bearing our logo for Picture Day photo sessions (sports, schools, churches, etc.). These envelopes are available only from us.

Other than the Products that you must purchase from the Parent Corporation for digital files, logoed envelopes, and the Software, printers and media associated with the Express Photography System for the Program, there are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware, computer software, or real estate related to the establishment or operation of the Franchised Business that you must purchase or lease from us or a designated supplier at this time. However, you must purchase photographic equipment that meet our minimum standards and specifications. We will notify you of our standards or specifications in our Manual or by other written directives. For example, you must purchase and use, at your expense, the photo equipment listed in Item 7, Note 5 of this Offering Circular. You are free to purchase equipment (including components of the Express Photography System) from any supplier you desire as long as the materials meet our specifications. Showcase, Inc. in Atlanta, Georgia is an approved supplier for photographic equipment. We do not receive any revenue from Showcase, Inc. for purchases you or our other franchisees make from them.

In addition to photographic equipment, we are an approved supplier for Sports Section apparel (i.e. t-shirts, hats, and other miscellaneous items like marketing pieces, brochures, and wood products). We will receive revenue if you purchase any of these items from us, although you do not have to purchase them from us. In the fiscal year ended May 31, 2005, we derived \$791,328 from the sale of the items described in this Item 8 to our franchisees, or approximately 8% of our total revenues. We obtained this information from our audited financial statements.

We do not provide you with any material benefit if you use our designated or approved suppliers; however, we instituted a program that permits you to purchase ancillary items you may need for your Franchised Business from us as a way to meet your minimum productivity requirements. (See Item 12 of this Offering Circular and Section 8.6 of the Franchise Agreement.)

If you want to purchase equipment or supplies of a brand, make, or model that we have not previously approved, you may request our list of supplier approval criteria, which is available for your review. You must submit samples of the equipment or supplies to us for our approval before you purchase the unapproved equipment or supplies, so that we may determine whether the equipment or supplies comply with our standards and specifications. We may condition our approval of a supplier on requirements related to quality of products, standards of service, the supplier's reputation in the marketplace, and the supplier's pricing. We will notify you whether we have granted or denied approval of a supplier within 60 days after we receive your request. We have no obligation to approve purchases of any equipment or supplies unless the equipment or supplies conform to our standards and specifications, and you may not purchase any of this equipment or supplies until we have approved them.

Your required purchases will represent approximately 40% to 50% of your total purchases related to the establishment of your Franchised Business (depending on the Plan you select) and approximately 75% to 85% of your overall purchases in operating the Franchised Business, including the Express Photography System, which applies only if you participate in the TSS Express Program. These figures are based on your expenses of operating your Franchised Business, and are unrelated to revenue you may earn. These figures include required purchases of Products from the Parent Corporation.

Periodically, we will provide you with an approved supplier list for use in the operation of your Franchised Business. The approved supplier list may be published in our Manual or provided to you by other written communication. We may change the list at any time and we have the right to be an approved supplier and/or to be the sole approved supplier for certain items.

You must consent to a comprehensive full service criminal background screening conducted by the Southeastern Security Consultants, Inc. Each of your officers, directors, owners and employees must undergo the screening program and you must bear the full amount of the associated expense. At our request, you will make the results of the screening program available to us. This process may be conducted on a yearly basis and without notice.

You must maintain, at your expense, insurance including commercial general liability insurance, worker's compensation insurance, unemployment compensation insurance, disability insurance, social security and other federal or state mandated insurance policies and motor vehicle liability insurance. The cost of these policies will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance must be issued by an insurance carrier acceptable to us. If you fail to obtain this insurance, we have the right to procure insurance for you and to require you to reimburse us for any expenses we incur.

We have no purchasing or distribution cooperatives. We do not negotiate purchase arrangements with suppliers for your benefit except as mentioned in Items 7 and in this Item 8 with Showcase, Inc., Express Digital, Sony, and Fuji.

We provide you, at no additional charge, with the TSS Corporate Software. You must use these programs. To do so, you must own, or purchase, at your expense, an IBM compatible personal computer with the Microsoft Windows 2000 Professional or Microsoft XP Professional operating system, a 500+ MHz processor, at least 256MB of RAM (512 or more preferred), a 10GB or larger hard drive, a 56K



modem (DSL/cable modem, if available), a 40X CD-ROM drive (CD Burner preferred), a floppy drive, a 17-inch monitor, an Internet connection with an Internet service provider of your choice, and a printer (preferably a laser printer, although a Windows-compatible inkjet printer may suffice). We do not sell computer equipment. We intend to update the TSS Corporate Software annually. Currently, we do not charge for updates to the TSS Corporate Software, although we have the right to do so. If we do charge you a fee, the fee will be less than \$500. You must implement updates whether they are free or subject to a fee.

Both we and the Parent Corporation offer other useful non-required items for sale to you, and your independent contractors from whom we have received signed Independent Contractor Agreement, for use with your Franchised Business. These items include apparel like hats, t-shirts, sales brochures, Product display boards, and photo samples, along with point-of-purchase items for your TSS Express Program shoots. If you buy these items from us or the Parent Corporation, the seller will realize revenue from your purchases.

## 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 OFFERING CIRCULAR. ALL REFERENCES ARE TO THE FRANCHISE AGREEMENT AND THIS OFFERING CIRCULAR UNLESS OTHERWISE NOTED.

| Obligation   | Section in Agreement                                | Item in Offering Circular |
|--|---|---------------------------|
| a. Site selection and acquisition/lease                    | None  | Items 7 and 11            |
| b. Pre-opening purchases/leases                            | Sections 8.2, 8.4, and 8.5                          | Item 8                    |
| c. Site development and other pre-opening requirements     | Sections 8.2 and 8.4                                | Items 6, 7, and 11        |
| d. Initial and ongoing training                            | Sections 7.6, 7.7, 7.8, and 8.5                     | Item 11                   |
| e. Opening   | None  | Item 11                   |
| f. Fees  | Sections 4, 7.9, 7.10, 8.3, 8.5, and 8.6            | Items 5, 6, and 7         |
| g. Compliance with standards and policies/Operating Manual | Sections 1, 7.4, 8.8, and 8.11                      | Items 8 and 11            |
| h. Trademarks and proprietary information                  | Sections 1, 2, 5.2, 8.8, 8.14, 8.15, 10.2, and 10.5 | Items 13 and 14           |
| i. Restrictions on products/services offered               | Sections 1 and 8                                    | Items 11 and 16           |
| j. Warranty and customer service requirements              | None  | None                      |
| k. Territorial development and sales quotas                | Sections 2.2, 7.5, 8.2, and 8.6                     | Item 12                   |
| l. Ongoing product/service purchases                       | Sections 7.3, 7.9, 7.10, 8.3, 8.5, 8.6, and 8.21    | Item 8                    |
| m. Maintenance, appearance, and remodeling requirements    | None  | None                      |
| n. Insurance   | Section 8.19  | Items 7 and 8             |

| Obligation                                   | Section in Agreement                    | Item in Offering Circular |
|--|---|---------------------------|
| o. Advertising                               | Section 8.9                             | Items 6, 7, and 11        |
| p. Indemnification                           | Section 8.17                            | Item 6                    |
| q. Owner's participation/management/staffing | Sections 1, 8.12, and 8.13              | Items 11 and 15           |
| r. Records and reports                       | Section 8.18                            | Item 8                    |
| s. Inspections and audits                    | Section 8.18                            | Item 6                    |
| t. Transfer                                  | Section 8.16                            | Item 17                   |
| u. Renewal                                   | Section 3.2                             | Item 17                   |
| v. Post-termination obligations              | Sections 8.10 and 10,<br>and Schedule F | Item 17                   |
| w. Non-competition covenants                 | Section 8.10 and Schedule C             | Item 17                   |
| x. Dispute resolution                        | Sections 10.6 and 11                    | Item 17                   |
| y. Other:                                    |   |                           |
| USA Patriot Act Compliance                   | Section 6.13                            | Item 1                    |
| National Accounts                            | Section 7.5                             | Item 12                   |
| Guaranty                                     | Schedule E                              | Item 9                    |

## Item 10

### FINANCING

Neither we nor any affiliate currently offers, directly or indirectly, any financing arrangements to you, although we participate in the International Franchise Association VetFran Program, which may assist veterans with financing to help purchase a franchise. We estimate that less than 5% of all new Sports Section franchisees will be eligible to participate in the VetFran Program. We are unable to estimate whether you will be able to obtain financing for any part or all of your investment in our franchise and, if you do, the terms and conditions of this financing. We do not have any past or present practice, nor any intention, to sell, assign or discount to any third party any note, contract, or other instrument you sign, although we reserve the right to do so.

If you wish to obtain financing for your investment through an unaffiliated financial institution or other third party, we will attempt to assist you. You should be aware, however, that financing terms and interest rates will vary depending on the financial institution and the financing program offered. We make no guarantees as to the availability of funds or terms that may be offered. We receive no payments, directly or indirectly, from any person for the placement of financing.

We do not guaranty your obligations to third parties.

## Item 11

### FRANCHISOR'S OBLIGATIONS

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

Before you open your Franchised Business, we will:

- (1) On signing of the Franchise Agreement, designate your exclusive territory (Franchise Agreement—Section 2 and Schedule A).
- (2) Furnish you with initial materials and supplies that are included as part of the initial franchise fee (Franchise Agreement—Section 7.1).
- (3) Furnish you with mandatory specifications for the photographic equipment you will use with your Franchised Business, and furnish you the specifications of the Express Photography System, (if you decide to participate in the TSS Express Program) (Franchise Agreement—Sections 7.2, 7.7, and 8.5).
- (4) Loan you one copy of our Manual (Franchise Agreement—Section 7.4).
- (5) Train you and one of your other personnel in our sales and marketing techniques (Franchise Agreement—Section 7.6). The training includes one working day of sales calls with you. We will instruct you in sales techniques and guidelines, customer contact procedures, and the detailed format of a sales presentation using the materials we provide to you as part of the initial franchise fee. Although you must provide us with a training deposit (*see* Item 7 of this Offering Circular), provided you do not cancel or reschedule the original training date, and further provided that you sign the Franchise Agreement, we will apply the training deposit toward the initial franchise fee and will be responsible for our own expenses in connection with training. Once you purchase the Express Photography System and, before you offer the Program to your customers, we will train you to use the Express Photography System and to offer Products associated with event, portrait, and school photography (Franchise Agreement - Sections 7.7, 7.8, and 8.5).

Because you will probably operate your business from your home, we do not provide site selection assistance, nor do we assist you in negotiating the purchase or lease of a site.

During your operation of the Franchised Business, we will:

- (1) Ensure that the Parent Corporation or another designee processes and develops all of the images or digital files, you submit to it for purposes of producing Products. We will deliver to you the number and variety of Products you order, generated from the images you deliver, provided the images are delivered in a condition suitable for processing and developing. We will use reasonable efforts to ensure that the Parent Corporation or other processor we designate returns Products to you within 18 days after receipt of the digital files and/or images. Our liability for digital files and/or images you deliver to the Parent Corporation or our designee is limited to the replacement price of the digital files and/or images (Franchise Agreement - Section 7.3). (*See* Items 6 and 11 of this Offering Circular).
- (2) We will download your digital files or digital images and upload the images and/or photos onto your website to enable you to sell photographs through your website. Also, if you participate in the Program, you may burn your digital photos onto a compact disk, and upload the photos to your website for on-line ordering. We or our Parent Corporation will fulfill all orders placed on your website,

and will mail the Products directly to the customer. When we or our Parent Corporation receive payment from your customer, we will share the portion of the revenue we receive with you. (Franchise Agreement - Sections 7.9 and 7.10; *see* Item 11 of this Offering Circular).

(3) Provide you with instruction in the photographic techniques you will use to produce quality images through digital processes (Franchise Agreement—Section 7.7). This training will include preparation for, assistance during, and partial participation in, a photographic session, and a follow-up paperwork session held immediately after the photographic session. The training will take place at a photographic shoot or sporting event, where you will arrange and conduct a photo session of a group totaling at least 150 subjects. This training must take place within 120 days after the Sales and Marketing Training described above. We have the right to decide whether the group you use as training subjects is sufficient to allow us to conduct our normal training program.

(4) Loan you one copy of our Manual, which contains mandatory and suggested specifications, standards, operating procedures, and rules, as well as other advice related to the operation of the Franchised Business. We may modify the Manual to reflect changes in our franchise system (Franchise Agreement - Section 7.4). The table of contents of the Manual as of May 31, 2004~~2005~~ is attached to this Offering Circular as Exhibit G. As of May 31, 2004~~2005~~, the Manual contained a total of 160 pages, exclusive of exhibits and samples.

(5) Create, at our expense, a customized website for your Franchised Business consistent with the web sites we create for other franchisees. We will maintain, store, and update your website as needed, at no additional charge. (Franchise Agreement - Section 7.11).

(6) Create, at our expense, a customized email address for your Franchised Business consistent with the email addresses we create for other franchisees. We will maintain, store, and update your email address as needed, at no additional charge. (Franchise Agreement – Section 7.12).

(7) Periodically inspect your Franchised Business and evaluate your operations. (Franchise Agreement - Section 8.18).

(8) Provide you, at no additional charge, with an initial supply of materials related to the marketing of the Products, including logoed envelopes and sales brochures. We will also sell you apparel, sales brochures, plaques, display boards, and similar items, at our standard published prices. (Franchise Agreement—Section 7.1).

(9) Provide additional assistance, including assistance in contacting potential customers, advice on purchasing photographic equipment and supplies, and sales techniques pertinent to a photographic sales business. (Franchise Agreement, Section 8). If you require this assistance in your Territory, we will provide you with a two-day visit by our representative (see chart in this Item 11, Note 5). We may charge you for each day of assistance at the rate you and we agree on as described in Schedule A to the Franchise Agreement, plus all expenses, including without limitation our travel, food, and lodging expenses. Otherwise, we will provide this information by telephone through our toll-free 800 number. We also intend to provide marketing support to you during the term of the Franchise Agreement by developing new Products, advising you on procedures for promoting the Franchised Business, and providing you with available information concerning the performance of photographic equipment and supplies. We established TSS University to help support our franchisees. TSS University is a three and one-half day sales/marketing and photography program that we offer on a regular basis throughout the year at our headquarters. Except for new franchisees who ~~attend TSS University to satisfy the requirement that they must~~ attend TSS University during the first six months of their operation under the Franchise Agreement, TSS University is an optional program. ~~We do not charge a fee for you to attend~~

~~TSS University; however, you must cover all TSS University class registrations, lodging, and two meals a day provided at TSS Headquarters for you (or your owner) and one guest attending at the same time are included in the initial franchise fee. You must cover travel and food expenses not covered by the initial franchise fee that you and your attendees incur. Lodging for attendees is included in the fee. We will reimburse you up to \$500 through a processing and developing credit for your out-of-pocket expenses incurred in attending TSS University.~~ TSS University is available on a first-come, first-served basis to you and all franchisees; however, we will charge a fee of \$450 for each attendee other than your owner and one guest who attends at the same time. As a special incentive, two additional attendees attending at the same time will only be charged \$600 instead of \$900. In addition, your attendees who participate in TSS University with you must sign a non-disclosure agreement and other similar documents ensuring that our confidential information and trade secrets are not disclosed to unauthorized third parties. This training excludes the training for the TSS Express Program, which is purchased separately on a per diem basis.

(10) Hold an annual convention (Franchise Agreement - Section 8.8). We charge you a small registration fee (typically, \$275), and you must pay all travel, food, and lodging expenses you incur in connection with your attendance at the convention. The purpose of the convention is to discuss sales techniques, merchandising, photography techniques, and other matters related to the Franchised Business. We hold this convention at locations we choose, based on recommendations our franchisees give us. You must attend at least one annual convention every two years. Additionally, at no charge, we offer Mini-Conferences in different regions of the country throughout the year. At your option, you may attend one or more of these Conferences, but you must pay all travel, food and lodging expenses you incur in attending.

### **Internet Sales**

A significant component of our franchise is our web-based sale of photographs you generate through digital photography. Your customers will be able to access your website and purchase Products that use photos posted on your website. We will fulfill your customers' Internet orders on receipt of payment for Products ordered. If you are using the Express Photography System and conducting sales over the website, you will receive the difference between the sales price and the processing and developing fees. For digital images posted to your website by us, you will receive 50% of the revenues we receive. We will remit your portion of the revenue to you within 15 days after the end of the quarter.

### **Electronic Media**

You may not create a website for your Franchised Business without our consent. We create a website for you through which you sell products and photographs. See Section 7.11 of the Franchise Agreement.

### **Advertising**

We do not require you to conduct any advertising; however, we may periodically provide advertising materials and services to you, either directly or indirectly. Although we must review all advertising and promotional material you propose to use, each franchisee decides what type of advertising it wishes to use and, provided our Marks are used correctly and the information provided in the material is accurate, we will usually approve the material. There is no advertising council composed of franchisees that advises us on advertising policies, nor do we require you to participate in any local or regional advertising cooperatives. All expenditures you make for advertising are your responsibility.

## **Computer System**

You must use a computer system in the operation of your Franchised Business. We will provide you, at no additional charge, with copies of the TSS Corporate Software described in Items 6 and 8 of this Offering Circular, which includes the O.E. Software and F.O.M.S. software. The TSS Corporate Software is our proprietary property, and we have not approved any compatible equivalent software for your use. We have an in-house information technology director who is available to answer your questions about the TSS Corporate Software and its use. If your TSS Corporate Software fails for any reason, we will replace it at no cost to you. The TSS Corporate Software operates in the Windows environment. You must purchase the computer equipment you will use with the TSS Corporate Software. Additionally, you must maintain your computer in good working condition and providing for a secure and virus-free computer system, which includes purchasing firewalls and anti-virus software as necessary and updating it on a regular basis. You may purchase your computer hardware from any source. Your hardware must be IBM-compatible PC running Microsoft Windows 2000 Professional or Windows XP Professional and Microsoft Office 2000 or newer with Excel and Word with a minimum of a 500+ MHz processor, 256MB of RAM (512 or more preferred), a 10GB or larger hard drive, a 56K modem (or DSL/cable modem, if available), a 40X CD-ROM drive or CD burner, a floppy drive, a 17-inch color monitor, an Internet connection with the Internet service provider of your choice, and a Windows-compatible laser or inkjet printer. Most of our franchisees have been using different versions of the TSS Corporate Software for more than three years, principally because it provides an effective means for maintaining operational information and record keeping. We intend to provide updates for the TSS Corporate Software as necessary. We reserve the right to charge a nominal fee for these updates; however, we currently provide them at no charge. We have no formal terms and conditions in the Franchise Agreement that address the licensing of the TSS Corporate Software. We reserve the right in the future to introduce a simple, industry-standard license agreement governing the use of the TSS Corporate Software. The TSS Corporate Software has no application or use except with a Sports Section franchise. We will have independent access to the business information and data you produce through your computer system. There is no contractual limitation on our right to access or use this information.

Additionally, you must participate in the TSS Kids Club Program and utilize the TSS Kids Club component of the O.E. Software to maintain an accurate database of at least ninety percent (90%) of your customers. The TSS Kids Club Program is a customer loyalty program for which you will store customer addresses and other information, such as birthdays and favorite sports, in a database. This database is used for sending electronic mail messages to your customers in order to thank them for their orders. At any time, we will have independent access to the information you provide through the TSS Kids Club component. There is no contractual limitation on our right to access or use this information.

The customized electronic mail address we create for you (Franchise Agreement – Section 7.12) is to be used solely for the Franchised Business. We create these addresses for our franchisees to build brand loyalty, to reduce the risk of computer viruses infecting our computer system, and to provide us with access to information pertaining to your Franchised Business.

## **Criminal Record Investigation and Background Screening**

A criminal record investigation and background screening are a requirement of our organization for all owners, directors, managers and employees of the franchisee. This process is conducted by Southeastern Security Consultants, Inc. under its Certified Safe Program. The guidelines of the program are established in accordance with the highest ethical and moral code of conduct in dealing with today's youth. Southeastern Security Consultants, Inc., is the exclusive provider of this screening program. We will help facilitate putting you in contact with Southeastern Security Consultants and you are obligated to

interface directly with them. Upon our request, you must substantiate that the required screenings were completed.

### **Other Information**

You must maintain books and records related to the Franchised Business, including job orders, digital file, lists of Products sold, sales information, revenue results, events photographed and other business information. You must retain these records for a minimum of three years, in an orderly manner in accordance with the instructions or directives we give you, either through the Manual or otherwise. (Franchise Agreement, Section 8.18).

The typical length of time between the signing of the Franchise Agreement and the start of the Franchised Business is approximately two weeks. You may start operations as soon as you have the appropriate photographic equipment. Factors that affect the length of time it takes you to open include the availability of our training personnel, and shipping time for sample Products. The Franchise Agreement does not provide a deadline for you to begin operation of your Franchised Business. However, because Section 8.6 of the Franchise Agreement establishes minimum productivity requirements, the sooner you begin operation after you sign the Franchise Agreement, the better the likelihood that you will be able to meet your productivity requirements.

Because you will probably use your home as the office for your Franchised Business, we will not be involved in site selection or other approval of your location unless you desire to establish an office outside your Territory. If you desire to establish an office outside your Territory, you will need our consent to use the site. The essence of a Sports Section franchise is contact with youth organizations, athletic teams, educational institutions, and recreational facilities; thus, the success of your Franchised Business does not depend on your office's general location, surroundings, neighborhood, traffic patterns, parking, size, physical characteristics, or occupancy terms.

The above-described material provided you with a general description of our training programs, which we summarize as follows:

| Subject  | Days                | Instructional Material    | Hours of Classroom Training | Hours of On-the-Job Training | Instructor <sup>(1)</sup>                           | Location                           |
|--|---------------------|---------------------------|-----------------------------|------------------------------|---|------------------------------------|
| Sales and Marketing Training <sup>(2)</sup>            | 3                   | Manual; Presentation Book | None                        | 24                           | S. Rosseel<br>E. Atkins<br>P. Cox<br>Staff          | Your Territory                     |
| Photography Training <sup>(3)</sup>                    | 2                   | Manual; Guidelines        | 3                           | 13                           | J. Pittson<br>K. Maekawa<br>L. Panter<br>Staff      | Your Territory                     |
| TSS University <sup>(4)</sup><br>(Mandatory)           | 3 ½                 | Manual                    | 20                          | 8                            | Sue Rosseel<br>J. Pittson<br>Staff                  | Our Headquarters                   |
| Franchise Mentor <sup>(5)</sup><br>(Consultation Trip) | 2                   | Manual; Regional Aids     | None                        | 16                           | S. Rosseel<br>Franchise Mentor                      | Your Territory                     |
| TSS Express Training <sup>(6)</sup>                    | 1-2                 | Manual; System            | None                        | 8-16                         | A. Tetloff<br>Staff                                 | Your Territory or our Headquarters |
| Additional Training <sup>(7)(8)</sup>                  | As you and we agree | N/A                       | As you and we agree         | As you and we agree          | Varies depending on your needs                      | As you and we agree                |
| Field Profitability Enhancement <sup>(9)</sup>         | 1-2                 | Checklist; Consultation   | None                        | 8                            | J. Pittson<br>S. Rosseel<br>J. Lindenmayer<br>Staff | Your Territory                     |

**Explanatory Notes**

1. Our instructors have the following experience and concentration in the areas they will be teaching:

| Instructor        | Years' Experience        |
|-------------------|--------------------------|
| E. Atkins         | 6                        |
| P. Cox            | 3                        |
| J. Lindenmayer    | 13                       |
| K. Maekawa        | 5                        |
| L. Panter         | 5                        |
| J. Pittson        | 7                        |
| S. Rosseel        | 7                        |
| A. Tetloff        | 4                        |
| Franchise Mentors | Varies, but generally 3+ |

2. We provide our Sales and Marketing Training to each franchisee, separately and only once. We do not charge you any additional fee for this training. We provide this training to the owner of the Franchised Business plus, if the owner desires, one additional trainee. Because we provide this training in your Territory, you should not have additional expenses. Because this training is hands-on training, once you complete the training, you may open your Franchised Business.

3. We provide our Photography Training to you and up to two of your associates or employees. This training will develop the basic skills you need to conduct quality "team-day" programs. You will observe and participate in actual



picture- day programs during this training. We will also provide you with additional classroom training. You must undergo this training within 120 days after you complete the Sales and Marketing Training. We provide this training at no additional charge, and we will pay our instructors' travel and living expenses. Because we provide this training in your Territory, you should not have additional expenses; however, if we schedule the training in your Territory and you cancel, then you must reimburse us for any expenses we incur as a result of the cancellation. At least one owner of the Franchised Business must attend this training. If our instructors listed in the table for this subject are unable to train you personally, we may send a Franchise Mentor or another trainer to train you.

4. We offer TSS University on a regular basis throughout the year. New franchisees must attend the first scheduled TSS University within six months of signing their Franchise Agreement. We do not charge any additional fee for the owner of the Franchised Business and one guest ~~who must attend within the first six months of signing your Franchise Agreement~~ attending at the same time; however, we require a fee of \$450 for each additional attendee, although if two additional attendees attend at the same time we will only charge \$600. Additional attendees must be either your employees or independent contractors. You will pay all travel, ~~and food, and lodging~~ expenses of your additional attendees. ~~Lodging for the required attendees is included in the fee~~ TSS University class registrations, lodging, and two meals a day provided at TSS Headquarters for you (or your owner) and one guest attending at the same time are included in the initial franchise fee. We will reimburse you up to \$500 through a processing and developing credit for your out-of-pocket expenses incurred in attending TSS University. All attendees who attend TSS University with you must sign a non-disclosure agreement and similar documents ensuring that they will not disclose our confidential information and trade secrets to unauthorized third parties. The purpose of TSS University is to provide sales and photography training, to review basic skills you need to manage your Franchised Business, and to provide you with hands-on training. Our records indicate that approximately 95% of our franchisees attend one TSS University within the first 6 months after they begin operation of their franchised businesses.

5. Your Franchise Mentor is an existing franchisee who has met certain criteria we establish. The Franchise Mentor will make the trip to your Territory to give you hands-on advice and consultation about all operational aspects of your Franchised Business. This training is optional, and we will compensate the Franchise Mentors for their services. Generally, if this training occurs at all, it will take place within the first 24 months after you become a franchisee.

6. After you purchase the Express Photography System, you may take the Program training at any time as long as it is before you offer the Program to your customers. We train you for a fee of \$250 per day, plus expenses at our location (SuperSession); and \$500 per day, plus expenses on-site. This is hands-on training in the use of the Express Photography System and coordinating event, portrait, and school photography activities within your Territory. Training generally takes two days although we will continue to help you afterwards from our headquarters to ensure that you fully grasp the Program concepts and are able to use the Express Photography System. You cannot take this training until you have possession of the Express Photography System.

7. We also provide an annual convention at a location to be determined by us. We charge a nominal registration fee and you must pay your own travel, food, and lodging expenses. You must attend at least one of our annual conventions every two years.

8. We also provide additional on-site training at your request for the per diem fee you and we agree on in Schedule A to the Franchise Agreement, plus travel, food, and lodging expenses.

9. Field profitability enhancement trips are performed by members of the TSS Enhancement Team to monitor and mentor franchise operations at the local level. This program is designed to enhance the efficiency of a franchisee's business and to ensure the franchisee is enhancing our brand. Trips are 1-2 days depending on the need of the franchisee and are concentrated on the individual needs of the franchisee (sales, photography, marketing, etc.). Trips are scheduled by TSS Headquarters, but may be requested by a franchisee as well.

10. We also provide Mini-Conferences throughout the year at locations to be determined by us. We do not charge a fee; however, you must pay your own travel, food and lodging expenses. You may attend as many of the conferences as are offered.

## Item 12

### TERRITORY

You will receive an exclusive territory in which you will operate your Franchised Business (the "Territory"). The geographic boundaries of your exclusive Territory will be shown in the Franchise

Agreement, and will usually be described as portions of a state, province, territory or region. Depending on the Plan you select, the population in your exclusive Territory will vary from 400,000 for a Plan 1 franchise and to a minimum of 100,000 for a Plan 4 franchise. Plan 4 franchises are available only for rural, non-metropolitan areas with populations of not more than 100,000. Plan 3 franchises provide a population of up to 200,000 persons and Plan 2 franchises provide up to 300,000 persons. Territories and population counts are based on information specified in American Map Corporation's most recent edition of *Pinstripe Business Control Atlas*, which provides information based on the most recent 10-year Census Statistical Data available as provided by the United States Department of Commerce - Bureau of the Census. Occasionally, we may obtain population information directly from the Bureau of the Census' worldwide web site or its periodical publications which further define population counts, depending on the location of your Territory.

You may establish your office at any location within your exclusive Territory, and in the unique situation where your home might be located outside the boundaries of your exclusive Territory, we may, at our discretion, permit you to establish your office outside the Territory. You may solicit business outside the Territory provided the customer is not located in another franchisee's exclusive territory. If you sell your Franchise, you must assist the new franchisee to ease his/her transition.

**The continuation of your territorial exclusivity depends on your generation of a certain minimum level of revenues for us or our designee. The revenues may come from: (i) your delivery of captured images to us for processing; (ii) your delivery of photographs under the TSS Express Program to us for processing into Products; (iii) print fees under the TSS Express Program; or (iv) your purchase of marketing materials or ancillary items associated with your Franchised Business. The revenues you must generate for us are as follows:**

**MINIMUM PRODUCTIVITY STANDARDS<sup>1</sup>**

| Period   | Plan 1<br>400,000 Pop.                    | Plan 2<br>300,000 Pop.                    | Plan 3<br>200,000 Pop.                    | Plan 4<br>100,000 Pop.                 | Multiple<br>Franchises <sup>3</sup>      |
|--|---|---|---|--|--|
| First 6 months                                 | \$500 per month;<br>\$5,000 per period    | \$500 per month;<br>\$5,000 per period    | \$500 per month;<br>\$5,000 per period    | \$375 per month;<br>\$3,750 per period | \$1,500 per month;<br>\$5,000 per period |
| Each 6-month<br>period thereafter <sup>2</sup> | \$1,000 per month;<br>\$10,000 per period | \$1,000 per month;<br>\$10,000 per period | \$1,000 per month;<br>\$10,000 per period | \$500 per month;<br>\$6,000 per period | \$1,500 per month<br>\$15,000 per period |

Explanatory Notes

1. See Item 6 of this Offering Circular and Section 8.6 of the Franchise Agreement.
2. Beginning on the second anniversary of the Effective Date and continuing on each anniversary thereafter, we may increase the minimum productivity levels for the succeeding 12-month period by a percentage equal to the percentage increase in the population of the Territory since the commencement of the preceding 12-month period.
3. At least one franchise must be a Plan 1 franchise.

**If you fail to meet these standards, we may: (i) terminate your Franchise Agreement; or (ii) offer you the opportunity to avoid termination by reducing the size of your Territory to a population level that more closely reflects your actual productivity level. If you choose to avoid termination by reducing the size of your Territory, you must sign an amendment to your Franchise Agreement that specifies the reduced boundaries of the Territory and the new minimum productivity levels. We will not compensate you for the portion of the Territory you lose, and we have the right to sell the geographic area you lose to a new or existing franchisee. If we sell a portion of your former Territory to another franchisee, you must turn over to the new franchisee**

**all contracts or business and prepaid fees that you received from customers you previously serviced who are not located in your reduced Territory.**

We will not grant any other party a license to use our Marks or Franchisor's Methods from an office or place of business that is located in your Territory. We will not establish or operate any office or place of business in your Territory to promote or market the Products, and we will not promote or market the Products in your Territory for ourselves or any of our affiliates. Further, we maintain the right to develop and establish other franchise programs, for products that are the same as or similar to the Products, using the Marks or similar trademarks not now or later designated as part of the Franchisor's Methods, and to authorize third parties to do so, without providing you with any of those rights. Furthermore, we have the right to offer Products within the Territory in connection with the Program through a number of alternative distribution channels including e-commerce, mail order or catalogs. We reserve the right to promote, market, and sell Products to any potential or actual individual customers (but not any groups of individuals) who require, or who we reasonably believe will require, photographic services both within your Territory and outside your Territory. We generally reserve these types of services for national accounts (accounts encompassing ~~fifteen~~-(15) or more states), and if a national account should contact us, we will notify you of our intent to promote, market and sell Products to the national account. Currently, we offer all our franchisees the option of servicing any national accounts that have photography needs in their territories. However, if you refuse to service any national account in your Territory according to our specifications, we may service the account ourselves or authorize another franchisee to service the account in order to protect the account, our franchise system, and other franchisees servicing national accounts. Your refusal to service a national account could mean that we or another franchisee will be offering Products and services in your Territory. We expect all franchisees to accept the option to provide services to a national account. If we are contacted by a local account (an individual account within your Territory), we will forward the information to you for servicing. If, however, you elect not to service any local account in your Territory according to our specifications, we may service the account ourselves or authorize another Sports Section franchisee to service the account in order to maintain consistency in our franchise system. Therefore, your refusal to service a local account could mean that we or another Sports Section franchisee will be offering Products and services within your Territory, but only to that local account.

If you do not participate in the TSS Express Program for any reason, we have the right to ourselves operate or to permit another franchisee to operate the TSS Express Program within your Territory, but solely to address the demand for photographs associated with the TSS Express Program and only until you are authorized to participate in the TSS Express Program, if ever.

Neither we nor the Parent Corporation are contractually prohibited from establishing other franchises or Company-owned franchises selling or leasing similar or competitive products or services in your Territory under different trademarks, although you will not do so if it would have a substantially negative effect on your business. We do not presently have any plans to do so. Previously, the Parent Corporation promoted and marketed products under licensing arrangements that were substantially different from the terms our Franchise Agreement. All licensing arrangements have terminated. Neither we nor the Parent Corporation intends to enter into any new license agreements.

You may add additional population (up to 100,000 persons), if available, to your Territory as follows: (i) \$0.05 per person when you purchase the additional population at the time you sign your Franchise Agreement; or (ii) \$0.07 per person when you purchase the additional population at any time after you sign your Franchise Agreement. Your ability to add additional population is conditioned on our evaluation of economic conditions, your past performance, the general demand for franchises, and whether this additional population base is in the best interests of our franchise system. If you desire to