



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

Date of Issuance: _____



FRANCHISE OFFERING CIRCULAR

1st Propane Franchising, Inc.

A California Corporation
d.b.a. 1st Propane
14670 Cantova Way, Suite 208
Rancho Murieta, California 95683
Telephone: (877) 977-6726
<http://www.1st-propane.com>

1st Propane Franchising, Inc. awards franchises for the establishment, development and operation of a 1st Propane® Franchise, including the right to use the service mark "1st Propane" and associated logos and the 1st Propane® System in the operation of a 1st Propane® unit. 1st Propane® Franchisees provide retail distribution of propane gas in bulk.

The initial franchise fee currently charged by us in this state is \$30,000. You must deposit \$4,000 with us for a grand opening advertising and promotional program. The estimated initial cost to commence operations (including the initial franchise fee) ranges from approximately \$248,500 to \$652,000. The estimated initial cost to commence operations may vary widely depending on the location, layout, size, local building code and zoning requirements and other factors and may exceed such estimates. The above figures are approximate only and you are urged to read Items 5 through 7 in their entirety for further information. This summary of the initial cost to commence operations does not represent your total costs and makes no provision for capital necessary to reach "break-even" or any other financial position. It does not include ongoing operating expenses or debt service and is supplemented by more detailed information appearing in this Offering Circular, which you should read.

RISK FACTORS:

1. THE FRANCHISE AGREEMENT CONTAINS A MANDATORY BINDING ARBITRATION CLAUSE GOVERNING NEARLY ALL DISPUTES BETWEEN YOU AND US, AND ALSO PROVIDES FOR A FACE-TO-FACE MEETING AND MEDIATION TO SETTLE DISPUTES. THE MEDIATION, BINDING ARBITRATION (AND ANY LITIGATION) AND ANY ARBITRATION APPEAL WILL TAKE PLACE AT A NEUTRAL LOCATION IN THE COUNTY IN WHICH OUR THEN CURRENT HEADQUARTERS IS LOCATED, AND THAT MAY COST YOU MORE THAN IF THOSE PROCEEDINGS TOOK PLACE NEAR YOUR RESIDENCE OR BUSINESS. COSTS OF THE FACE-TO-FACE MEETING, MEDIATION, ARBITRATION AND ANY ARBITRATION APPEAL MAY BE GREATER THAN IN LITIGATION. YOU AND WE WILL GENERALLY BEAR EACH OF OUR OWN COSTS IN ANY DISPUTE, BUT THE ARBITRATOR CAN ASSESS COSTS (BUT NOT ATTORNEY'S FEES) AGAINST A LOSING PARTY. THE FRANCHISE AGREEMENT PROVIDES THAT THE LAW OF THE STATE WHERE YOUR 1ST PROPANE® FRANCHISE IS OR WILL BE LOCATED GOVERNS THE AGREEMENT. BY AGREEING TO ARBITRATE, YOU WAIVE YOUR RIGHTS TO A JURY

TRIAL, AS WELL AS TO A TRIAL BEFORE A JUDGE IN A COURT OF LAW, YOU GENERALLY WAIVE YOUR RIGHT TO APPEAL AN ARBITRATION AWARD (EXCEPT TO A THREE ARBITRATOR APPEAL PANEL) AND MAY BE GIVING UP RIGHTS TO PRE-TRIAL DISCOVERY, AS WELL AS GIVING UP CERTAIN RIGHTS REGARDING CLASS ACTIONS. THE FRANCHISE AGREEMENT ALSO LIMITS THE AMOUNT OF DAMAGES RECOVERABLE BY YOU OR US TO A MAXIMUM TOTAL AMOUNT OF \$300,000; REQUIRES YOU TO GIVE US NOTICE OF, AND OPPORTUNITY TO CURE, DEFAULTS BY US; AND PROVIDES FOR A PERIOD OF TIME IN WHICH YOU OR WE CAN BRING CLAIMS WHICH MAY BE SHORTER THAN THAT PROVIDED BY APPLICABLE LAW.

2. THE PURCHASE OF A 1ST PROPANE® FRANCHISE INVOLVES BUSINESS RISKS AND SUCCESS CANNOT BE GUARANTEED.

3. THE POSSIBLE SUCCESS OF YOUR 1ST PROPANE® FRANCHISE MAY BE DEPENDENT ON THE LOCATION OR AREA YOU CHOOSE, THE LOCAL MARKET FOR THE PRODUCTS AND SERVICES OFFERED, COMPETITION AND OTHER FACTORS. THESE FACTORS, ALONG WITH YOUR OWN BUSINESS ABILITY IN OPERATING YOUR 1ST PROPANE® AND THE EXTENT TO WHICH YOU FOLLOW THE 1ST PROPANE® SYSTEM, TOGETHER WITH YOUR FINANCIAL AND OTHER RESOURCES, ARE THE THINGS MOST LIKELY TO DETERMINE YOUR POSSIBLE SUCCESS.

4. THE FRANCHISOR HAS LIMITED FINANCIAL RESOURCES. SEE THE FRANCHISOR'S FINANCIAL STATEMENTS, AND THE ACCOMPANYING AUDITORS' REPORT, FOR ADDITIONAL DETAILS.

Information comparing Franchisors is available. Call the state administrators listed in Exhibit G 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 this circular is untrue, contact the Federal Trade Commission and the state agency listed in Exhibit G.

The Effective Date of this Offering Circular is ~~September 28, 2005~~ _____ unless otherwise noted on an addendum for your state included in Exhibit I of this Offering Circular.

The rest of this page is intentionally left blank

TABLE OF CONTENTS

	<u>PAGE</u>
ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES	1
ITEM 2. BUSINESS EXPERIENCE	2
ITEM 3. LITIGATION	3
ITEM 4. BANKRUPTCY	3
ITEM 5. INITIAL FRANCHISE FEE	4
ITEM 6. OTHER FEES	5
ITEM 7. INITIAL INVESTMENT	7
ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	11
ITEM 9. FRANCHISEE'S OBLIGATIONS	13
ITEM 10. FINANCING	14
ITEM 11. OUR OBLIGATIONS	14
ITEM 12. TERRITORY	25
ITEM 13. TRADEMARKS	28
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	29
ITEM 15. YOUR OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	29
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	30
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	31
ITEM 18. PUBLIC FIGURES	35
ITEM 19. EARNINGS CLAIMS	35
ITEM 20. LIST OF OUTLETS	36
ITEM 21. FINANCIAL STATEMENTS	39
ITEM 22. CONTRACTS	39
ITEM 23. RECEIPT	39

EXHIBITS:

- A. FRANCHISE AGREEMENT WITH INDEX AND OWNER'S GUARANTY AND ASSUMPTION OF CORPORATE OBLIGATIONS, TERRITORY, PHONE DIRECTORY LISTING POWER OF ATTORNEY AND COLLATERAL ASSIGNMENT OF LEASE
- B. FINANCIAL STATEMENTS
- C. TABLE OF CONTENTS OF MANAGEMENT MANUAL AND OPERATIONS MANUAL
- D. STATE GOVERNMENT REGULATION OF THE PROPANE INDUSTRY
- E. LIST OF FRANCHISEES AND FORMER FRANCHISEES
- F. HISTORIC OPERATING RESULTS AS REPORTED BY CLIENTS OF NETWORK PROPANE GROUP AND FRANCHISEES OF 1ST PROPANE FRANCHISING, INC.
- G. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- H. STATE ADDENDA
- I. LIST OF FRANCHISE BROKERS
- J. STATEMENT OF PROSPECTIVE FRANCHISEE
- K. RECEIPT

1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor, Business Form, Names, Address

To simplify the language in this Offering Circular, 1st Propane Franchising, Inc. (the Franchisor) is referred to as "we," "us," "our," "the Company" or "1st Propane." We're a California corporation that was incorporated on October 2, 1997, as 1st Propane Franchising, Inc. Our principal place of business is 14670 Cantova Way, Suite 208, Rancho Murieta, California 95683.

"You" or "your" means the person who is granted the franchise. If a corporation or partnership is granted the franchise, "you" includes the Franchisee's owners. (In general, we grant franchises only to individuals, not corporations, but assignment to a corporation is allowed under conditions specified in the Franchise Agreement.)

Our agent in this state authorized to receive service of process is in Exhibit G.

Our Business and the Franchises to be Offered in This State

~~Effective July 19, 2005 we acquired and currently operate one company-owned 1st Propane® unit in the County of Amador, California [see Item 20].~~ As of June 30, 20052006, we have 40-8 franchisees and one company-owned 1st Propane® unit which is located in the County of Amador, California [see Item 20].

Under each Franchise Agreement, you'll operate a retail business which provides distribution of propane gas in bulk, and certain related and other products and services, including installation of storage tanks, distribution and other facilities. These businesses, referred to in the Franchise Agreement as "1st Propane® Franchises," operate at locations that feature a distinctive format and method of doing business, including color scheme, signs, equipment, layouts, systems, methods, procedures, designs and marketing and advertising standards and formats (the "1st Propane® System" or "System"), any element of which we can modify from time-to-time in our sole and absolute discretion and with which you'll promptly comply.

In general, many states require a sales and use tax license, a local business license, and compliance with various government regulations pertaining to the retail propane industry to operate a 1st Propane® Franchise. (See Exhibit D for a list of various regulatory agencies, and a brief discussion of some regulations, in your state. Similar requirements may apply in other states.) You should independently research the need for you to hold any licenses, or satisfy any other legal requirements, before you sign any binding documents or make any investments. General regulations associated with operating businesses, including zoning restrictions, may affect your operation of your 1st Propane® Franchise and should also be investigated by you. Of course, you're required to comply with all applicable laws. In order to do business in certain locations, local regulations (related to zoning, hazardous materials storage, etc.) may need to be complied with and you should review those requirements before making any commitments. Your activities as a 1st Propane® Franchisee may require you to comply with state or other contractor's licensing and related requirements and could require you, and/or your personnel, to obtain general contractor's and/or other licenses.

Your customers will be the general public and other businesses. You will compete with other businesses which offer retail distribution of propane gas in bulk, and certain related and other products and services, including installation of customer tanks, distribution and other facilities. You're not allowed to engage in any wholesale business activities or engage in over-the-road trucking of propane or related products. "Over-the-road trucking" is defined as hauling privately or for hire, propane or related products

in trucks capable of transporting in excess of 5,000 gallons. (Franchise Agreement, Sections 2.1 and 10.3)

Our Prior Experience, Predecessors and Other Information

Our predecessor is Thacher Financial Group, Inc., (d.b.a. Network Propane Group) and is located at 14670 Cantova Way, Rancho Murieta, California 95683. Thacher Financial Group, Inc. provides financial, accounting and management services to retail propane businesses. Our predecessor does not offer franchises in any line of business. The franchises described in this document are offered only by 1st Propane Franchising, Inc. You will have a contractual relationship only with us. Thacher Financial Group, Inc. does not have (and will not have) any obligations to you and you may look only to us for performance under the Franchise Agreement and any other documents.

We have been offering 1st Propane® franchises since 1997. We've never offered, and don't currently offer, franchises in any other line of business and we're not engaged in any other line of business.

This Offering Circular sets forth the terms and conditions for franchises offered to 1st Propane® Franchisees in this state. We reserve the right to offer other franchises or licenses, in this state or elsewhere, to new Franchisees or existing licensees on entirely different economic and other terms and conditions.

This Offering Circular contains a summary of various provisions of the Franchise Agreement, and other documents, in relatively brief language, as required by state and federal law. We've summarized the main features of our program above and further information appears at appropriate points throughout this Offering Circular. Of course, the descriptions in this Offering Circular of various documents and their provisions are for general informational purposes only, in many cases (in the interests of brevity and understandability) only excerpts or summaries of documents are discussed, the actual, provisions of the documents will control in any case and you should read the entire Franchise Agreement, and other documents, for more complete information.

A 1st Propane® Franchise (like any other enterprise) involves business risks. Your volume, profit and success are primarily dependent on your ability and efforts as an independent business operator, and success can't be guaranteed. You'll be responsible for an aggressive, proactive local marketing effort using the techniques and methods of the 1st Propane® System.

2. BUSINESS EXPERIENCE

President: William W. Thacher

Mr. Thacher began his career in the propane industry in 1970, and was employed in several management and executive positions in the industry until 1990. Mr. Thacher founded the Thacher Financial Group, Inc. (d.b.a. Network Propane Group) in 1990 which is now located in Rancho Murieta, California. He continues to serve as President and CEO of Thacher Financial Group, Inc., and is responsible for developing all of the systems for the start-up and financing of new propane dealers. Mr. Thacher became our President upon our inception in 1997. Mr. Thacher also acts as a financial consultant to retail propane dealers and as an expert witness in propane business-related legal matters.

Vice President of Operations: Richard D. Collins

Mr. Collins joined the propane industry in 1974 as a Mechanical Engineer for the California Liquid Gas Corporation (Cal-Gas). Between 1974 and 1990, he held several positions with Cal-Gas and its subsequent owner, Amerigas and its subsidiaries, including Director of Operations Support and Manager of Terminals. From 1990 until 1994, he was the Western Regional Manager for Ely Energy, Inc., based in Rancho Murieta, California. Beginning in 1994, until December, 1997, Mr. Collins was Vice President for Cal-Pac Energy, Inc., a propane and natural gas construction firm located in Rancho Murieta, California. Mr. Collins assumed his position as our Vice President of Operations in December 1997. Mr. Collins is responsible for the development and operation of the 1st Propane franchise training program, as well as franchise technical services and safety programs, code and regulatory compliance.

Secretary-Treasurer: Lynn D. Thacher

Mrs. Thacher has worked for us since our inception in 1997, and has worked for Thacher Financial Group, Inc. in a similar capacity since its founding in 1990. She is responsible for all data collection and other communications with the dealers, in addition to her role in corporate management.

Member, Board of Directors: Don Hankins

Mr. Hankins was elected to the Board of Directors in February 2000. He has been the owner and President of Propane Ventures, in Ft. Worth, Texas, since July 1989.

Member, Board of Directors: Sandra Hoboy

Ms. Hoboy was elected to the Board of Directors in February 2000. Since 1990, she has operated a business investment and consulting business in Anacortes, Washington.

Member, Board of Directors: Stanley Smith

Mr. Smith was elected to the Board of Directors in February 2000. He has been the owner and President of Petrosol International, Inc., located in Spokane, Washington, since 1974. From July 1974 to June 2006, he was President of Petrosol. In July 2006, he became CEO of Petrosol. Petrosol is a major wholesale propane supplier in the northern tier of the United States.

Franchise Brokers

We do not at this time, but reserve the right to employ various franchise brokers in different parts of the United States to assist us in identifying qualified franchise applicants. A list of these franchise brokers is attached as Exhibit I.

3. LITIGATION

There is no litigation that is required to be disclosed in the Offering Circular.

4. **BANKRUPTCY**

No person 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 required to be disclosed in this Item.

5. **INITIAL FRANCHISE FEE**

The Initial Franchise Fee currently charged by us, in this state and for the franchise covering your location, is \$30,000. The Initial Franchise Fee is due and payable on signing the Franchise Agreement.

On signing the Franchise Agreement, you must deposit \$4,000 with us, which we will disburse, for a grand opening advertising and promotional program covering your 1st Propane® Franchise, beginning approximately 14 days before, and continuing for approximately 28 days after, the opening of your 1st Propane® Franchise.

No part of the Initial Franchise Fee, or any other amounts paid to us or any affiliate, are refundable.

If we, in our sole and absolute discretion, determine that you (or a managing partner or shareholder consented to by us) or your manager has not successfully completed (or are not making satisfactory progress in) your initial training, we may cancel all of your rights (and all of our obligations) under the Franchise Agreement and/or any other agreements with you. You will return all manuals and you (and each affiliate of yours) will execute documentation providing for a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Entities and we will provide you with a similar release, except that your indemnity, confidentiality obligations, and the dispute avoidance and resolution provisions of the Franchise Agreement, including those of Article 19, together with the provisions of Article 21, will be preserved.

Since the possibility of such termination exists, you understand that if you make any investments or sign any documents prior to completion of training, you're at risk. Alternatively, we can (in our sole and absolute discretion) require you to hire a substitute manager and arrange for him/her to complete the initial training program to our satisfaction. (Franchise Agreement, Section 5.1)

The rest of this page is intentionally left blank

6. OTHER FEES¹

NAME OF FEE ²	AMOUNT	DUE DATE	REMARKS
Royalty ³	6% of Gross Volume for the first \$500,000 annually. For any calendar year, for any Gross Volume over \$500,000 but less than \$750,000 per year, 5% of that Gross Volume. For any calendar year, for any Gross Volume over \$750,000 per year 4% of that Gross Volume. Minimum of \$140 per week (subject to inflation adjustment)	Every calendar week via electronic funds transfer (ACH)	Amounts due by 5:00pm every Wednesday of each calendar week for preceding week. Gross Volume includes all revenue from the franchise location. Gross Volume does not include sales tax or fuel tax.
Marketing Fund Contribution ⁴	1% of Gross Volume against a minimum \$47 per week	Every calendar week via electronic funds transfer	Amounts due each calendar week. Subject to inflation adjustment.
Local Marketing	Minimum of \$800 per calendar month	You will spend at least this amount per calendar month	Includes telephone directory listings, and advertising, but doesn't include discounts, coupons or free products. You will submit, in form and at times prescribed by us, verification of your expenditures. Subject to inflation adjustment
Inflation Adjustment	Will vary	April 1 adjustment date	Adjusted annually in proportion to the Consumer Price Index.
Optional Additional Training/Assistance	\$800 per person per day plus expenses	Payable at time of training/assistance	Fees may be charged for optional or additional training/assistance requested by you and held outside our home office. You are responsible for all expenses related to optional or additional training/assistance.

NAME OF FEE ²	AMOUNT	DUE DATE	REMARKS
Interest, Late Fees, Dishonored Check Fees ⁵	Maximum legal interest (not to exceed 1.5% per month), \$50 late or dishonored check fee plus \$20 per day after 10 days for late reports and/or payments.	Payable on Demand	The late fee and check charge apply to each report form and each late payment received 10 days past the due date.
Computer and Hardware Rental Costs ⁶	\$1,000 - \$2,000 annually	Monthly	Paid to 1st Propane Franchising, Inc.
Audit Expenses	Costs of audit	On demand	If you fail to submit reports or you understate Gross Volume by 2% or more.
Telephone Service Deposit	\$1,500	At our option	If we require your phone listing to be in our name, and billings are sent to us.
Transfer Fee	80% of then-current initial franchise fee (minimum \$1,000)	Before transfer of franchise	If transfer to corporation is made within 90 days of signing the Franchise Agreement, transfer fee is \$500.
Costs to Manage Your Franchise in the Event of Death or Disability	Reasonable amount	At time of occurrence	If we operate the business on your behalf, we can pay ourselves for our management services and other costs.
Confidential Shopper Inspections	Reasonable amount	As agreed	We may pay these fees and costs from the Marketing Fund.
Successor Franchise Fee ⁷	\$1,000	On renewal of franchise	Subject to inflation adjustment.
Management Fees ⁽⁸⁾ (only on default by you)	\$500 per day plus expenses.	Deducted from funds of your Businesses.	Expenses include compensation, other costs, travel and living expenses of appointed manager. Subject to inflation adjustment.

(1) **All fees which are collected by and/or payable to us are non-refundable.**

(2) If your 1st Propane® Franchise is closed due to casualty, governmental action, street closure, etc., you're still responsible for your financial obligations to us. (Franchise Agreement, Section 10.9)

(3) You will participate in our electronic funds transfer program authorizing us to utilize a pre-authorized bank draft system every week. (Franchise Agreement, Section 9.4)

(4) Any 1st Propane units owned by us will make contributions to the Marketing Fund at the level of our then-current Franchise Agreement. (Franchise Agreement, Section 11.1)

We can establish one or more associations and/or sub-associations of 1st Propane® franchisees covering territories that include your 1st Propane® Franchise, to be known collectively as the 1st Propane® Franchise Owners Association ("1st Propane® FOA"). You must join 1st Propane® FOA and actively participate in 1st Propane® FOA and must contribute such amounts as are determined from time-to-time by the 1st Propane® FOA. No requirements for contributions to 1st Propane® FOA are currently in effect. (Franchise Agreement, Section 11.3)

(5) All amounts bear interest at the highest applicable legal rate for open account business credit, but not to exceed 1.5% per month.

(6) You are required to use accounting software which is provided by us.

(7) As more fully discussed in Item 17 and Section 15 of the Franchise Agreement, you may obtain one successor franchise or right of renewal for a single 10 year period if you meet all the requirements in the Franchise Agreement, including paying a non-refundable successor franchise fee of \$1,000 (subject to inflation adjustment.)

(8) If we determine in our sole and absolute discretion that your franchise is not in compliance with our Safety Policies and Procedures and/or those required under federal, and/or state and/or local laws, and/or codes and regulations and/or the authority having jurisdiction in effect at the time, then upon notice of default we may recruit and hire a manager or other person of our choice and designated by us be placed in your 1st Propane® franchise to manage and supervise its day-to-day operations for the purpose of assuring compliance with our Safety Policies and Procedures and/or those Federal, State and Local laws, codes and regulations. (Franchise Agreement, Sections 10.5 and 16.8.)

See Items 8 and 9 for additional information.

7. INITIAL INVESTMENT

NATURE OF INVESTMENT	ESTIMATED AMOUNT OR ESTIMATED LOW-HIGH RANGE	WHEN DUE	TO WHOM PAYMENT IS MADE
Franchise Fee ⁽¹⁾	\$30,000	Signing of Franchise Agreement	1st Propane Franchising, Inc.
Grand Opening Advertising ⁽²⁾	\$4,000	Signing of Franchise Agreement Beginning 2 weeks before and continuing 4 weeks after the time of opening	1st Propane Franchising, Inc. Suppliers
Purchase of Computer	\$500	Before Opening	Supplier
Insurance ⁽³⁾	\$6,000 to \$12,000	Annually - typically 25% down with balance financed over 9 months	Insurance Supplier. If you fail to maintain coverage we may obtain insurance on your behalf and you will reimburse us.
Real Estate and Leasehold Improvements ⁽⁴⁾	\$10,000 to \$200,000	As needed over the first 5 years.	Contractor, landlord, real estate broker

NATURE OF INVESTMENT	ESTIMATED AMOUNT OR ESTIMATED LOW-HIGH RANGE	WHEN DUE	TO WHOM PAYMENT IS MADE
Propane Bulk Storage Facility ⁽⁵⁾	\$5,000 to \$167,500	As required prior to opening	Contractor
Equipment ⁽⁶⁾	\$170,000 to \$190,000	Upon receipt - financing may be available	Equipment Company or leasing company.
Opening Inventory	\$12,000 to \$18,000	30 days after delivery	Suppliers
Miscellaneous Costs to Begin Operations	\$1,000 to \$2,000	Before Opening	Suppliers
Travel and Living Expenses While Training ⁽⁷⁾	\$0 to \$3,000	During Training	Motels, Restaurants, airlines, car rentals, etc.
Additional Funds (3 months) ⁽⁸⁾	\$10,000 to \$25,000	During first 3 months	Various suppliers
Totals⁽⁹⁾	\$248,500 to \$652,000		

Note: All amounts are non-refundable.

(1) The initial franchise fee to purchase a 1st Propane Franchise is \$30,000. No portion of the franchise fee is refundable. We do not offer any direct or indirect financing to franchisees for the initial franchise fee. Please see Item 10 regarding equipment financing.

(2) You must deposit \$4,000 with us, which we will disburse for a grand opening advertising and promotional program covering your 1st Propane® Franchise, beginning approximately 14 days before, and continuing for approximately 28 days after, the opening of your 1st Propane® Franchise. The advertising and promotional program will utilize marketing and public relations programs and media and advertising materials as selected by us. We'll furnish additional advice and guidance to you with respect to your grand opening advertising and promotional program.

~~We'll furnish advice and guidance to you related to conducting a grand opening advertising and promotional program consented to by us, and you will spend no less than \$4,000 on marketing and public relations programs, media and advertising materials consented to by us. (Franchise Agreement, Section 3.7)~~

(3) See Section 10.7 of the Franchise Agreement for information on types of insurance (and limits) you have to obtain. We also recommend, but do not require, Life Insurance (necessary to cover liabilities), Business Interruption Insurance and Disability Insurance. Amounts shown are estimates for the first 3 months. Total cost for the first year may exceed \$20,000.

(4) This is not a business that relies on walk-in traffic or requires typical retail-type space. Real estate needs fall into 3 categories, which are discussed below. These 3 categories can all be in the same location but it is not necessary to have them in the same location, and it is not always desirable.

A) **Propane storage location** - You must locate on industrial-zoned land that can be used for storing hazardous materials. A special use or conditional use permit (along with other permits and licenses) is typically necessary for this kind of storage. A lease location for this storage is acceptable. Monthly lease costs of this location are expected to range from \$200 to \$800.

B) **Yard location** - This is where the tank truck and service truck are parked and where customer tanks awaiting placement are stored. Again, a special use or conditional use permit (along with other permits and licenses) may be necessary for this kind of use. You will also need secure storage for parts on this site. Monthly rental costs are expected to range from \$200 to \$500. Purchase costs for this type of real estate can range widely and are not anticipated in this analysis because purchase is not generally necessary.

C) **Office space** - This may be the same location as the yard or storage location, but it is not necessary. The office can be located in a strip center, or you can share office space with a complementary business (such as plumbing supply, feed store, service station, etc.) You may also operate the office out of your home. Monthly rental costs are expected to range from \$200 to \$500. Purchase costs for this type of real estate can range widely and are not anticipated in this analysis because purchase is not generally necessary.

(5) **Propane Bulk Storage** - The use of a leased, or temporary, location for the placement of a storage tank of 12,000 to 30,000 gallons in size is adequate. The range of costs for the installation of a propane storage tank can be from \$5,000 (for a site requiring minimal improvements upon which you install a rented portable storage tank), and \$167,500 (for a fully developed one-acre site, excluding buildings, upon which you install a permanent propane storage).

(6) This includes a service truck, bobtail delivery truck and an initial purchase of a truckload of domestic tanks. See Item 10 for more information regarding equipment financing. You'll use in the development and operation of your 1st Propane® Franchise only those brands, types and/or models of equipment fixtures, tanks, vehicles, signs, Products, Services, etc. as are consented to and required by us. You'll purchase or otherwise obtain approved brands, types and/or models of equipment, fixtures, vehicles and signs only from suppliers designated by us, which may include ourselves and/or our affiliates. We can require you to purchase, lease, finance or otherwise acquire all items through us and/or an affiliate. (Franchise Agreement, Section 3.5; also, see Item 8)

7) We require you and your manager(s) to attend and successfully complete training with respect to the 1st Propane® format and methods of operation. We expect that part of this training will be at our headquarters in California, a 1st Propane® Franchise operated by us or another location that we designate. We don't charge a separate fee for your initial training program. However, we may charge a fee for optional or additional training/assistance. All costs in connection with training (travel, meals, lodging, etc.) are your responsibility. (Franchise Agreement, Section 5.1)

(8) **Additional Funds** is an estimate of the funds needed to cover business (not personal) expenses during the first 3 months of operation of the franchised business. You will need capital to support on-going costs of your business, such as payroll, utilities, taxes, loan payments and other expenses, to the extent that business costs are not covered by revenues. New businesses (franchised or not) often have larger expenses than revenues. As with most businesses, your costs will depend on factors such as how much you follow our recommended systems and procedures, your technical,

marketing and general business skills, local economic conditions, the local market for your business, competition, local cost factors and the sales levels achieved by you. This is only an estimate, however, and there is no guarantee that the amounts specified will be adequate or that additional investment by you will not be necessary during the three months of initial operation or afterwards. We do not furnish or authorize our salespersons or any other persons or entities to furnish estimates or otherwise as to the capital or other reserve funds necessary to reach "break-even" or any other financial position nor should you rely on any such estimates. The 3-month period from beginning business covers the time by which most Franchisees are fully in operation but does not necessarily mean that you will have reached "break-even", "positive cash flow", or any other financial position by that time. In addition, the estimates presented relate only to costs associated with the franchised business and do not cover any personal, "living" or other expenses you may have. In addition, you may very well need to invest (or have access to) significant additional amounts in connection with the operation and possible growth of the franchised business, including (among other things) for purchases/leases of domestic propane tanks, storage tanks, other operating equipment and/or otherwise.

Although your business may be through its "initial phase" by 3 months, you should not expect it to have reached "break-even" or any other financial level by that time and you may need startup capital (exclusive of franchise fee) of \$100,000 or more. The business may have negative cash flow for the first year or longer. There's no assurance that further funds will not be needed, and the actual needs of the business are highly variable and subject to factors beyond our control, such as location and your managerial ability, among others. We've based this estimate of "additional funds" on our experience with our franchisees. You should carefully consider these possible additional capital needs before making any investment or signing any binding documents. See Item 10 for related information.

(9) All of the above figures are estimates and we cannot guarantee you will not have additional expenses in starting your 1st Propane[®] business. Your costs will vary depending on such factors as: how much you follow 1st Propane[®] systems and procedures; your management and marketing skill, experience and general business ability; the size and location of your facility; whether the facility will be required to be adapted or refurbished and other conversion costs, local and general economic conditions including disposable income; the local market for 1st Propane services; levels of competition; prevailing wage rates and the sales levels reached by you during the initial period.

Miscellaneous costs to begin operations and other financial requirements may be more or less than the figures specified above, as a function of the size of business (number of staff, anticipated volume of business, etc.) which you intend to operate and other factors, some of which are mentioned above. Many of these factors are primarily under your control in your independent operation of the business. No provision has been made for capital or other reserve funds necessary for you to reach "break-even" or any other financial position nor do any of these estimates include any finance charges, interest or debt service obligations. You should review these figures carefully with a business advisor (such as an accountant) before making any decision to purchase the franchise.

Since costs can vary with each Franchisee (particularly if you're purchasing an existing 1st Propane Franchise), it is strongly recommended that you (1) obtain, before purchasing a franchise or making any other expenditures or commitments, independent estimates from third-party vendors and your accountant of the costs which would apply to your proposed establishment and continued operation of a 1st Propane Franchise, (2) discuss with past and current 1st Propane Franchisees their economic experiences (including initial costs) in opening and operating a 1st Propane Franchise and (3) carefully evaluate the adequacy of your total financial reserves.

Although we make no estimates or representations regarding financial performance of a 1st Propane Franchise, we strongly recommend that, in addition to the additional funds shown, you have

sufficient personal savings and/or income so that you will be self-sufficient and need not draw funds from the franchised business for at least six months after start-up.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Nature of Restrictions and Items Subject to Restrictions

The reputation and goodwill of each 1st Propane® Franchise is based on, and can be maintained only by, the satisfaction of all customers, which (in turn) depends on the availability of a wide variety of quality Designated Equipment, Products and Services, compliance with the 1st Propane® System and courteous and efficient service provided by all employees of 1st Propane® Franchises. We've already specified, and plan to specify in the future, various suppliers of Designated Equipment, Products and/or Services to be used or provided by 1st Propane® Franchises and that meet our standards and requirements, in each case in our sole and absolute discretion. Your 1st Propane® Franchise will purchase, use and offer each of, and only, such types, brands and/or quality of Designated Equipment, Products and Services as we designate and, where we so require, use only suppliers as designated by us. Designated suppliers may include, and may be limited to, us and/or companies affiliated with us. (Franchise Agreement, Section 10.2)

You'll use in the development and operation of your 1st Propane® Franchise only those (and each of those) brands, types and/or models of equipment fixtures, tanks, vehicles, signs, Products, Services, etc. as are consented to by us. You'll purchase or otherwise obtain approved brands, types and/or models of equipment, fixtures, vehicles and signs only from suppliers designated by us, which may include ourselves and/or our affiliates. We can require you to purchase, lease, finance or otherwise acquire all items through us and/or an affiliate. (Franchise Agreement, Section 3.5)

How We Issue and Modify Standards and Approvals of Suppliers and Related Items

We may designate a single supplier or limited number of suppliers, may designate a supplier only as to certain items and may concentrate purchases with one or more suppliers to obtain lower prices, advertising support and/or other benefits in our sole and absolute discretion. Specification of a supplier may be conditioned on requirements relating to frequency of delivery, standards of service, including prompt attention to complaints, or other criteria, and may be temporary, pending a further evaluation of such supplier by us, in each case in our sole and absolute discretion.

You'll notify us in writing (and submit to us the information, specifications, and samples as we request) if you propose to purchase, use or offer any type, brand and/or quality of items that have not been previously specified by us, or if you propose to use any supplier who has not been previously specified by us for the proposed item. We'll notify you within a reasonable time whether or not you're authorized to purchase or use the proposed type, brand and/or model of such items or to deal with the proposed supplier. We may withhold and/or revoke our approval of particular items or suppliers in our sole and absolute discretion. On receipt of written notice of revocation, you must immediately cease to sell or use any disapproved items and cease to deal with or use items from any such suppliers. (Franchise Agreement, Section 10.2)

We don't currently maintain or issue specific criteria, specifications or standards for approving suppliers or for goods or services used by our Franchisees, although we do have a list of approved suppliers and certain approved goods and services. Any supplier, however, who is able to provide equipment and/or supplies which have been approved in writing by us is, in effect, an approved supplier. We're glad to discuss the appropriate criteria for any existing or proposed item or supplier with any

Franchisee, on a case-by-case basis. When we develop specifications and standards, we're pleased to share them with our Franchisees, on a confidential basis.

We will, occasionally and as we reasonably determine, upgrade, improve and make available equipment, literature and manuals as necessary and advisable for the benefit of 1st Propane® Franchisees generally. We welcome suggestions from you. Each idea will be given consideration and information regarding these will be made available to all franchises if found to be beneficial to the 1st Propane® System.

Items Where We or Our Affiliates Are Approved Suppliers or the Only Suppliers

You must purchase or rent and use computer and other systems (including point-of-sale systems) and software programs which meet our specifications as they evolve over time and which, in some cases, may only be available through us and/or our affiliates. (Franchise Agreement, Section 4)

The proprietary software "PLATO" is only available to you through us.

Your portable handheld computers, and truck ticket printers are available only on a rental basis through us.

You must purchase from us or our approved vendors, designated 1st Propane uniforms; hats; stationery and specified decals, labels and logos bearing the 1st Propane® name. These items must be used in accordance with 1st Propane regulations and are available only through us or our authorized suppliers.

Our Revenues Based on Your Use of Approved Items

We and our affiliates may receive revenues from your purchase or lease of various items including computers, software, equipment and other supplies. In the fiscal year ending June 30, 20052006, our total revenues were approximately \$464,922_____. Our revenues from all purchases or leases by franchisees from us was \$8,855-0- which represents 20% of our total revenues. The amounts were derived from our statement of operations and include situations where we purchase equipment and other supplies and resell the items to you.

Proportions of Required Purchases

It is extremely difficult to reliably estimate the proportion of the cost of rental of the computer and other systems and software programs to all purchases and leases by you of goods and services in establishing and operating your 1st Propane® Franchise.

Assuming that the estimated minimum initial costs to begin operations and other financial obligations are within the ranges described in Item 7, the proportions of cost of the computer and other systems and software programs to begin operations and other financial obligations would range from 1% to less than 0.5%. It's extremely difficult to formulate a meaningful estimate of the proportion of required purchases (or leases) to all purchases and leases by a 1st Propane® Franchise over a particular period of operation of a 1st Propane® Franchise, since this varies depending on the usage and size of your operations and other factors. However, we estimate that in most cases the proportion of required purchases (or leases), which includes all purchase and leases by a 1st Propane® Franchisee in operation would be less than 1%

Negotiation of Purchase Arrangements - Purchasing or Distribution Co-operatives

We don't have any formal purchasing or distribution cooperatives. We may (but can't guarantee that we will) negotiate purchase arrangements with suppliers (including price terms) for the benefit of 1st Propane Franchises.

Legal Benefits Based on Use of Designated or Approved Sources

We don't condition providing benefits (such as the award of a successor or additional franchise) on use of designated or approved sources. However, failure to use approved items and suppliers might, like other matters, be a default under the Franchise Agreement and, in general, any Franchisee in default would not be awarded a successor or additional franchise and might even be subject to termination.

Purchasing or Distribution Cooperatives

There are no formal or mandatory purchasing or distribution cooperatives in the 1st Propane® System, although our Franchisees may get together to purchase various items on a voluntary basis.

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.

Obligation	Section in Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	3.1-3.2, 3.8	8 and 11
b. Pre-opening purchases/leases	3.1-3.2, 3.4-3.6	8 and 11
c. Site development and other pre-opening requirements	3.1-3.8	11
d. Initial and ongoing training	5.1	5, 6 and 11
e. Opening	3.4, 3.6 -3.7	7
f. Fees	5.1-5.2, 9.1-9.7, 10.6, 10.8, 11.1-11.3, 14.3-14.4, 15.2	5, 6, 11 and 17
g. Compliance with standards and policies/Operating Manual	3.3, 5.3, 10.1-10.9, 16.2	8 and 11
h. Trademarks and proprietary information	6.1-6.4, 8.1	13 and 14
i. Restrictions on products/services offered	1.2, 3.3, 3.5, 10.2-10.3	8
j. Warranty and customer service requirements	10.1-10.8	Not Applicable
k. Territorial development and sales quotas	2.2, 16.2, Exhibit 2.2	12
l. On-going product/service purchases	4, 10.1-10.4, 10.9, 10.6	8
m. Maintenance, appearance and remodeling requirements	10.1-10.9	17
n. Insurance	10.6	7
o. Advertising	3.7, 11.1-11.3	7 and 11
p. Indemnification	7.1-7.4, 14.2	Not Applicable

Obligation	Section in Agreement	Item in Offering Circular
q. Owner's participation/management/staffing	10.5	15
r. Records/Reports	12	6
s. Inspections/Audits	13	6
t. Transfer	14.2-14.5, 14.7	6 and 17
u. Renewal	15.1-15.2	6 and 17
v. Post-Termination obligations	16.11, 17.1-17.6	6 and 17
w. Non-Competition covenants	8.2, 17.4	17
x. Dispute resolution ⁽¹⁾	19.1-19.16	17
y. Entire Agreement	21	Not Applicable

(1) The Franchise Agreement contains a mandatory arbitration clause governing nearly all disputes between you and us, as well as other clauses covering dispute resolution and which may affect your rights. You should read Articles 19 and 21 of the Franchise Agreement and you may want to consult an attorney regarding the effect of these provisions. You and we agree that the Federal Arbitration Act governs the Franchise Agreement.

10. FINANCING

We offer indirect financing but don't guarantee your notes, leases or other obligations. We'll refer you to companies experienced in the field of financing operations similar to a 1st Propane® Franchise and may assist you in the application process, but, due to possible changes in credit markets, evaluation of your credit worthiness and other factors (many of which are beyond our control), we can't give you any guarantees or make any representations as to the availability, terms, conditions or otherwise of any possible financing, guarantees or financial or other support. (Franchise Agreement, Section 3.9)

11. OUR OBLIGATIONS

A. Our Obligations Before the Opening of Your Business

Except as listed below, we need not provide any assistance to you. Please note that the following list is only of the items we're legally obligated to provide you and that we may provide additional items on a voluntary (but not legally-required) basis.

1. Grant of Franchise. We grant you the Franchise. (Franchise Agreement, Section 2.1)
2. Specification of Territory. We specify the Territory where you will be operating your business. (Franchise Agreement, Section 2.2 and Exhibit 2.2)
3. Site Review. We review and consent or deny consent to your proposed site. (Franchise Agreement, Sections 3.1 and 3.2)
4. Design, etc. We'll furnish you with our standard specifications and other requirements for design, decoration, layout, equipment, tanks, furniture, fixtures, signs, trade dress and other items for your 1st Propane® Franchise, including vehicles and the Office/Yard, with which you'll promptly comply. (Franchise Agreement, Section 3.3)
5. General Guidance and Assistance. We'll furnish guidance to you with respect to: (1) specifications, standards and operating procedures utilized by 1st Propane® Franchises, including any

modifications; (2) purchasing approved equipment, tanks, vehicles, fixtures, signs, inventory, operating materials and supplies; (3) developing and implementing local advertising and promotional programs; (4) administrative, bookkeeping, accounting, inventory control and general operating and management procedures; (5) establishing and conducting employee training programs at your 1st Propane® Franchise; (6) marketing strategy; and (7) help identify and negotiate with sources for wholesale propane supplies and identify liability insurers. This guidance can, in our sole discretion, be furnished in the Manuals, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at your 1st Propane® Franchise. You'll follow and utilize this guidance. (Franchise Agreement, Sections 3.10 and 5.2)

6. Manuals. We'll ~~loan or~~ make available to you, during the term of the Franchise Agreement, 1 copy of our Manuals. The Manuals will contain specifications, standards, policies and procedures prescribed from time-to-time by us for the operation of a 1st Propane® Franchise (including but not limited to all goods and services to be sold and/or provided at or from your 1st Propane® Franchise and/or in association with the Marks.) The Manuals include one or more handbooks, manuals, bulletins and/or volumes, other materials (including materials distributed electronically or otherwise), and video, audio and/or software products (Franchise Agreement, Sections 1.2 and 5.3) The table of contents of the Manual is attached to this Offering Circular as Exhibit C. ~~The Manual contains a total of 486 pages.~~

7. Pre-Opening Review. You won't open your 1st Propane® Franchise for business until: (1) we notify you that all of your pre-opening obligations have been fulfilled; (2) pre-opening training of all of your personnel has been completed; (3) all amounts then due us (or any affiliate) have been paid; and (4) we've been furnished with copies of all insurance policies (or such other evidence of insurance coverage and payment of premiums as we request) certificates of liability insurance naming us as an additional insured with a waiver of subrogation, and leases/subleases as required by the Franchise Agreement. You'll open your 1st Propane® Franchise for business and commence business pursuant to the Franchise Agreement within 5 days after we give notice to you stating that your 1st Propane® Franchise is ready for opening. (Franchise Agreement, Section 3.6)

8. Review of Grand Opening Advertising, etc. We'll ~~review and consent or deny consent to your proposed~~ establish a grand opening advertising and promotional program. (Franchise Agreement, Section 3.7)

9. Training. As discussed in more detail below, we'll provide you with pre-opening training.

B. Our Obligations During the Operation of Your Business

1. General Guidance and Assistance. We'll furnish guidance to you with respect to:

(a) specifications, standards and operating procedures utilized by 1st Propane® Franchises, including any modifications;

(b) purchasing or leasing of approved facilities, equipment, fixtures, tanks, vehicles, signs, products, services, etc.;

(c) administrative, bookkeeping, accounting, inventory control and general operating and management procedures;

(d) establishing and conducting employee training programs at your 1st Propane® Franchise.

This guidance can, in our sole discretion, be furnished in the Manuals, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at your 1st Propane® Franchise. Note that some of this assistance may be provided before you open your business. (Franchise Agreement, Section 5.2)

2. Marketing Assistance. We will assist you with marketing by compiling a mailing of up to 100 names from your prospect list each month. We will pay the cost of the materials mailed, postage and our time to assemble the mailing and we may be reimbursed from the Marketing Fund for our direct and other costs in connection therewith. You agree to compile and maintain the list necessary for us to do this mailing with a suggested target of 100 names. We will assist you, to the extent necessary in our sole and absolute discretion, with developing marketing materials specific to individual locations. (Franchise Agreement, Section 5.4) We will provide you with a grand opening advertising and promotional program for which you pay us. See Item 5. (Franchise Agreement, Section 3.7)

3. Accounting Services. Provided that you're in full compliance with all of your operational, payment and other obligations to us (and/or any affiliate), including but not limited to appropriate use of our Proprietary Software, use of designated hardware and other software and providing us with all required reports, etc., we will provide, through our software, various reports that will assist you with the operation of your 1st Propane® Franchise. As soon as is practical after the end of each month, we will provide you with an (unaudited) financial statement presenting the results of your operations for the previous month and year to date. This statement will include an income statement and a balance sheet, and other reports which we feel may be useful in the operation of your 1st Propane® Franchise. We will print your customer statements each month, on a date designated by us, and will forward those statements to you for postage and mailing. We will process your payroll every two weeks, providing you with an itemized payroll statement for you to present to your employees with their payroll check, but all actual payroll (and other) payments are your sole responsibility. (Franchise Agreement, Section 5.5)

We will keep track of your payroll tax withholding and prepare monthly and quarterly payroll tax reports, forwarding the reports to you for your signature and payment. We will keep track of your sales tax and fuel tax collections and payment obligations, forwarding the reports to you for your signature and payment. We will process certain other tax reports and forms for you, including, but not limited to, property tax reports and end of year payroll tax reports and employee W-2's, but we will not prepare or otherwise be involved with tax reports concerning or related to income taxes, VAT, GST or similar taxes. All obligations (including payment) and liabilities related in any way to your taxes are solely yours and our services are limited to preparing such statements based on information received from you.

4. Relocation of 1st Propane® Franchise Office/Yard. If your lease or sublease for your 1st Propane® Franchise Office/Yard expires or terminates without your fault, if the Office/Yard are damaged, condemned or otherwise rendered unusable, or if, in your and our judgment, there is a change in the character of the location of the Office/Yard sufficiently detrimental to its business potential to warrant its relocation, we'll grant permission for relocation of your 1st Propane® Office/Yard to a location reasonably acceptable to us and without charging you an additional initial franchise fee, but any such relocation will be at your sole expense and you (and each affiliate of yours) will sign a general release, in form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Entities. (Franchise Agreement, Section 3.8)

5. Manuals. As noted above, we'll ~~loan or~~ make available to you our Manuals while you are a franchisee.

6. Marks and System. We're obligated to allow you to use our Marks and the 1st Propane® System. (Franchise Agreement, Section 2.1)

7. Proprietary Software. We'll loan you a software program, "PLATO", for your use in connection with operating your business.

8. Designated Equipment, Products and Suppliers. We specify various suppliers of Designated Equipment, Products and/or Services to be used or provided by 1st Propane® Franchises and that meet our standards and requirements, in each case in our sole discretion and business judgment. (Franchise Agreement, Section 10.2)

9. Transfer. Subject to compliance with various conditions, we will consent to various transfers by you. (Franchise Agreement, Sections 14.2 through 14.7)

10. Successor Franchise. Subject to compliance with various conditions, we will grant you a successor franchise. (Franchise Agreement, Section 15.2)

C. Advertising Programs

With respect to the Marketing Fund and any advertisements you may place on your own, there's no general restriction on the media in which advertisements may be placed, and advertisements may appear in print, radio, television or other media and the media may cover local, regional, national or other areas. Sources of advertising may be an in-house advertising department, a national or regional advertising agency or otherwise, as we think appropriate.

Franchisees are allowed (and encouraged) to develop and place their own advertising, but, prior to their use by you, samples of all advertising and promotional materials not prepared or previously approved by us must be submitted to us for review and consent. All matters related in any way to any proposed marketing by you by electronic means, including (but not limited to) the Internet, World Wide Web or otherwise, such as use of a home page, links, content or otherwise, is subject to our prior approval. If written disapproval is not received by you within 7 days from the date of receipt by us of such materials, we will be deemed to have given the required consent but we can later retract any consent (express or as a result of such failure to) by written notice to you. You won't use any advertising or promotional materials that we have disapproved or that does not include the copyright registration notices, trademark registration and other notices required by us. We can require that a brief statement regarding the availability of information regarding the purchase of 1st Propane® franchises may be included in all advertising used by you and that a brochure regarding purchase of 1st Propane® franchises be placed in a prominent location in your 1st Propane® office, or on your equipment, including trucks and tanks. (Franchise Agreement, Section 11.2)

We don't have an "advertising council" as such, but we always welcome Franchisee input regarding all retail marketing matters.

We may, in our sole and absolute discretion, establish one or more associations and/or sub-associations of 1st Propane® franchisees covering territories that include your 1st Propane® Franchise, to be known collectively as the 1st Propane® Franchise Owners Association ("1st Propane® FOA"). You must join and actively participate in 1st Propane® FOA and must contribute to 1st Propane® FOA such amounts as are determined from time-to-time by the 1st Propane® FOA. 1st Propane® FOA may adopt its own rules, regulations and procedures, which you must follow but the rules, regulations and procedures of 1st Propane® FOA are subject to consent by us in our sole and absolute discretion. Your failure to

timely contribute the amounts required by, or comply with the rules, regulations and procedures of, 1st Propane® FOA constitutes a material breach of the provisions of the Franchise Agreement. We may offset against amounts we owe to you the amount of your unpaid 1st Propane® FOA contributions. (Franchise Agreement, Section 11.3)

All 1st Propane® Franchisees are required to contribute to the 1st Propane® Marketing Fund, and 1st Propane® Franchises owned by us will make contributions to the Marketing Fund at the level of our then-current form of Franchise Agreement. You'll contribute to the Marketing Fund 1% of Gross Volume each month, but in any event you will contribute no less than \$47 per week, subject to inflation adjustment. The percentage and minimum marketing contributions will be calculated and payable at the same time and in the same manner as the percentage and minimum royalties. All 1st Propane® Franchisees will contribute at the same rate.

The Marketing Fund is administered by us. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by us and be furnished to you on written request. We may (but are not required to) have financial statements of the Marketing Fund audited and any costs in connection with it will be paid by the Marketing Fund.

We'll have sole and absolute discretion over all matters relating to the Marketing Fund in any way, including (but not limited to) its management, all financial matters, expenditures, receipts and/or investments by the Marketing Fund, timing of expenditures, creative concepts, content, materials and endorsements for any marketing programs, together with the geographic, market, and media placement and allocation thereof. Subject only to the restrictions of the first paragraph of this Section with regard to majority approval for purchase of media, the Marketing Fund may be used, in our sole and absolute discretion, to (among other things) pay costs of preparing, producing, distributing and using marketing, advertising and other materials and programs; administering national, regional and other marketing programs, promoting safety awareness among customers, purchasing media, employing advertising, public relations and other agencies and firms; and supporting public relations, market research and other advertising and marketing activities, as well as any expenses associated with any Franchisee Advisory Council(s), if those Councils, and such expenses, are approved by us in our sole and absolute discretion. A brief statement regarding the availability of information regarding the purchase of 1st Propane® franchises may be included in advertising and other items produced and distributed using the Marketing Fund. (Franchise Agreement, Section 11.1)

During the 2005 fiscal year, Marketing Fund monies were spent on the following: production 21%, media placement 21%, administrative expenses - \$21,004.07 (5133%), ~~advertising materials—\$12,710.40 (31%) and mailing postage —\$6,929.98(1725%)~~. No Marketing Fund monies were used for advertising that was principally a solicitation for the sale of franchises.

We can, in our sole and absolute discretion, arrange for services, goods and otherwise, including (but not limited to) creative concepts, production, placement, purchase of media, legal, accounting and other services, to be provided to the Marketing Fund by ourselves, any affiliated persons/companies and our and/or their employees or agents, including persons/entities who may be owned, operated, controlled by, and/or affiliated with, us (such as an "in-house advertising agency") or may be independent. We may use the Marketing Fund to compensate and reimburse any of such persons/entities (including ourselves) as we deem appropriate in our sole and absolute discretion (including payment of commissions) and to compensate ourselves or others for administrative and other services, materials, etc. rendered to the Marketing Fund, provided that any compensation to us or any persons/entities owned, controlled and/or operated by us will be reasonable in amount. While we're not required to submit any proposed or other expenditures by (or any other matters relating to) the Marketing Fund for approval by any Franchisee Advisory Council, if we do submit any matters for approval and approval is granted by a majority of such

Franchisee Advisory Council, such approval will be final and binding on you. (Franchise Agreement, Section 11.1)

We (or our affiliates) can, and do, receive payments for goods and services supplied to the Marketing Fund. Specifically, we can, in our sole and absolute discretion, employ individuals or companies ("consultants") to provide services to and/or for the Marketing Fund, including creative concepts, production, placement, purchase of media, legal, accounting and other services. These consultants may be our employees or agents, can be owned, operated by, and/or affiliated with us (such as an "in-house advertising agency") or might be independent and we can compensate any of these consultants as we deem appropriate in our sole and absolute discretion (including payment of commissions), provided that any compensation to any of our employees or any advertising agencies and/or other entities owned and/or operated by us will not be unreasonable in amount. (Franchise Agreement, Section 11.1)

We have no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are or will be proportionate or equivalent to the contributions to the Marketing Fund by 1st Propane® Franchises operating in that geographic area or that any 1st Propane® Franchise will benefit directly or in proportion to its contribution to the Marketing Fund from its contributions or from the development of advertising and marketing materials, the placement of advertising or otherwise. (Franchise Agreement, Section 11.1)

We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and the Marketing Fund may borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. (Franchise Agreement, Section 11.1)

None of your Marketing Fund contributions are used for advertising that is principally a solicitation for the sale of franchises.

See Item 6 for further information regarding required advertising contributions and expenditures.

D. Electronic Cash Register or Computer System

You must use point-of-sale (POS) systems and software from us. You must maintain Internet access in order to use our systems.

We'll provide the software or electronic access necessary to operate the 1st Propane® System and may provide periodic updates, improvements, and revisions to this software (as we deem appropriate in our sole and absolute discretion) at no cost to you, each of which you'll promptly implement. You understand that the software may contain features allowing us to remotely disable it, to disable it if certain security codes (supplied by us) are not supplied at the appropriate time and to protect against theft or in the breach of any of your obligations to us and/or any affiliate. We're not required to make any updates, improvements, revisions or otherwise and all such matters are in our sole and absolute discretion. (Franchise Agreement, Section 4)

The proprietary software includes (but is not limited to) "PLATO." All upgrades and maintenance of proprietary software and rented hardware will be provided by 1st Propane. You may have to upgrade the operating system on computer systems owned by you in order to access "PLATO". The hardware requirements are a computer that will operate with Microsoft Windows XP Professional, and a printer that is compatible with the PLATO system. The software requirements are the use of the Microsoft Windows XP Professional operating system.

All computer systems are used for data collection and management information. All operational data (sales, accounts payable, customer data, etc.) are maintained on our PLATO server in our office.

E. Manuals

Attached as Exhibit C are copies of the Table of Contents of the Manuals. Currently, the Manuals contain 665 pages. The Manuals will be provided to you electronically.

F. Methods Used to Select the Location of Your Business

We don't select the site for your 1st Propane® Franchise; you do, subject to our acceptance, which we won't unreasonably withhold, assuming the site meets our standards. All matters related to site selection, development, etc. are your sole responsibility. (Franchise Agreement, Section 3.1)

G. Typical Length of Time to Open Your Business

We estimate that the typical length of time between signing of the Franchise Agreement and payment of the Initial Franchise Fee and the opening of your 1st Propane® Franchise ranges from 2 to 8 months. Factors affecting this length of time can include ability to obtain a lease, securing the propane storage tank location, financing, building permits, zoning compliance and/or variances, local ordinances, weather conditions which might affect construction, shortages, delayed delivery and/or installation of equipment, fixtures and signs, obtaining required licenses, permits, etc. and how soon you can begin to receive training.

H. Training Program

We will furnish you (or a managing partner or majority shareholder designated by you and consented to by us), and your initial manager with an Initial Training Program covering the operation of a 1st Propane® Franchise. We will conduct the initial training program at a time and place, and for a period of time, we designate.

We will present the "Initial Training Program" to existing franchise personnel on a "space available" basis, depending on the scheduling, location, number of trainees and the number of franchisees participating. We do not charge for the initial training, but you are responsible for all travel, meals, lodging and other living expenses.

Before beginning the "Certified Employee Training Program", you (or a managing partner or majority shareholder consented to by us) and your initial manager must each complete (on your own time) the "CBTPs" (Computer Based Training Programs) and the reading of all student training manuals. Following completion of the "CBTPs" and the reading of the manuals, you will provide us with a copy of your CBTP "Certification of Completion". We will then provide you with a schedule to attend and complete the "CETP" (Certified Employee Training Program) to our satisfaction before beginning operation of a 1st Propane® Franchise. We require successful completion of the CBTPs, CETP, and 1st Propane® Safety & Technical Training by all of your initial, future and/or additional supervisory personnel. We will furnish the "Initial Training Program" at times and places designated by us.

We may provide, and require you to purchase or rent training materials in video, CD-ROM, textbook or other form and may impose a reasonable charge for keeping such materials beyond the time specified. We require you and your employees to periodically successfully complete on-going and refresher training. (Franchise Agreement, Section 5.1)

You and each of your employees will undertake a minimum of 1 day (8 hours) of safety, technical operations, management, marketing or other related refresher training between the months of May and September each year. Prior to September 30 of each year, you will provide us with a signed statement certifying the completion of this training. This statement will list the trainer's name, employee's name, legal identification number and the courses of training completed.

The initial training program schedule outlined in the table below is usually conducted for every new franchisee, though we may modify the program and/or group several new or existing franchisees together for cost efficiency.

If we determine that you (or a managing partner or shareholder consented to by us) or your manager have not successfully completed (or are not making satisfactory progress in) the initial training, we may cancel all of your rights (and all of our obligations) under the Franchise Agreement. Alternatively, we can require ~~you to~~: (1) a manager or other person we designate be placed in the your 1st Propane® Franchise to supervise its day-to-day operations at your cost and/or (2) you (or a managing partner or shareholder consented to by us) and/or ~~hire a substitute manager and arrange for him/her to complete the training program to our satisfaction.~~ (See item 5 of this Offering Circular and Section 5.1 of the Franchise Agreement).

We will not train you, your managing partner, your majority shareholder, your manager or your employees for obtaining licenses such as commercial driver's licenses, contractor's licenses or other licenses required or useful in the operation of your 1st Propane® Franchise. We will advise you regarding obtaining state-required licenses related directly to the operation of a propane business but can make no assurances that such licenses will be issued.

Computer-Based Training Programs (CBTP)

You will be loaned or provided access to "Computer-Based Training Programs (CBTP) to complete on your own time. A computer-based exam is given at the successful completion of all CBTP subjects. A printout of the successful completion of each CBTP must be furnished to 1st Propane® before the student will be authorized to participate in the 1st Propane® classroom Certified Employee Training Program (CETP).

The computer-based training programs (CBTPs) include the following training:

CBTP #1: CETP-Basic Principles & Practices

The program is divided into 11 lessons. A quiz is given at the completion of each sub-lesson with an exam given at the completion of a subject. A copy of the "Certificate of Completion" with the exam results must be furnished to 1st Propane® Operations Department.

1. Tutorial
2. Overview
3. Ground to Gas
4. Transportation and Regulation
5. Plant Layout
6. Cylinders and Exchanges
7. Shop or Warehouse
8. Preventing Fire and Injury
9. Customer Service

10. Customer Systems
11. Priority Calls

CBTP #2: PERC-Initial OSHA & DOT Training

The program is divided into 9 separate training modules. A quiz is given at the completion of each module and when the quiz has been successfully completed, the program instructs the trainee to print out a "Certificate of Completion. The "Certificate of Completion" must be filled out and signed by the trainee's supervisor or instructor and a copy retained in the trainee's file to certify that he/she has successfully completed each module on which he/she receives training. A copy of each module's "Certificate of Completion" must be furnished to 1st Propane® Operations Department. The computer-based training program consists of the following modules:

1. Training Requirements
2. Hazard Communication
3. General Awareness Hazmat Training
4. Emergency Response and Safety
5. Loading and Unloading
6. CMV Driver Requirements
7. Vehicle Inspection
8. Cylinder Safety
9. Materials of Trade

CBTP #3: U.S. Dept of Transportation – Hazmat Transportation Security Awareness Training

A "Certificate of Completion" for this program is attached to the "Franchise Security Plan, Policies & Procedures. This certificate should be completed by the franchisee, his manager and employees and retained in the franchisee's training files. The Security Awareness Training CD-ROM consists of the following:

1. Introduction
2. Potential Targets
3. Potential Threats
4. Prevention Tools
5. Library

Certified Employee Training Program (CETP)

The 1st Propane® Certified Employee Training Program (CETP), a formal structure of training, testing and documentation produced by the Propane Education & Research Council (PERC), assures that workers in the propane industry have the knowledge and skills necessary to perform their work safely and effectively.

CETP involves a dual certification process. Industrial Training Services (ITS) certifies the successful completion of the classroom (knowledge) portion of the program and a 1st Propane® instructor, franchise supervisor or independent certified trainer (authorized by us) verifies hands-on (skill) field activities.

The training curriculum includes a student manual, self-check quizzes and certification exam for each instructional module. Certification is issued after successful completion of both elements of the program:

1. Knowledge Assessments: demonstrate proficiency through an objective, multiple-choice examination issued and graded by ITS in Murray, Kentucky.

2. Skill Assessments: verify the ability to perform actual hands-on field activities.

1st Propane® CETP training includes the following certification areas:

- 1.0 Basic Principles and Practices
- 2.1 Propane Delivery Basics
- 2.2 Operating a Bobtail to Deliver Propane
- 2.5 Operating a Truck, Tank Trailer or Tractor-Trailer to Deliver or Relocate ASME Tanks
- 3.0 Basic Plant Operations
- 4.1 Layout, Design & Selection of a Vapor Distribution System
- 4.2 Preparing & Installing Vapor Distribution System Components

Training Schedule

The 1st Propane® Training Program is mandatory for all franchise personnel. The training schedule is outlined in the following table. Instructional materials include the CBTP programs, CETP and Company manuals plus training videos, props and other learning aids. Additional training may be necessary or required by State and Local Regulations. Some states require licenses for the business as well as individual employees before they will be allowed to open a propane franchise.

SUBJECT	INSTRUCTIONAL MATERIALS	HOURS OF SELF-STUDY	HOURS OF CLASS-ROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	INSTRUCTOR
CETP Basic Principles & Practices	CBTP	8	0	0	Self Taught
PERC OSHA/DOT/EPA Hazmat Training	CBTP	8	0	0	Self Taught
US DOT Hazmat Security Training	CBTP	4	0	0	Self Taught
Basic Principles & Practices	CETP 1.0	4	4	4	1st Propane® Staff
Propane Delivery Basics	CETP 2.1	4	6	4	1st Propane® Staff
Operating a Bobtail to Deliver Propane	CETP 2.2	8	8	8	1st Propane® Staff
Operating a Truck and/or Trailer to Deliver ASME Tanks	CETP 2.5	8	8	4	1st Propane® Staff
Basic Plant Operations	CETP 3.0	8	8	8	1st Propane® Staff
Design Vapor Dist System	CETP 4.1	8	6	4	1st Propane® Staff
Install Vapor Dist System	CETP 4.2	8	8	8	1st Propane® Staff
1st Propane® Operations	eManual	4	0	2	1st Propane® Staff
1st Propane® Management & Marketing	eManual	4	0	4	1st Propane® Staff

SUBJECT	INSTRUCTIONAL MATERIALS	HOURS OF SELF-STUDY	HOURS OF CLASS-ROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	INSTRUCTOR
1st Propane® Accounting & Software	PLATO & Forms	0	8	10	1st Propane® Staff
Telephone Training (As Required)	-	-	-	-	1st Propane® Staff
Totals		76	56	56	

New Employee, Retesting, Refresher or Follow-Up Training

We provide training materials necessary for your management or supervisory level personnel (authorized by us) who themselves have been previously trained and certified to conduct the training of non-management and non-supervisory level personnel employed by you who have not successfully completed our "Initial Training Program" or who require retesting, refresher or follow-up training. On your request, we will provide training manuals and other materials and a registered proctor to administer the CETP certification exams and a certified instructor to verify the skill level assessments at times and places to be designated by us. We may charge you for expenses incurred in administering the training exams and verification of the skill level assessments. Your personnel may be provided training at our regular scheduled Initial Training Program classes on a space available basis only as determined by us.

Software Training

You will appoint a "key operator" that will be responsible for operating the PLATO software and any other Proprietary software provided by us. This operator will be trained by us. We will be available at all times to continue to train and upgrade the skill of this operator by telephone and e-mail from our office. Training for additional or replacement key operators will be furnished at a reasonable charge at times and places designated by us. You (or a managing partner or majority shareholder consented to by us), and your key operator will be required to participate in the key software operator training session in order to be familiar with the operation of the system and the features that apply to everyday management information, marketing and operations.

Replacement of Supervisor

If as a result of observations, test results or otherwise during initial training or thereafter (including during operation of your 1st Propane® Franchise) we determine that it's appropriate, we can, in our sole and absolute discretion require that (1) a manager or other person designated by us be placed in your 1st Propane® Franchise to supervise its day-to-day operations for the purpose of assuring compliance with our standards (you will pay all related costs, including salary, normal corporate benefits, travel, meals, lodging and incidental expenses); and/or (2) you (or a managing partner or shareholder consented to by us) and/or a manager appointed by you, re-attend and successfully complete all training, with all costs paid by you.

Additional and Refresher Training

You (or a managing partner or shareholder consented to by us), and the franchise manager and employees must attend additional and/or refresher training programs if we designate them as mandatory. These programs will be conducted at locations specified by us, including national and regional conferences, conventions and meetings. You and your managers, supervisors and employees

may attend any additional training programs offered by us at our offices on a space available basis only, and at our option. We won't charge a fee for any additional mandatory training programs but we may charge a fee for any optional training programs. You will be responsible for all travel, living, incidental and other expenses and compensation for you and your personnel attending any training program.

Safety Meetings

All of your managers, supervisors and employees that handle propane must participate in monthly safety meetings that are administered by you and held at your 1st Propane franchise location. We may provide safety materials you may use for this meeting and you will document the holding of the meeting, as well as attendance by the required personnel on forms provided by you or us. Periodically, at a time of our choosing, we may hold a safety and/or training meeting at your 1st Propane franchise location. All of your personnel involved in marketing will be required to attend sales and/or training meetings held by us at your 1st Propane franchise location, at a time of our choosing. We may charge a reasonable fee for materials used and/or distributed at such meetings. (Franchise Agreement, Section 5.1)

12. TERRITORY

General - Franchise Agreement

During the term of the Franchise Agreement, we will not enter into a Franchise Agreement licensing a 1st Propane® Franchise, or open a 1st Propane® Franchise owned by us, to service sites located inside the area (the "Territory") described on Exhibit 2.2, provided that you (or any affiliate of yours) are not or have not been, in default under any of your covenants, obligations and/or agreements under the Franchise Agreement and/or other agreement with us or any affiliate of ours and, in any event, subject to our rights as set forth in the Franchise Agreement, including the provisions of Section 2.2.

Other than as expressly provided above, you do not have any "exclusive territory" or any "exclusive," "protected" or "reserved" territorial or other rights or expectations, no such rights are granted or will be inferred and there is, and will be, no limitation of any type on our rights to locate and/or consent to the location of other 1st Propane® Franchises or other distribution facilities of any type at any location, regardless of the distance from, impact on, or vicinity of, your 1st Propane® Franchise or the number of 1st Propane® Franchises or other outlets in an area or market. In any event, and notwithstanding anything else in the Franchise Agreement or otherwise, we (and/or those we appoint) can own and/or operate ourselves or authorize others to own and/or operate (1) 1st Propane® Franchises servicing sites located outside the Territory using the Marks and/or System and (2) any business located anywhere, whether using the Marks and/or 1st Propane® System or not, which is not substantially similar to and/or competitive with the business franchised to you under the Franchise Agreement.

In any event, we can acquire or be acquired, or engage in any other transaction with other businesses, with units located anywhere (including in the Territory), under any other format. We or any affiliate may be acquired and/or our company-owned or other businesses may be converted to another format, maintained as a new concept, or maintained as a separate concept. Units in the Territory may not be converted by us to the 1st Propane® format (and using the Marks and/or 1st Propane® System). Any company acquiring us may exercise any of our rights under this agreement.

If you are subject to termination, or have failed to meet the performance standards described in Section 16.2, we may, in our sole and absolute discretion, reduce, eliminate or otherwise modify your territorial rights. You will not use the Marks and/or System, or operate your 1st Propane® Franchise,

outside the Territory without our prior written consent, which we may withhold or condition in our sole and absolute discretion.

Relocation

If your lease or sublease for your 1st Propane® Franchise expires or terminates without your fault, if the Office/Yard are damaged, condemned or otherwise rendered unusable, or if, in your and our judgment, there is a change in the character of the location of the Office/Yard sufficiently detrimental to its business potential to warrant its relocation, we'll grant permission for relocation of your 1st Propane® Office/Yard to a location reasonably acceptable to us and without charging you an additional initial franchise fee, but any relocation is at your sole expense and you (and each affiliate of yours) will sign a general release, in form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Entities. (Franchise Agreement, Section 3.8)

Solicitation of Business

You're only allowed to service sites located in the Territory and you won't use the Marks or System outside the Territory.

Options, Rights-of-First-Refusal, etc.

You're not given any options, rights-of-first-refusal or similar rights under the Franchise Agreement.

Other Outlets or Channels of Distribution Under a Different Trademark

Neither we nor any affiliate has established, or has present plans to establish, other franchises or outlets or another channel or distribution selling or leasing similar products or services under a different trademark, but there is no contractual restriction on our right to do so.

Continuation of Your Territorial Rights

A 1st Propane® franchise is awarded based on our expectation, and your promise, that you will continuously and diligently use your best efforts to fully develop all available business. The success of the 1st Propane® concept, as well as your and our success, and the success of your fellow 1st Propane® Franchisees, depends in large part on your vigorous, pro-active marketing efforts and your maximization of all available business and that you and we have, therefore, a shared interest in Franchisee not falling to an excessively low level of gallons of propane sold, as well as all 1st Propane® Franchisees maintaining a leading position in the industry. In particular, we would not award you a franchise if we had anticipated that your level of gallons of propane sold would be significantly below our requirements. Consistent with this mutual understanding, we have a performance standard that applies to franchisees, as described below:

Safety Standard

1st Propane® Safety Standards

You must comply with 1st Propane® Safety Policies and Procedures and Federal, State and Local laws, codes and regulations and the local authority having jurisdiction related to the operation of your 1st Propane® Franchise. We will conduct periodic safety and operational audits of your franchise

and if we determine in our sole and absolute discretion that your franchise is not in compliance with our Safety Policies and Procedures or those federal, state and local laws, codes and regulations and the authority having jurisdiction in effect at the time, then upon notice of default we may require that a manager or other person designated by us, be placed in your 1st Propane® franchise to supervise its day-to-day operations for the purpose of assuring compliance with our Safety Policies and Procedures and/or all applicable Federal, State and Local laws, codes and regulations. You will pay all related costs, including salary, benefits, travel, meals, lodging and incidental expenses.

Performance Standard

You will continuously and diligently follow all 1st Propane® System Standards and use your best efforts to fully develop all available business. In particular, you must meet a minimum level of gallons of propane sold within certain time frames.

1st Propane® System Standards

From time-to-time, in our sole and absolute discretion, your 1st Propane® Franchise will be inspected and otherwise evaluated (including field service visits, customer comment cards and secret shopper reports) for compliance with 1st Propane® System Standards, using a scoring system that we may use for 1st Propane® Franchises owned and/or operated by us and/or our affiliates. If we implement such a scoring system, your 1st Propane® Franchise will be assigned a System Standards Score in each major category (categories to be the same as used in evaluating 1st Propane® Franchises owned and/or operated by us and/or our affiliates) and compared with the average scores in each such category as achieved by 1st Propane® Franchises owned and/or operated by us and/or our affiliates. (If, at any time, neither we nor any of our affiliates own and/or operate any 1st Propane® Franchises, we may substitute average System Standards Scores of all 1st Propane® Franchises.)

An Initial Review will be made as of 12 months after the date of the Franchise Agreement. At that time, we will review your gallons of propane sold, as reported on a regular, on-going basis by you, during the preceding twelve (12) months. If, as of the initial review, you have not sold at least 100,000 gallons of propane during these twelve (12) months, you will be deemed to have not met the "Applicable Standard" and the Procedures described below will come into effect.

At that time, we may also review your Systems Standards score in each major category, as well as gallons of propane sold, as reported on a regular, on-going basis by you, during the preceding twelve (12) months. If, as of the initial review, (a) your System Standards Score in any major category is lower than the average System Standards Score and/or (b) you have not sold at least 100,000 gallons of propane during such twelve (12) months, you will be deemed to have not met the "Applicable Standard" and the Procedures described below will come into effect.

A Continuing Review of your Systems Standards score in each major category, as well as your gallons of propane sold, will be made every 12 months, beginning 24 months after the date of the Franchise Agreement and continuing every 12 months afterwards. At that time, we will review your gallons of propane sold, as reported on a regular, on-going basis by you, during each preceding twelve (12) months. If, at any continuing review, you have not sold at least 200,000 gallons of propane during the preceding twelve (12) months, you will be deemed to have not met the "Applicable Standard" and the Procedures described below will come into effect.

At that time we may also review your Systems Standards score in each major category, as well as your gallons of propane sold, as reported on a regular, on-going basis by you, during each preceding twelve (12) months. If, at any continuing review, (a) your System Standards Score in any major category is lower than the average System Standards Score and/or (b) you have not sold at least

200,000 gallons of propane during the preceding twelve (12) months, you will be deemed to have not met the "Applicable Standard" and the Procedures described below will come into effect.

(Note that these standards are for the purpose of monitoring performance only and we make no representation or assurance that you will actually achieve such levels of sales or otherwise.)

Procedures: Upon written notification, you will have a 6 Month Correction Period to achieve the Applicable Standard (100,000 gallons for the Initial Review and 200,000 gallons for each Continuing Review). If you fail to meet the Applicable Standard within the 6 Month Correction Period, you will, within 5 days of the end of the 6 Month Correction Period indicate in writing if you wish to sell your franchise and the associated business to a third party. You will have 90 days from the end of the 6 Month Correction Period to complete this sale. You will (at the time of notifying us of your election to sell, as well as of the date of any sale) sign a general release, in form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever; however arising, known or unknown, against us and/or any or all of the Franchisor-Related Entities. If within 5 days from the end of the 6 Month Correction Period you do not notify us of your wish to sell to a third party, or if no sale meeting the requirements of the Franchise Agreement takes place within 90 days, your rights, and our obligations under the Franchise Agreement will terminate immediately on mailing of written notice of termination from us to you and you'll sign a similar release. (Franchise Agreement, Section 16.2)

13. **TRADEMARKS**

The principal trademarks you're licensed to use are "1st Propane First in Service" (and design.)

The following marks are registered on the Principal Register with the United States Patent and Trademark Office:

<u>Mark</u>	<u>Registration Number</u>	<u>Registration Date</u>
1st Propane First in Service (and design) (Classes 4 and 35)	2,235,195	March 23, 1999

Agreements

There are no agreements currently in effect that significantly limit your right to above mentioned trademarks, in a manner material to 1st Propane Franchisees.

You must immediately notify us of any apparent or actual infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you won't communicate with anyone other than us and our counsel in connection with any such matter. The Franchise Agreement doesn't require us to take affirmative action when we're notified of these uses or claims, although we have the right to do so. We'll have sole discretion to take such action as we deem appropriate in connection with such (or any related) matters, and the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of or related to any such matters or otherwise relating to any Mark. Since there's always a possibility that there might be one or more businesses, similar to the business covered by the Franchise, operating in or near the area(s) where you may do business, using a name and/or marks similar to ours and with superior rights to such name and/or marks as a result of prior use or otherwise, the Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you're a party to an administrative or judicial proceeding involving a trademark licensed by us, or if the proceeding is resolved unfavorably to you. (Franchise Agreement, Sections 6.3 and 6.4)

If it becomes advisable at any time in our sole judgment for you to modify or discontinue the use of any of the Marks or use one or more additional or substitute trademarks or service marks, you will promptly comply (at your sole expense) with our directions to modify or otherwise discontinue the use of such Marks, or use one or more additional or substitute trademarks or service marks. We won't have any liability or obligation (whether of indemnity, expense reimbursement or otherwise) to you, and you agree to make no claim, for, or in connection with, any modification, discontinuance or otherwise, and/or any dispute regarding the Marks and/or your and/or our rights in or to them. We make no guaranty that a modification, discontinuance or otherwise may not be required, whether as a result of expiration, termination or limitation of our rights to the Marks or otherwise. (Franchise Agreement, Section 6.4)

14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not claim rights in patents or registered copyrights that are material to our business, but we claim proprietary rights and common law copyrights in the material contained in our manuals and in various programs used by us, as well as other elements of the 1st Propane® System. In general, our proprietary information includes the "Confidential Information" as defined in the Franchise Agreement, some of which is contained in our Manuals, and includes, among other things: (1) methods, techniques, specifications, standards, policies, procedures, information, concepts, systems, and knowledge of and experience in the development, operation and franchising of 1st Propane® Stores; (2) marketing programs for 1st Propane® Franchises; (3) knowledge of specifications for and suppliers of certain materials, equipment, vehicles and fixtures for 1st Propane® Franchises; (4) methods, procedures and techniques for preparing, marketing and presenting the Products and Services; and (5) information regarding the Products and Services authorized to be offered from 1st Propane® Franchises from time-to-time. In any dispute between you and us involving any question as to whether or not certain information is, in fact, confidential and/or proprietary to us, or any related issues, the burden of proof and the burden of going forward will be on you.

You acknowledge and agree that the Confidential Information is a valuable asset of ours, includes trade secrets of ours and will be disclosed to you solely on the condition that you will forever: (1) not use the Confidential Information in any way other than the operation of your 1st Propane® Franchise under a Franchise Agreement in good standing with us; (2) maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of the Franchise Agreement; (3) not make unauthorized copies of any portion of the Confidential Information; and (4) adopt and implement all reasonable procedures prescribed by us from time-to-time to prevent unauthorized use or disclosure of, or access to, the Confidential Information. You agree that any unauthorized use or duplication of any part of the Confidential Information, including in any other business, would be an unfair method of competition with us and other 1st Propane® Franchisees. (Franchise Agreement, Sections 8.1)

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

Your 1st Propane® Franchise must be personally managed on a full-time basis by a person who has successfully completed all training required by us. Although we don't require it, we strongly recommend that you personally manage your 1st Propane® Franchise. Absentee ownership is not recommended by us and exposes you to a greater risk of failure than if you're personally involved, on a full time basis, in the on-site daily management of your 1st Propane® Franchise. Training for one 1st Propane® Franchise manager is included in the initial franchise fee but you'll be responsible for all travel, meals, lodging and similar costs for all persons attending training and we may charge a reasonable training fee for subsequent 1st Propane® Franchise managers. You'll keep us advised of the identities of the manager and other supervisors of your 1st Propane® Franchise, and we'll have the right to deal with

the manager on matters pertaining to day-to-day operations of, and reporting requirements for, your 1st Propane® Franchise. We reserve the right to review any agreements between you and your manager and to require the manager to sign confidentiality and other agreements acceptable to us. We do not require The-the manager of your 1st Propane® Franchise is required to have an 20%-equity interest in the franchise. You'll hire all employees of your 1st Propane® Franchise and will be solely responsible for their supervision and possible termination, the terms of their employment and compensation and for the proper training of such employees in the operation of your 1st Propane® Franchise. You'll establish and maintain at your 1st Propane® Franchise an ongoing training program, meeting our standards, for new and continuing employees. (Franchise Agreement, Section 10.5)

For further information, see Items 14 and 17.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Your 1st Propane® Franchise will offer each of, and only, such types, brands and/or quality of Designated Equipment, Products and Services as we designate and, where we so require, use only suppliers as designated by us. You'll notify us in writing (and submit to us such information, specifications, and samples as we request) if you propose to offer any type, brand and/or quality of items that have not been previously specified by us, or if you propose to use any supplier who has not been previously specified by us for the proposed item. We'll notify you within a reasonable time whether or not you're authorized to purchase or use the proposed type, brand and/or model of such items or to deal with the proposed supplier. We may from time-to-time, withhold and/or revoke our approval of particular items or suppliers in our sole and absolute discretion. On receipt of written notice of revocation, you must immediately cease to sell or use any disapproved items and cease to deal with or use items from any such supplier. (Franchise Agreement, Sections 2.1, 10.2 and 10.3)

All facilities involved with your 1st Propane® Franchise must be located in the Territory, you're only allowed to service sites located in the Territory and you won't use the Marks or System outside the Territory or for any purpose other than the operation of a franchised retail 1st Propane® Franchise in good standing and full compliance with the System and the Manuals as we may change them from time-to-time. You will only provide and distribute Products and Services at retail and will not engage in any wholesale business activities.

Without our prior written consent (which we may withhold or condition in our sole and absolute discretion), you will not engage in over-the-road trucking of propane or other products. "Over-the-road trucking" is defined as hauling privately or for hire, propane or related products in trucks capable of transporting in excess of 5000 gallons.

You will at all times faithfully, honestly and diligently perform your obligations hereunder, and you will continuously exert your best efforts to promote, enhance and maximize the business of your 1st Propane® Franchise and the goodwill of the Marks. You won't conduct the business of the 1st Propane® Franchise or use the Marks from any location other than the Office/Yard or for any purpose other than the operation of a franchised 1st Propane® Franchise in good standing. (Franchise Agreement, Section 2.1)

For further information, see Items 1, 8, 9 and 12.

The rest of this page is left intentionally blank.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this offering circular. Note that not all provisions, nor all details of provisions, are listed in this table.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Term of the franchise	2.1	Term of 10 years, commencing on the date of the Franchise Agreement.
b. Renewal or extension of the term	15.1	If you have complied with all agreements, you may renew for another 10 year term.
c. Requirements for you to renew or extend	15.2	Complied with all agreements; maintained possession of Office/Yard; given written notice of election to obtain successor franchise; satisfied all monetary obligations; cure deficiencies; pay amounts due; sign new agreement; complied with current training requirements; executed a general release; pay renewal fee.
d. Termination by you	None	Not Applicable
e. Termination by us without cause	None	N/A
f. Termination by us with cause	13.3, 16	We can terminate you if you commit any one of several listed violations
g. "Cause" defined-defaults which <u>can</u> be cured	16.2	Failure to: report accurately Gross Volume or pay any amounts due; continuing disregard for employee, customer or public safety by violating our policies and procedures or any federal, local or state laws, codes or regulations related to safety; failure to correct any safety violation within 10 days after written notice of default; provide insurance coverage. Default under any lease; lose right to possession of Office/Yard and failure to relocate; does not meet performance standards.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. "Cause" defined-defaults which <u>cannot</u> be cured	16.1, 16.3 - 16.4	Failure to locate, obtain possession, develop and open; abandonment; misrepresentations in application; bankruptcy; conviction of certain felonies or other misconduct; unauthorized transfer; violation of confidentiality; other misrepresentations; cross-defaults under other agreements; repeated defaults; engaging in any legal action against 1st Propane or any of the Franchisor-Related Persons/Entities and not receiving a final judgment or award in your favor; there are 5 or more customer complaints regarding your franchise within 12 consecutive months; failed to retain or produce on demand required records.
i. Your obligations on termination/non-renewal	16.5, 17.1 - 17.5 Exhibit 17.2	Pay all amounts owed; stop using marks, etc.; remove signs, etc.; transfer phone number(s), customer lists, directory listings/URLs to us or our designee; cease using confidential information and return manuals; 3-year non-compete on termination or repurchase (no non-compete at expiration); indemnity, confidentiality, dispute resolution and non-compete provisions continue, or if unenforceable you pay 1/2 royalty rate; No equity on termination. If you continue to use the Marks after termination, you will owe us greater of store profits or all fees normally payable. We can require you to pay future royalties; we can require you to sign a release.
j. Assignment of contract by us	14.1	No restriction on our right to assign; on transfer we have no continuing obligations.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
k. "Transfer" by you-definition	14.2	Includes transfer of any interest in the Franchise Agreement or business or controlled corporation.
l. Our approval of transfer by you	14.2	Transfer is subject to our consent, satisfaction of specific conditions and other reasonable conditions.
m. Conditions for our approval of transfer	14.3-2 - 14.45, 14.6	You must give us a minimum of 60 days written notice of your intent to transfer. You may not disclose any financial reports or records of your Franchised Business prepared by us. You must be in compliance with the Franchise Agreement; transferee must have sufficient experience, aptitude and financial resources, transferee assumes your obligations, you pay all amounts due, and comply with current dealer standards, and submit all required reports; transferee must complete training (unless waived), lessors must consent; transferee must obtain licenses and permits; transferee must either agree to your Franchise Agreement or the then-existing Franchise Agreement; pay transfer fee; release must be signed by you; transferee's obligations to you are subordinated to obligations to us; certain obligations of yours survive; transfer must comply with law; other reasonable conditions; terms of transfer must be in interest 1st Propane® family of companies. <u>Additional</u> requirements exist for transfer to a controlled corporation. Transfer does not release you.
n. Our right of first refusal to acquire your business	14.7	We have right to match all offers.
o. Our option to purchase your business	None16.11	NoneWe may purchase the fixed assets of the Franchise Business on termination or expiration of the Franchise Agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
p. Your death or disability	14.5	Transfer to a third party within 6 months, subject to all other transfer restrictions/conditions.
q. Non-competition covenants during the term	8.2	No involvement in any competitive business anywhere.
r. Non-competition covenants after the franchise is terminated or expires	8.2 and 17.4	No interest in competing business for 3 years anywhere on termination or repurchase (no non-compete at expiration, including after assignment). Other remedies available to us if this Section is unenforceable.
s. Modification of the agreement	10.3, 19.8 and 21	Modifications must be in writing and signed by all parties. Operating Manual is subject to change by us and you must promptly comply.
t. Integration/merger clause	21	Only the terms of the written franchise agreement are binding. Any other promises are not enforceable.
u. Dispute resolution by arbitration or mediation	19.1 ¹	Except for a few types of claims, all disputes are resolved through face-to-face meeting, mediation, and/or binding arbitration at a neutral location in the county in which our then-current headquarters is located; limited rights of appeal and pre-trial discovery; waiver of jury or court trial; limitation of types and amount of damages and periods to bring claims; mandatory notice of claims by you.
v. Choice of forum	19.1 and 19.2	Mediation, arbitration and litigation at a neutral site in the county in which our then-current headquarters is located. See the state-specific addendum to the UFOC and Franchise Agreement in Exhibit H.
w. Choice of law	19.14	Law of State of Franchised Office/Yard Applies, but Federal Arbitration Act pre-empts. See the state-specific addendum to the UFOC and Franchise Agreement in Exhibit H.

The Franchise Agreement contains a mandatory arbitration clause governing nearly all disputes between you and us, and also provides for a face-to-face meeting and mediation to settle disputes. The mediation, binding arbitration (and any litigation) and any arbitration appeal will take place at a neutral location in the county in which our then-current headquarters is located, and that may cost you more than if those proceedings took place near your residence or business. Costs of the face-to-face meeting, mediation, arbitration and any arbitration appeal may be greater than in litigation. You and we will generally bear each of our own costs in any dispute, but the arbitrator can assess costs (but not attorney's fees) against a losing party.

Various states, including but not limited to the following, have statutes which may supersede the franchise agreement in your relationship with the franchisor including areas of termination and renewal of your franchise: ARKANSAS [Code Sections 4-72-201-4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-200043], CONNECTICUT [42-133e et seq.], DELAWARE [Code, Title 6, Chapter 25, Sections 2551-2556], HAWAII [Rev. Stat. 482E-6], ILLINOIS [815 ILCS 705/19 and 705/20], INDIANA [Code Sections 23-2-2.7 (1) - (7)], IOWA [Sections 523H.1-523H.17], MICHIGAN [19.854 (27)], MISSISSIPPI [Code Sections 75-24-51-75-24-63], MISSOURI [Stat. Sections 407.400-407.410], NEBRASKA [Re. Stat. Sections 87-401 - 87-410], NEW JERSEY [Rev Stat. Sections 56:10-1-56:10-12], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code Section 13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03], DISTRICT OF COLUMBIA [Code Sections 29-1201-29-1208], PUERTO RICO [Annotated Laws Sections 278 - 278d], VIRGIN ISLANDS [Annotated Code Sections 130 - 139]. These and other states may have court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

You should note that the above summaries are, as a result of disclosure regulations, necessarily brief and you're strongly urged to read in full all provisions of the Franchise Agreement and other documents before signing any binding documents, paying any amounts or making any investments.

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

18. PUBLIC FIGURES

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

19. EARNINGS CLAIMS

We don't provide or authorize any representations, express or implied, or any other information, regarding potential sales, costs, earnings or other results of your 1st Propane® Franchise (although we do provide certain historical financial information regarding Network Propane Group clients and 1st Propane Franchising, Inc. franchisees, as described below.)

We make no representations, express or implied, regarding potential earnings of your business. We have not suggested, guaranteed or warranted that you will succeed in the operation of a Franchise or provided any sales or income projections of any kind to you. We are unable to reliably predict the results of operation of units owned by us, and we certainly cannot reliably predict what results you might achieve. How well you might do depends almost entirely on factors outside our control, including (but not limited to) your general business ability, your resources, how closely you follow our system, your location, competition and how good a businessperson you are. The business realities are that no one, including us, can make a reliable estimate of what sort of results you may achieve. We can't guarantee your success

and we don't authorize any sales, cost or income projections, estimates or otherwise of any kind to you nor should you rely on any projections or estimates of any type from anyone.

We've attached Exhibit F - Historic Operating Results as Reported by Clients of Network Propane Group and 1st Propane Franchising, Inc. Franchisees, which is our only authorized "earnings claim" or other statement regarding financial results relating to 1st Propane® Franchises or clients of Network Propane Group. Please note that these results are for clients of Network Propane Group, and that these clients operated similar (but not identical) businesses to a 1st Propane® Franchise. Exhibit F should be read in its entirety, including the discussion of factual basis and material assumptions and all disclaimers, since all of it is important to your decision. Note that Exhibit F has not been audited or prepared in accordance with generally accepted accounting standards, does not meet professional or other standards for financial statements and is not a reliable basis on which to predict potential gross sales at any 1st Propane® Franchise you might operate.

Aside from Exhibit F, we don't authorize our employees, salespersons or anyone else to make any claims or statements regarding prospects or chances of success, actual or potential sales, costs, earnings, income or profits of, or other financial matters regarding, any 1st Propane® Franchise or client of Network Propane Group. We're not able to predict gross revenues, expenses, profit or other results for franchised (or even Franchisor-owned) 1st Propane® operations and do not, and will not, review or comment on your proposed budget, business plan or otherwise.

If, at any time, you believe that any claims or statements regarding prospects or chances of success, actual or potential sales, costs, earnings, income or profits of, or other financial matters regarding, any 1st Propane® Franchise or any client of Network Propane Group (other than Exhibit F) have been made to you, you must provide a written statement regarding such next to your signature on the Franchise Agreement. If any such claims or statements have been made to you, they're not authorized, they can't and shouldn't be relied on, we're not bound by them, and, if you do rely on them, you do so at your own risk. Please notify us in writing before you award a franchise if any such claims or statements have been made to you.

Remember that actual results will vary from unit to unit and we can't estimate or project the results for any 1st Propane® Franchise, including the one you might operate. We certainly can't guarantee that you'll have similar results to those shown in Exhibit F. If you rely on our figures, you must accept the risk of not doing as well. A new Franchisee's individual financial results will probably differ from the figures set forth in Exhibit F (particularly during any start-up phase and possibly afterwards as well.) Of course, our presentation of the information in Exhibit F is not a representation or guarantee that you will (or may) achieve any particular level of results. Perhaps most importantly, remember that past performance for any business is no guarantee of future results.

Finally, you should speak with current and/or past 1st Propane® Franchisees and clients of Network Propane Group to determine the suitability of an investment in a 1st Propane® franchise and you should discuss your possible investment with an independent financial advisor, such as an accountant and/or attorney, to assist you in making your decision. **Additional language required by the State of California is contained in the California Addendum in Exhibit H of this Offering Circular.**

20. LIST OF OUTLETS

A list of names, and the addresses and telephone numbers of the outlets, of all 1st Propane® franchisees, as of the end of our most recently completed fiscal year, is set out in Exhibit F to this Offering Circular. The name and last known home address and telephone number of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do

business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of our application date are listed in Exhibit F.

STATUS OF COMPANY-OWNED¹
UNITS FOR FISCAL YEARS 2003, 2004, and 2005, and 2006

STATE	UNITS CLOSED DURING YEAR	UNITS OPENED DURING YEAR	TOTAL UNITS OPERATING AT YEAR END
California	0 / 0 / 0	0 / 0 / 1	0 / 0 / 1
Totals:	0 / 0 / 0	0 / 0 / 1	0 / 0 / 1

(1) All numbers are as of the fiscal year end, June 30th, for each year.

PROJECTED OPENINGS DURING THE 12 MONTH PERIOD
ENDING JUNE 30, 2006/2007

STATE/COUNTRY	FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPENED	PROJECTED FRANCHISED NEW UNITS IN 2006 FISCAL YEAR	PROJECTED COMPANY- OWNED OPENINGS IN 2006 FISCAL YEAR
California	0	14	0
Colorado	0	02	0
Oregon	0	14	0
Texas	0	13	0
Washington	0	01	0
Pennsylvania	0	1	0
Wisconsin/Nevada	0	1	0
Totals:	0	416	0

Item 20
LIST OF OUTLETS
FRANCHISED UNIT STATUS SUMMARY
FOR FISCAL YEARS¹ 2003/2004/2005/2006
(OPERATING UNITS)

STATE/COUNTRY	TRANSFERS	CANCELLED OR TERMINATED	NOT RENEWED	REACQUIRED BY FRANCHISOR	LEFT THE SYSTEM - OTHER	TOTAL FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR END
Arizona	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
California	0/0/0	0/1/0	0/0/0	0/0/1 ⁽²⁾ /0	0/0/0	0/1/1/0	2/1/1/1
Colorado	0/0/0	0/0/1/0	0/0/0	0/0/0	0/0/0	0/0/1/0	4/1/0/0
Florida	0/0/0	0/0/2/0	0/0/0	0/0/0	0/0/0	0/0/2/0	2/2/0/0
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	4/0/0	4/0/0	0/0/0
Missouri	0/0/0	0/0/0/2	0/0/0	0/0/0	0/0/0	0/0/0/2	4/2/2/0
Montana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/2/2/2
Oregon	0/0/0	0/0/2/0	0/0/0	0/0/0	0/0/0	0/0/2/0	0/2/0/0
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/1
Washington	0/0/1/0	0/0/1/0	0/0/0	0/0/0	0/0/0	0/0/1/0	2/2/1/1
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Total	0/0/1	1/0/6	0/0/0	0/0/0	1/1/0	3/3/7	43/15/9/8

(1) All numbers are as of the fiscal year end, June 30th.

(2) Former franchised location purchased 7/19/05, and now operated by 1st Propane Franchising, Inc.

Note that the numbers in the "Total" column may differ from the number of units reported in the individual columns since more than one event may have occurred with respect to a unit during the period reported. For example, there may have been more than one transfer affecting a unit during a single fiscal year.

21. FINANCIAL STATEMENTS

Our fiscal year end is June 30. Audited financial statements for Fiscal Years 2004, and 2005 and 2006, are attached as Exhibit B.

22. CONTRACTS

Attached to this Offering Circular are: Exhibit A - Franchise Agreement with Index, Owner's Guaranty and Assumption of Corporate Obligations, Territory and Phone Directory Power of Attorney and Collateral Assignment of Lease.

23. RECEIPT

2 copies of a Receipt of this Offering are attached as Exhibit K. Please return one copy to us and keep the other for your records.