

SAMPLE DOCUMENT
THIS IS OUR CURRENT FORM FOR UNIT FRANCHISE AGREEMENT
(subject to change)

CARTRIDGE WORLD®
UNIT FRANCHISE AGREEMENT



Franchisee

Location

Date of Agreement

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Franchise Agreement Number: _____

**CARTRIDGE WORLD®
Unit Franchise Agreement
(NON-LOI)**

(current form – subject to change)



Date of this Agreement: _____

Expiration Date: _____

Franchisor: _____

Franchisee: _____

In a number of places in this Franchise Agreement, you're asked to initial certain items to show that they've been fully discussed with you, and read, understood and agreed to by you. Initialing those areas doesn't lessen the importance of other areas or mean that they are not fully enforceable. Please initial below and at all other points indicated.

Your Initials: _____ / _____

1. INTRODUCTION, DEFINITIONS, AND PRELIMINARY AGREEMENTS.

1.1 Introduction.

A. In this Agreement, the Franchisor's Master Franchisor, Cartridge World North America LLC, is referred to as "the Master Franchisor" or "CWNA". CWNA's Managing Member, Cartridge World, Inc., is referred to as "CW, Inc.". Cartridge World Pty Ltd, CW Inc.'s Australian parent company and an Affiliate of CWNA, is referred to as "CW International". The Franchisee is referred to as "you," "your," or the "Franchisee".

B. CARTRIDGE WORLD® Stores operate at a retail level using distinctive methods, which provide products and services related to refilling of printer (and other) cartridges, including refilling of inkjet cartridges; remanufacturing of laser cartridges; sales of toner, computer hardware (including printers) and software, and ancillary products and services. We refer to these businesses as "Traditional CARTRIDGE WORLD Stores" or "CARTRIDGE WORLD Stores."

C. CARTRIDGE WORLD Stores use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, specifications, standards and techniques (all of which are part of the "CARTRIDGE WORLD System"), all of which has been developed at considerable expense. Distinguishing characteristics of the CARTRIDGE WORLD System include, but are not necessarily limited to, certain trade marks and logos and other forms of commercial identity, training, marketing concepts, the Manuals, distinctive color schemes and Trade Dress, and the Confidential Information, as defined in this Agreement.

D. CW International has granted CWNA the exclusive right to grant Master Franchises in the United States, Central and South America for the award of Traditional CARTRIDGE WORLD Store Franchises using the CARTRIDGE WORLD System. We are a Master Franchisee, and CWNA has granted us the exclusive right in a defined geographic area to award single unit Traditional CARTRIDGE WORLD Store Franchises using the CARTRIDGE WORLD System. Although CW International, CWNA and CW Inc. each is an intended beneficiary of this Agreement and may sue to enforce it, neither CW International, CWNA nor CW Inc. is a party to it, and none is bound by it in any way. All obligations and rights under this Agreement are directly between you and us.

E. To simplify this Agreement and make it easier to read and understand, we have defined certain terms used in this Agreement in Section 1.2, below. When you see a capitalized word, or if you don't understand the meaning of a particular pronoun reference, look at Section 1.2 to see whether the term has been defined. Capitalized words that are not defined in Section 1.2 are defined in the section where they first appear.

F. You applied for a franchise to own and operate a Traditional CARTRIDGE WORLD Store and your application has been approved by us in reliance on the information you gave us.

G. Your CARTRIDGE WORLD franchise is a licensing arrangement, awarded under specific terms and conditions. You must comply fully with this Agreement and the Manuals in order to use the CARTRIDGE WORLD Marks, System and other Intellectual Property.

H. You agree that it is critical to you, us, CWNA, and each CARTRIDGE WORLD franchisee for the System to be flexible to respond to commercial opportunities and challenges. An inability to change the System could adversely affect other CARTRIDGE WORLD franchisees. You, therefore, agree and anticipate that the Manual and the System may be changed by us and/or CWNA, from time-to-time in our/their Business Judgment. You agree to comply with the Manuals and the System as they are changed by us/them.

I. Every detail of your CARTRIDGE WORLD Franchised Business is important — not only to you, but to us and to all CARTRIDGE WORLD franchisees — to increase and maintain the value of the Marks and the businesses associated with them. Therefore, during the term of this Agreement, you must at all times develop, maintain and operate your CARTRIDGE WORLD Franchised Business in accordance with each CARTRIDGE WORLD System Standard, as modified and supplemented by us and/or CWNA and/or CW International from time to time in our/their Business Judgment.

J. You understand and agree that your investment in a CARTRIDGE WORLD Franchise involves risks, including, but not limited to, the following: CARTRIDGE WORLD is a relatively young brand in the United States. Positive name recognition and good will to be established will be the result, in large measure, of you and other CARTRIDGE WORLD franchisees providing quality business services and following the Manuals and System. The Traditional CARTRIDGE WORLD Store business model is relatively young in the United States. Substantial competition to the CARTRIDGE WORLD concept may exist in the United States, with certain competitors having established units and/or channels of distribution. Competition includes, among others, internet suppliers, office supply stores, other cartridge refilling franchises, mail order, and other channels of distribution. The Traditional CARTRIDGE WORLD Store business is subject to frequent changes in the business environment, including technological developments, some of which might impact you negatively. All of these and other factors make your investment speculative.

K. Without your commitment to the System and to fulfill each of the obligations detailed in this Agreement, we would not form this franchise relationship with you.

1.2 Definitions.

"Affiliate" - Any person or entity which controls, is controlled by or is under common control with another person or entity; as to the Franchisee, Affiliate also includes any director, officer or owner of any interest in the Franchisee (and any entity controlled by any of the foregoing).

"Agreement" - This Franchise Agreement.

"Attorneys' Fees" - Includes, without limitation, legal fees, whether incurred in preparation of the filing of any written demand or claim, action, hearing, arbitration, or other proceeding to enforce the obligations of this Agreement, or during any such proceeding, plus all costs incurred in connection therewith.

"Brand" - The CARTRIDGE WORLD® brand, as applied to various goods and/or services as authorized by us from time-to-time.

"Business Entity" - Includes a corporation, partnership, joint venture, limited liability company, limited partnership, or other form of business recognized in any jurisdiction.

"Business Judgment" - Means that we and/or the Related Companies are allowed to exercise our/their judgment however we/they consider appropriate in our/their sole and absolute discretion, without any limitation. You and we agree that when in this Agreement we describe instances in which we/they may exercise Business Judgment, we must and do have the unrestricted right to make decisions and/or take (or refrain from taking) actions. We have this right even if a particular decision/action may have negative consequences for you, a particular franchisee or group of franchisees. You understand and agree that the exercise of Business Judgment is critical to our role as a Franchisor of the System and to our goals for its continuing improvement. This is a defined term for the purposes of this Agreement and is not intended to incorporate principles related to the application of the business judgment rule in a corporate law context.

"Confidential Information" - As defined in Section 8.1.

"Customary Representations, Warranties and Agreements" - Includes commitments generally made by a transferor in connection with a transfer of a business and/or related assets, including but not limited to: representations as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock and/or assets, validity of contracts, and liabilities, contingent or otherwise, relating to the business/assets/entity to be acquired; full indemnification obligations and non-competition covenants by the transferor and each Affiliate, substantially similar to those required in Sections 7.4 and 8.2 B of this Agreement; the delivery at closing of instruments transferring good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us in our Business Judgment), and demonstrating that all sales, transfer and/or similar taxes are to be paid by the transferor through escrow if we so require; the transfer at closing of all licenses and permits which may be assigned or transferred.

"Designated Equipment" - Equipment that meets our requirements and which you must obtain and use in the operation of your CARTRIDGE WORLD Store.

“Designated Individual” - A person who has the largest ownership interest in the Franchise or the Franchisee, is responsible for the management of the Franchised Business, and is identified on Exhibit 2.2, or a substitute individual reasonably approved by us in writing.

“Franchise” - The right to operate a single Traditional CARTRIDGE WORLD Store at the Premises under the terms of this Agreement.

“Franchise Advisory Council” or “FAC” - The advisory group selected (or which may be selected) in accordance with this Agreement, which shall provide Input as provided in this Agreement and as we may request from time to time.

“Franchised Business” - The business operations authorized to be conducted by, at or in connection with your CARTRIDGE WORLD Store under this Agreement

“Franchisor-Related Persons/Entities” -Franchisor, Cartridge World North America, LLC, Cartridge World Pty Ltd., Cartridge World, Inc., the Marketing Fund, the FAC and each and all of the following, whether past, current and/or future: each and all company(ies) and/or person(s) acting through, in concert with us and/or any of the foregoing, and/or as Affiliates of ours and/or of any of the foregoing; each and all of the partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees of us and/or any of the foregoing; and each and all of the predecessors, successors and/or assigns of us and/or any of the foregoing.

“General Release” - A general release, in the then-current form prescribed by us at the time such release is to be delivered, of any and all claims, liabilities and/or obligations, of any nature whatsoever, including existing as of, and/or arising before, the date of any such release, however arising, known or unknown, whether against us and/or any or all of the Franchisor-Related Persons/Entities, and whether by you, any owner of you (if you are or become a Business Entity), any person/entity claiming on the basis of an alleged right of yours, and/or any Affiliate of any of the foregoing. A copy of our general releasing language as currently used by us (which is subject to change) is attached as Exhibit 1.2 and is approved by you.

“Good Standing” - You are in “Good Standing” if you (and each of your owners and Affiliates) are not in default of any obligation to us and/or any of the Franchisor-Related Persons/Entities, whether arising under this Agreement or any other agreement between you (and each of your owners and Affiliates) and us (and/or any of the Franchisor-Related Persons/Entities), the Manuals or other System requirements (collectively, the “Obligations”); provided that you are not in Good Standing if you have been in default of any Obligations and such defaults are incurable by nature and/or part of a series of repeated defaults as defined in this Agreement, whether or not cured.

“Gross Profit” - Gross Profit is Gross Volume less the actual direct product cost (before deducting all overhead costs, including without limitation rent, payroll, insurance, taxes, and all other Store operating expenses) that you incurred and paid for in connection with the products/services which are sold and/or distributed by your Traditional CARTRIDGE WORLD Store.

“Gross Volume” - Gross Volume includes all charges and/or revenues which are, or could be, received or earned by you (and/or any Affiliate):

- A) by, at or in connection with your CARTRIDGE WORLD Store;

- B) relating to the kinds of goods or services available now or in the future through a CARTRIDGE WORLD Store and/or distributed in association with the Marks or the CARTRIDGE WORLD System;
- C) relating to the operation of any Similar Business;
- D) with respect to, any tenants and/or subtenants of yours on the Premises (including rent and other lease payments); and/or
- E) with respect to any co-branding activities.

All sales and/or billings, whether collected or not, will be included in Gross Volume, with no deduction for credit card or other charges. Gross Volume does not include sales tax, value added and similar taxes collected and paid when due to the appropriate taxing authority or actual customer refunds, adjustments and credits.

“Immediate Family” - With respect to any person, “immediate family” includes that person’s spouse and/or domestic partner and each of their respective parents, guardians, grandparents, siblings, children, grandchildren, aunts, uncles, cousins, nieces and/or nephews.

“Input” - Advice and suggestions regarding specified matters. When we receive Input from the FAC or any other franchisee group we will retain the ultimate decision-making authority and responsibility for all matters for which Input is sought. FAC (or any other franchisee group) Input, votes or other collective actions will not be binding on us unless we have otherwise agreed in writing. FAC (or any other franchisee group) approval or consent will not be required as a pre-condition to any decision and/or action we may take, unless we agree otherwise in writing.

“Intellectual Property” - Includes, regardless of the form or medium involved, i) all CARTRIDGE WORLD Software, including the data and information processed or stored thereby; ii) the Manuals and all other directives, policies or information we and/or a Related Company(ies) issue from time to time; iii) all Customer relationships and information; iv) the Marks; v) all Confidential Information and trade secrets; and vi) all other proprietary, copyrightable and/or trade secret information and materials developed, acquired, licensed or used by us and/or a Related Company(ies) in our operation of the System.

“Manuals” - Specifications, standards, policies and procedures prescribed by us and/or a Related Company(ies) and published to you in any media (including electronic) and which are to be followed in the operation of your CARTRIDGE WORLD Store as they may be changed or eliminated by us or them in our or their Business Judgment.

“Marketing Fund” - The fund established and defined under Section 11.1.

“Marks” - The trademarks, service marks and other commercial symbols now and/or in the future owned by (or licensed to) us to identify the services and/or products offered by CARTRIDGE WORLD Stores, including (but not limited to) “CARTRIDGE WORLD®”, the Trade Dress and other logos and identifiers designated by us from time-to-time.

“PUA” or “Per Unit Average” - The average Gross Volume for all CARTRIDGE WORLD Stores in the United States during the most recent six (6) month period before the measuring date.

“Post Termination Provisions” - Those promises contained in this Agreement that survive its expiration, Transfer, Repurchase, or Termination for any reason, including without limitation the confidentiality, non-competition, indemnification, and dispute resolution and other provisions contained in Articles 7, 8, 17, 19, 20 and 21.

"Premises" - The facility in which you will operate a single Traditional CARTRIDGE WORLD Store.

"Products" and "Services" - Goods, products and services designated by us from time-to-time for use, sale or otherwise to be provided (and/or used) at and/or from your Traditional CARTRIDGE WORLD Store and/or in association with the Marks.

"Related Companies" - CWNA, CW Inc. and CW International are each a Related Company. We are independently owned and operated and are not an Affiliate of the Related Companies.

"Repurchase" - Repurchase is an acquisition by us (and/or any of the Franchisor-Related Persons/Entities) of your rights in and/or to i) this Agreement; ii) the Franchised Business; iii) any Business Entity Franchisee; iv) your CARTRIDGE WORLD Store; and v) any lease or assets associated with any of the foregoing.

"Similar Business" - Any enterprise that offers, is otherwise involved in, or deals with any goods, products and/or services, which are substantially similar to those goods, Products and/or Services now or in the future authorized by us to be offered at or from CARTRIDGE WORLD Stores (including any such enterprise and/or entity awarding franchises or licenses to operate or be involved with any such business). Our receipt of any royalties with respect to any Similar Business is not an approval of your involvement with any Similar Business.

"Special Accounts" - Classes of special customers (which may include national accounts, other large businesses, government agencies, and/or otherwise) as designated by us from time-to-time in our Business Judgment.

"System" - The distinctive format and method of doing business developed and used for the operation of a CARTRIDGE WORLD Store, and subject to change by us and/or a Related Company(ies) at any time in our/their Business Judgment.

"System Standards" - Standards prescribed by us and/or a Related Company(ies) in our/their Business Judgment from time-to-time, in the Manuals or elsewhere, for the operation, marketing and otherwise of CARTRIDGE WORLD Stores.

"Terminate" or "Termination" - "Terminate" or "Termination" when used in this Agreement means the Termination or cancellation of your rights and our obligations under this Agreement for any reason before the initial term expires. All of our rights are not cancelled on Termination since you have certain obligations that survive the ending of the Agreement in any manner, such as, but not limited to certain promises regarding non competition, confidentiality and indemnity. Both of us are bound by the dispute resolution provisions (Article 19) this Agreement, even after the Agreement is ended for any reason.

"Territory" - The geographic area described in Exhibit 2.2.

"Trade Dress" - The CARTRIDGE WORLD Store design and image authorized by us and subject to change by us and/or a Related Company(ies) at any time and in our/their Business Judgment.

"Trade Secret" - Information that is proprietary to us and/or Related Companies, including a formula, procedure, pattern, compilation, program, device, discovery, invention, method, technique or process, that i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its

disclosure or use; and/or ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

“Traditional CARTRIDGE WORLD Store” - A “Traditional CARTRIDGE WORLD Store” means a full, standard size, “brick and mortar” retail facility located in a free-standing building or a shopping center accessible to the general public and using the Marks and CARTRIDGE WORLD System.

“Transfer” - Defined in Section 14.2.

“Us,” “We,” “Our” or “Franchisor” - (INSERT NAME OF FRANCHISOR), a _____ corporation.

“CARTRIDGE WORLD Store” - The Traditional CARTRIDGE WORLD Store you are franchised to operate by this Agreement.

“You,” “Your,” or “Franchisee” - The parties signing this Agreement as Franchisee. (If there is more than one Franchisee, each is jointly and severally obligated under this Agreement and all other agreements with us and/ or Franchisor-Related Persons/Entities). The term “you” is applicable to one or more persons or a Business Entity, as the case may be.

2. AWARD OF FRANCHISE.

2.1 Award of Franchise; Term, Your Basic Commitment.

A. We're pleased to award you a franchise to operate a single Traditional CARTRIDGE WORLD Store at a single location to be approved by us, and to use the Marks and the CARTRIDGE WORLD System in the operation of that Traditional CARTRIDGE WORLD Store. If this Agreement is awarded in connection with a new franchise or an existing Store transfer, the franchise is awarded for a term of ten (10) years, commencing on the Date of this Agreement and ending on the Expiration Date noted on the first page of this Agreement.

B. If this Agreement is awarded in connection with the grant of a renewal franchise, then the term of this Agreement will be governed by the renewal provisions of the franchise agreement under which you operated during the initial term (which is now expired). The Expiration Date is noted on the first page of this Agreement.

C. The Franchise awarded to you by this Agreement is to operate only a single Traditional CARTRIDGE WORLD Store and to use the Marks and the System only for purposes of conducting a business in accordance with the provisions of this Agreement, the Manuals and other communications from us. All of the business of the CARTRIDGE WORLD Store must be conducted from the Premises, although you and we understand that certain of the Products and Services may be delivered away from the Premises, such as at a customer's site. You are authorized to use the Marks only in connection with the operation of the Franchised Business at a single location, the Premises. You must not conduct any activities from the Premises other than the operation of your Traditional CARTRIDGE WORLD Store without our prior written consent. You will not engage in any other business or activity that may conflict with your obligations under this Agreement or reduce the Gross Volume of your CARTRIDGE WORLD Store.

2.2 Territory. Your rights relating to any Territory are exactly (and only) as expressly set forth in Exhibit 2.2.

I have read Sec. 2.1, 2.2, and Exhibit 2.2 in their entirety, understand them, and agree with them.

Your Initials: _____ / _____

3. DEVELOPMENT AND OPENING OF YOUR CARTRIDGE WORLD STORE.

3.1 Site Selection.

A. You must have a site acceptable to us, receive the opening notice from us described in Section 3.6, below, and do everything necessary for your CARTRIDGE WORLD Store to open for business within six (6) months from the date of this Agreement. You must not operate a CARTRIDGE WORLD Store, use any of the Marks from or at any location, or make any commitments about a site until you have our written site acceptance. We won't unreasonably withhold our acceptance. Acceptance by us of any location is not a recommendation, approval or endorsement of such site. We make no representations or warranties as to the success of any site or as to any other matter of any kind relating to the site.

B. If you are unable to acquire a site and open your Store within the time provided in 3.1 A., above, then we may Terminate this Agreement.

C. All matters related in any way to your site are your sole responsibility, regardless of any assistance we may choose to provide. You are responsible for obtaining any architectural and engineering services required for your facility and for ensuring its compliance with local law. Neither we, nor any Franchisor-Related Persons/Entity, nor any other person or company associated with us will have any liability for any site-related matter. You agree not to make any claims against us and/or any of the Franchisor-Related Persons/Entities with regard to such matters.

3.2 Lease of Premises.

A. You agree to submit any lease and all site-related documents to us for our review prior to their execution by you. You shall use commercially reasonable efforts to arrange for the inclusion of provisions in a lease addendum or other appropriate site-related documents which:

1) Obligate the lessor to provide us upon request with sales and other operations information related to your CARTRIDGE WORLD Store;

2) Permit you to operate your CARTRIDGE WORLD Store in accordance this Agreement and the Manuals;

3) Provide that the Premises will be used only for the operation of a CARTRIDGE WORLD Store, and prohibit you from assigning or modifying any of your lease rights, or extending the term without our prior written consent;

4) Require the lessor to concurrently provide us with a copy of any written notices (whether of default or otherwise) to you under the lease and give us the right to cure any default if we so choose;

5) Provide us with a right to take assignment and possession of your CARTRIDGE WORLD Store Premises, without the lessor's consent or any additional consideration if you default and/or this Agreement expires or is terminated or rescinded. If we exercise this right, we will not have any liability for any obligations incurred prior to our occupancy. You agree to take whatever actions are necessary to accomplish such assignment. If you lose your lease rights to the Premises in connection with any bankruptcy, the lessor will, upon our request, enter into a new lease with us on essentially the same terms as the terminated lease;

6) Provide that the lessor consents to the use of the Marks, Trade Dress and other aspects of the System, as modified from time-to-time, and give us the right to enter the premises during normal business hours for purposes of inspection, to take steps to protect the Marks and Trade Dress and/or prevent/cure any default.

B. You shall not execute a lease or sublease, or any modification or amendment, without our prior written consent, which we can grant, condition or withhold in our Business Judgment, as we deem appropriate. When you sign this Agreement, you also will sign the Collateral Assignment of Lease attached as Exhibit 3.2. You agree to obtain the lessor's signature on the Landlord Approval included with the Collateral Assignment of Lease before or at the same time as the lease is signed. You agree to deliver a copy of the signed lease or sublease and the signed Landlord Approval to us within five (5) days after it's signed.

3.3 CARTRIDGE WORLD Store Design Standards and Facility Services Fee.

A. You agree to comply with any standards, specifications and other requirements (the "CARTRIDGE WORLD Store Design Standards") that we furnish you for design, decoration, layout, equipment, furniture, fixtures, signs and other items for your CARTRIDGE WORLD Store. Any changes from plans provided by us must be submitted to us for our consent, which may be provided in our Business Judgment. Your compliance with the standards does not release you from your obligation to ensure that your CARTRIDGE WORLD Store is designed and constructed in compliance with all federal, state, and local laws, including without limitation the Americans with Disabilities Act. You agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit 3.3., before you open your CARTRIDGE WORLD Store, to confirm and certify that your CARTRIDGE WORLD Store and any proposed renovations comply with the ADA.

B. We, or a supplier we designate, will provide you with a Store plan template and consult with you in the build out of your facility to provide space plan suggestions, among other advice, and will facilitate compliance with applicable Design Standards by interacting with your architect, contractor, materials suppliers and/or other persons hired by you. You will pay us or the designated supplier, as instructed by us, a Facility Services Fee in the amount of Two Thousand Five Hundred Dollars (\$2,500) at the time of the execution of this Agreement; provided that no such Fee will be due and no such services will be provided if you are obtaining this Agreement as a renewal franchise agreement or as a result of a Transfer of the Franchised Business at an existing Cartridge World Store. The services provided for the Facility Services Fee are limited to advice to you. We will have no authority or control over, or responsibility for, the acts/omissions of any architect, contractor, materials supplier or other persons hired by you and with whom you will have a direct legal and business relationship.

3.4 Development for Your CARTRIDGE WORLD Store. You must select and employ a licensed contractor reasonably acceptable to us, which acceptance will not be unreasonably withheld.

You are solely responsible for the selection and work of any contractor selected and/or employed by you, even if referred by us.

3.5 Equipment, Furniture, Fixtures and Signs. You'll use only Designated Equipment and suppliers approved by us in the development and operation of your CARTRIDGE WORLD Store as we may require. We and/or our Affiliates and/or Related Companies may be such approved suppliers.

3.6 CARTRIDGE WORLD Store Opening. You will open your CARTRIDGE WORLD Store for business immediately upon our notice to you that: i) all of your pre-opening obligations have been fulfilled; ii) pre-opening training has been completed; iii) all amounts due us (and/or any Affiliate) have been paid; and iv) copies of all insurance policies (and payment of premiums), leases/subleases and other required documents have been received.

3.7 Grand Opening Program – Marketing Fee. We or our designee will provide you with grand opening marketing and promotional materials and guidance (the "Grand Opening Package"). You are required to pay to us or to our designee, as instructed by us, Seven Thousand Dollars (\$7,000) for the Grand Opening Package at the time that you sign this Franchise Agreement.

3.8 Relocation of CARTRIDGE WORLD Store Premises. Any relocation requires our written consent, will be at your sole expense and will require that you (and each Affiliate and owner of yours) sign a General Release. If a lease for your CARTRIDGE WORLD Store is terminated or expires, or if your CARTRIDGE WORLD Store is damaged, condemned or otherwise rendered unusable, or if, in your and our judgment, there is a change in the character of the location of your CARTRIDGE WORLD Store sufficiently detrimental to its business potential to warrant its relocation, you agree to relocate your CARTRIDGE WORLD Store.

4. COMPUTER HARDWARE AND SOFTWARE SYSTEMS.

A. You must purchase, use, maintain and update at your expense the software, computer and other systems (including point-of-sale and back-office systems) meeting our specifications, as we may modify them. If required by us, you agree to maintain your systems on-line to allow us access to system data and information. You agree to comply with our then-current Terms of Use and Privacy Policies and any other requirements regarding all computer and other systems, including Internet usage. Supplier or and/or licensor charges for use, maintenance, support and/or updates of and to the required systems are payable by you upon receipt.

B. Neither we nor any of the Franchisor-Related Persons/Entities will have any liability and/or obligation (and neither you, nor any Affiliate of yours, will make any claims) about any failures, errors or any other occurrences relating to any computer or system hardware or software without an express written warranty from us, even if recommended or specified by us.

5. TRAINING AND GUIDANCE.

5.1 Training.

A. You must complete the CARTRIDGE WORLD initial training program to operate your CARTRIDGE WORLD Store. The initial training program is scheduled at our discretion and consists of a combination of classroom training at CWNA's training center in Northern California, or such other location designated by us/CWNA, and on the job training conducted at CARTRIDGE WORLD stores or other

facilities designated by us/CWNA. We can choose to eliminate or shorten training for persons previously trained or with comparable experience.

B. You must pay Training Fees when you sign the Franchise Agreement, unless we authorize you to pay at a later date. As of the date of this Agreement, the initial training program includes two (2) weeks in CWNA's Northern California facility and one (1) week each of pre and post opening training conducted at a location(s) designated by us in our Master Franchise Territory, but the location and duration of training is subject to change. The fee for the classroom portion of the initial training program for the first attendee under this Agreement is Six Thousand Three Hundred dollars (\$6,300). The current fee for each additional attendee is Seven Hundred dollars (\$700). The fee for the combined pre and post opening training is One Thousand dollars (\$1,000) for the two sessions, regardless of the number of attendees. We may adjust all Training Fees from time to time. If the Franchise is owned by more than one person or if the Franchisee is a Business Entity, then the Designated Individual identified in Exhibit 2.2 below must successfully complete the initial training program (both the classroom and on the job training sessions) and comply on an ongoing basis with all training requirements. A Designated Individual shall be deemed to be the "Franchisee" for purposes of meeting all training and similar qualifications pursuant to this Agreement. You are solely responsible for any travel, accommodations, living and other expenses associated with your attendance. The initial training program will be held at a time and for such period, as we specify in our Business Judgment You will be responsible for ensuring that each of your managers is trained to our then-current standards. We can require in our Business Judgment that each of your CARTRIDGE WORLD Store managers and/or substituted Designated Individuals attend and complete our initial training program before managing your Store or assuming their position, respectively. We will use reasonable efforts to accommodate attendance by managers and other staff members at initial training programs upon thirty (30) days advance notice. You shall be responsible for all tuition fees, airfare, travel, wages, living, incidental and other expenses for your managers and any other personnel attending the initial training program, and any other subsequent training programs, seminars or meetings, unless otherwise agreed to by us in writing.

C. If we, in our Business Judgment, determine that you have not successfully completed or are not making satisfactory progress in your initial training, we can either require that a substitute manager or Designated Individual complete the training or terminate this Agreement.

D. We can require that you, your Designated Individual and/or Store manager(s) attend additional and/or remedial training, including national and regional conferences, conventions and meetings, as we may reasonably require to correct, improve and/or enhance your operations, the System and its members. We also can require successful completion of training by all of your supervisory personnel. Meetings designated as mandatory by us will be held in North America at a location selected by us, and we will provide you with at least thirty (30) days advance written notice thereof. We may elect to charge a reasonable fee for all training.

5.2 Guidance and Assistance. We will provide guidance in the operation of your CARTRIDGE WORLD Store. This guidance can be furnished in whatever manner we consider appropriate in our Business Judgment, including electronically, in writing or telephonically, through training programs and/or on site consultations and/or through representatives of ours and/or Related Companies, among other methods. We will provide at your request on-site consultations at your CARTRIDGE WORLD Store, based on notice, availability of personnel and your payment of reasonable travel, food, incidental and lodging expenses. No consulting fee will be charged. If we believe in our Business Judgment that your operations warrant it, we can require that a manager or other person designated by us be placed in your CARTRIDGE WORLD Store to supervise its day-to-day operations until operations meet

System standards. If we choose to do so, you must reimburse us according to the requirements of Section 16.8.

5.3 Manuals. During the term of the Franchise, we will loan you (or allow you electronic or other access to) one copy of the Manuals. You will continuously comply, at your sole expense, with all provisions of, and additions/deletions/changes to, the Manuals. Any such additions/deletions/changes will take precedence over all prior communications. Mandatory specifications, standards and operating procedures prescribed from time-to-time by us in the Manuals, or otherwise communicated to you electronically or otherwise, are a part of this Agreement. In the event of a dispute, the master Manuals maintained at our office and/or a Related Company's headquarters will control.

6. MARKS.

6.1 Goodwill and Ownership of Marks. You have a non-exclusive right to use the Marks and only as expressly authorized by us under this Agreement. CWNA/CW International has all rights in and to the Marks. All goodwill belongs exclusively to them, and you will not obtain any goodwill in the Marks as a result of this Agreement, your operation of the Franchise or for any other reason. Any unauthorized use of the Marks is a breach of this Agreement and an infringement of proprietary rights. You agree that if you breach any obligation regarding the Marks, we/Related Companies would have no adequate remedy at law and that we/Related Companies will be entitled to equitable relief. You won't oppose, or engage in any acts or omissions inconsistent with, our rights in and to the Marks. This Agreement applies to all trademarks, service marks and other commercial symbols that we authorize you to use throughout its term.

6.2 Limitations and Use of Marks. You will use the Marks as the sole identification for your CARTRIDGE WORLD Store. You will not use any Mark, or modified version or derivative of a Mark, as part of any business or trade name. Prior to adoption and/or use, any proposed corporate and/or trade name must be approved by us. You agree to promptly comply at your sole expense with any request for you to modify any business or trade name adopted by you that is contrary to this Section. You agree to give such trademark and other notices (including notices of independent ownership) as we direct and will, at your expense, obtain fictitious or assumed name registrations as may be required under law. You will display the Marks as required by us and will not use the Marks so as to negatively affect their goodwill. You won't use any Mark in connection with the performance or sale of any unauthorized services or products or at any location or in any other manner not expressly authorized in writing by us.

6.3 Notification of Infringements and Claims. You'll take such actions as we consider important in our Business Judgment to protect the Marks. You will not take any action that jeopardizes our or any Related Company's interests in, or the validity or enforceability of, the Marks. You agree to immediately notify us of any apparent or actual infringement of, or of any challenge to your use of, the Marks. You will not communicate with any third party with respect to such a claim (except for Related Companies and their designees). We will take such action as we deem appropriate in our Business Judgment. CWNA/CW International (and/or its designees) has the exclusive right to control any settlement, litigation or proceeding arising out of or related to any such matters.

6.4 Discontinuance of Use of Marks. You agree to comply at your expense with any directions from us and/or any Related Company to discontinue, modify, substitute or add Marks. We cannot and do not make any guaranty that a modification, discontinuance or otherwise will not be required for any reason. In such event, we will have no liability or obligation to you. You agree to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding the

Marks against us and/or any Related Company. There is always a possibility that there might be one or more businesses using a name and/or marks similar to the Marks and with superior rights.

7. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.

7.1 Independent Contractor. You will always identify yourself to all persons and in all dealings of your CARTRIDGE WORLD Store as an independent owner under a CARTRIDGE WORLD franchise, clearly indicating that your Franchised Business is separate and distinct from our business and that of any Related Company. You will include notices of independent ownership on such forms, business cards, stationery, advertising, signs and other materials as we require from time-to-time. Subject to the requirements of this Agreement and the mandatory provisions of the Manuals, you will have complete operational control of your business, including the right to hire and fire each employee.

7.2 No Liability for Acts of Other Party. You will not represent that your and our relationship is other than that of independent Franchisor and Franchisee. Neither you nor we will have any liability under any acts, omissions, agreements or representations made by the other that are not expressly authorized in writing. This Agreement does not create a fiduciary relationship between you and us and/or any Related Company.

7.3 Taxes. Payment of all taxes related to your Franchised Business is your sole responsibility. Neither we/nor any Related Company have any liability for any taxes on the sales made and/or business conducted by you (except for any taxes we are required by law to collect from you with respect to purchases from us.)

7.4 Responsibility, Indemnity, etc.

A. You will indemnify and hold us and all of the Franchisor-Related Persons/Entities harmless from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including attorney's fees and related expenses) and/or any other liability of any kind or nature, however arising, growing out of or otherwise connected with the operation of your CARTRIDGE WORLD Store and/or related to any act, error and/or omission of yours, even if there is a claim that a Franchisor-Related Person/Entity was negligent, including, but not limited to, your ownership and/or management of your CARTRIDGE WORLD Store and/or any Transfer of any interest in this Agreement or your CARTRIDGE WORLD Store. We and/or a Related Company will have the right to control all litigation, and defend and/or settle any claim, against and/or including us and/or the Franchisor-Related Persons/Entities, or affecting our and/or their interests, in such manner as we/Related Companies deem appropriate in our/their respective Business Judgment, without affecting our/their rights under this indemnity.

B. **Unless we give to you a specific written warranty for a particular item or service, goods and/or services provided by us, the Franchisor-Related Persons/Entities and/or any "approved" person/company/referral are provided without any warranties, express or implied, from us or any Franchisor-Related Person, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED. To the extent that they are transferable, we will pass on to you any warranties received from suppliers by us or Franchisor-Related Persons/Entities in connection with products distributed by us or Franchisor-Related Persons/Entities to you.**

I have read Sec. 7.4, understand it, and agree with it.

Your Initials: _____ / _____

7.5 Disclosure. You permit us to disclose, in offering circulars required by law and other places, any information relating to your CARTRIDGE WORLD Store, including your name, any address and/or phone number(s), revenues, expenses, results of operations and/or other information. Any disclosure by us shall be for reasonable business purposes, and our rights under this Section survive the Termination, expiration or Transfer of this Agreement.

8. CONFIDENTIAL INFORMATION; EXCLUSIVE RELATIONSHIP.

8.1 Confidential Information - Non-Disclosure and Non-Use.

A. "Confidential Information" includes all information relating to the operation of a CARTRIDGE WORLD Store or the System, including, among other things, all current and future: i) Manuals, training, techniques, Trade Secrets, processes, policies, procedures, systems, data and know how regarding the development, marketing, operation and franchising of CARTRIDGE WORLD Stores; ii) specifications and information about Products and Services; iii) all information regarding customers and suppliers, including any statistical and/or financial information and all lists; iv) methods of refilling printer cartridges; and v) any Related Company's engineered jigs. Specifically, and without limitation, the Related Companies own and control all domain names and URLs ("Uniform Resource Locator") relating to any and all CARTRIDGE WORLD Stores, as well as all information, lists and data related to past, present and future customers of your CARTRIDGE WORLD Store. Your only interest in any of this Confidential Information is the right to use it pursuant to this Agreement. You have the burden of proof and of going forward in any dispute between you and us or the Related Companies involving the proprietary or confidential nature of any information.

B. Both during and for five (5) years after the term of this Agreement, you agree i) to use the Confidential Information only for the operation of your CARTRIDGE WORLD Store under a CARTRIDGE WORLD Franchise Agreement; ii) to maintain the confidentiality of the Confidential Information; iii) not to make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and iv) to implement all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information; provided that you agree to comply with the foregoing obligations with respect to Trade Secrets both during and after the term of this Agreement and without regard to any time period limitation.

C. You agree to disclose to us all ideas, techniques, methods and processes relating to a CARTRIDGE WORLD Store conceived or developed by you and/or your employees. We and the Related Companies shall have the perpetual right to use, and to authorize others to use, such ideas, etc., without payment to you. You agree to sign (and cause your employees and contractors to sign) such documents as we or any Related Company may reasonably require in order to implement this clause.

D. You agree to have each of your employees, agents, principals and Affiliates sign a form of confidentiality agreement approved by us and our then current model form will be included in the Manuals or otherwise provided by us. We may from time to time provide you with template or sample forms/agreements and other materials and/or require through the Manuals or other written instruction that agreement forms used by you in the Franchised Business contain certain terms and/or protections for us. We do not warrant the legal sufficiency or quality of any such documents that we may approve or provide, and you are responsible to have all such items reviewed and modified for compliance with local law by an attorney licensed to practice in the state(s) where your Franchised Business will be located. You also agree to ensure that the collection, input, storage and use of your Franchised Business data using the Cartridge World systems complies with any applicable privacy laws and regulations within your jurisdiction

and any Manuals requirements. You are solely responsible for ensuring that any confidentiality agreement used by you is in compliance with and enforceable under local law. You will give us copies of your confidentiality agreements upon request.

8.2 Exclusive Relationship, Restrictions on Similar Businesses During Franchise Term and After Transfer, Termination, Expiration, Repurchase, etc.

A. In Term Restrictions: During the term of this Agreement and any renewal franchise, neither you, nor any Designated Individual or Affiliate of yours, nor any shareholder, member or partner of yours (if you are or become a Business Entity), nor any Immediate Family member of any of the foregoing, will:

- 1) have any direct or indirect interest anywhere in any Similar Business, or in any entity awarding franchises or licenses or establishing joint ventures or other business enterprises for the operation of Similar Businesses; or
- 2) perform any services anywhere as an employee, agent, representative or in any capacity of any kind for any Similar Business, or for any entity awarding franchises or licenses or establishing joint ventures to operate Similar Businesses; or
- 3) employ or try to employ any employee of ours, of a Franchisor-Related Person/Entity or of any other CARTRIDGE WORLD franchisee or Master Franchisee, without providing notice to the respective employer and obtaining their prior written consent. If you violate Section 8.2 A.3 during or after the term of this Agreement, then our remedies will include (but not be limited to) payment to us by you of \$5,000, such amount having been mutually agreed on by you and us in view of the extreme difficulty in accurately determining the damages suffered as a result of such breach.

B. Post Term Restrictions: For two (2) years after the later of the following terminating events: i) any Transfer, Repurchase and/or Termination of this Agreement; ii) the expiration of this Agreement (if a renewal franchise or renewal term is not granted); and/or iii) the date on which you stop operating your final CARTRIDGE WORLD Store or using the Marks and/or System, all of the persons and entities named in such Section 8.2, A, above:

1) shall not accept or solicit any person, firm or company that has been a CARTRIDGE WORLD Customer during the period twelve months prior to termination, nor try to divert any such Customers from any CARTRIDGE WORLD Store or CARTRIDGE WORLD enterprise of any kind (including any operations owned by any Franchisor-Related Persons/Entity and/or other Master Franchisees); and

2) shall be subject to all of the restrictions stated in Section 8.2 A, above, with respect to Similar Businesses located, and/or services performed, in the Non-Compete Area for any Cartridge World Store location in the United States, including the location of the Store operated by you under this Agreement. A "Non-Compete Area" shall be the circular area defined by a radius of ten (10) miles from the front door of any such Cartridge World Store location, including your own.

3) You and we have expressly bargained and agreed that it is your obligation under this Agreement to ensure the compliance of each of the persons identified in Section 8.2 A., with the restrictions described in this Section 8.2. The foregoing notwithstanding, we shall use reasonable judgment in evaluating whether or not the conduct of an Immediate Family member warrants our exercising any rights under this provision, considering your actual relationship to such member and his/her activities, among other factors.

The restrictions of this Section do not apply to the ownership of shares of a Similar Business (of a class of securities listed on a stock exchange or traded on the over-the-counter market) that represent less than three percent (3%) of the number of shares of that class issued and outstanding.

4) You and we share a mutual interest in ensuring compliance with the limitations on competition described in this Section 8.2. A CARTRIDGE WORLD franchisee's non-compliance with these restrictions would damage you, us and other CARTRIDGE WORLD Franchisees and unfairly limit reasonable expansion alternatives open to us and CARTRIDGE WORLD system members. You acknowledge and agree that such protections can enhance the value of the CARTRIDGE WORLD System to you as a franchisee, represent a reasonable balancing of your and our respective interests and have been expressly bargained for. You confirm that you possess valuable skills unrelated to the franchised business and have the ability to be self-supporting and employed, regardless of the competitive restrictions described in this Section 8.2.

5) If you violate any of the foregoing restrictions, our remedies will include (but not be limited to) the right to obtain equitable relief and to receive all profits generated in connection with the operation of any Similar Business until the date you cease to violate such restrictions. All competitive restrictions will be extended for the length of time that any breach of the Post Termination Obligations is ongoing. If any of the restrictions of this Section are determined to be unenforceable to an extent because of excessive duration, geographic scope, business coverage or otherwise, they will be reduced to the level that provides the greatest protection to us and the CARTRIDGE WORLD System, but which is still enforceable, notwithstanding any choice-of-law or other provisions in this Agreement to the contrary.

I have read Sec. 8.1 and 8.2, understand them, and agree with them.

Your Initials: _____ / _____

9. FEES.

9.1 Initial Franchise Fee, Releases, etc.

A. An initial franchise fee of _____ Thousand Dollars (\$ _____) is fully earned and payable to us on signing of this Agreement. The fee is entirely nonrefundable. We will apply a credit against the initial franchise fee due, or against such other fees as may be due upon the signing of this Agreement, in the amount specified in any mutually executed Consent to Transfer Agreement, or other applicable agreement.

B. If you and we have, or have had, a pre-existing franchise relationship prior to the execution of this Agreement, the language of the General Release attached as Exhibit 1.2 is incorporated in and effective upon the signing of this Agreement, excepting only those claims solely related to the offer and sale of this Franchise where such releases are expressly prohibited by applicable law.

C. As a condition to the occurrence of any of the following events (the "Events"), you and/or any Affiliate/owner of yours will sign a General Release, excepting only (where such releases are expressly prohibited by applicable law) those claims solely related to the offer and sale of the new Franchise:

(xiii) the awarding of any future, additional or other franchise;

- (xiv) the renewal of this franchise and/or awarding of a renewal franchise;
- (xv) any assignment or Transfer by you and/or any Affiliate/owner of you; and/or
- (xvi) any other event described in this Agreement as being conditioned in whole or in part upon such a General Release (as defined in Article 1.2, above).

9.2 Royalty, Payment Dates.

A. You agree to pay us royalties in each royalty period calculated as follows with respect to the two business segments identified below:

- (a) with respect to computer hardware (including printers) and/or software sales, six percent (6%) of Gross Profit received or earned by you during the preceding royalty period, and
- (b) with respect to all other Products and/or Services sales (including but not limited to inks, ink cartridges and related printer consumables), an additional six percent (6%) of Gross Volume received or earned by you during the preceding royalty period.

Royalties are to be paid by the tenth (10TH) day after each royalty period. Royalty payments are due commencing with the royalty period in which you begin CARTRIDGE WORLD Store operations. The current royalty period is a calendar month, but the time period may be changed by us in our Business Judgment. You must use your best efforts to maximize Gross Volume.

B. We require that various Products and/or Services only be supplied by us, a Franchisor-Related Person/Entity, and/or a designee of ours. You understand and agree that we and/or our Franchisor-Related Person/Entity will derive additional revenues/profits as a result of your purchases of such Products/Services.

9.3 Electronic Funds Transfer. You must participate in our then-current electronic funds transfer and reporting program(s). The then-current transfer process (e.g., account debit dates, applicable forms and other relevant information) will be provided in the Manuals or other written instruction from us. In any event, all royalties owed and any other amounts designated by us must be received or credited to an account specified by us by pre-authorized bank debit not later than end of business on the tenth (10th) day after a royalty period. You agree to maintain sufficient funds in your authorized accounts to meet your payment obligations under this Agreement. An insufficient account balance and/or any non-payment or late payment of the actual amount due is a breach of this Agreement.

9.4 Interest and Late Fees on Late Payments and/or Reports/Collections Costs. All amounts you owe us and/or our Affiliates bear interest at the highest applicable legal rate for open account business credit, but not to exceed one and one-half percent (1.5%) per month. Additionally, we can require you to pay an administrative late fee of Twenty Five Dollars (\$25.00) for each late report. The foregoing amount is subject to inflation adjustment under Section 9.6, but will not exceed any applicable legal restrictions. If we experience repeated late payments by you, then we can require you to pay all amounts due us by cashier's check. You are responsible for all reasonable costs of collection incurred by us in connection with any late payments, including legal costs and attorneys' fees.

9.5 Application of Payments, Set-Offs etc. As to you and/or any Affiliate of yours, we can:

- A) apply any payments received to any past due, current, future or other indebtedness of any kind in our Business Judgment, no matter how payment is

- designated by you, except that Marketing Fund contributions may only be credited to the Marketing Fund;
- B) set off, from any amounts that may be owed by us, any amount owed to us or any marketing fund; and
 - C) retain any amounts received for your account (and/or that of any Affiliate of yours), whether rebates from suppliers or otherwise, as a payment against any amounts owed to us.

We can exercise any of the foregoing rights in connection with amounts owed to or from us and/or any Franchisor-Related Person/Entity.

9.6 Inflation Adjustments/Currency Requirements. Amounts specified as being subject to inflation adjustment may be adjusted by us annually in our Business Judgment in proportion to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor (or any successor index that we designate) as compared to the previous year. We will notify you of any such percentage adjustment. All amounts specified in this Agreement are in U.S. Dollars.

9.7 Mandatory Convention Attendance, Possible Fee. You are required to attend all meetings designated by us as mandatory (including without limitation the CARTRIDGE WORLD annual convention), unless otherwise excused by us. One management-level individual must attend on behalf of each of your CARTRIDGE WORLD Stores. You may be required by us to pay a fee at the time of the event to offset the cost of a convention or other program. You are responsible for all other costs of attendance.

9.8 Payment Instructions. You agree to comply with payment instructions for fees owed under this Agreement, as provided in the Manuals or as otherwise instructed by us, including a requirement that payments be made to CWNA or an agent for collection. Neither CWNA nor any such agent will have any responsibility for the performance of our obligations under this Agreement because of any collection activities on our behalf.

10. YOUR CARTRIDGE WORLD STORE — IMAGE AND OPERATION.

10.1 System Compliance, Regular Upgrading.

A. You agree to operate your CARTRIDGE WORLD Store in full compliance with the then-current CARTRIDGE WORLD System and the Manuals. You agree to promptly comply at your expense with all then current requirements, standards and operating procedures relating to every aspect of a CARTRIDGE WORLD Store and its operations (including without limitation use of specified equipment, Products and Services, computer hardware and software and Point Of Sale ("POS") systems; supplier programs and operating systems; signs, logos, designs and advertising/marketing materials and forms; website designs and formats).

B. You must maintain your CARTRIDGE WORLD Store at your expense according to all CARTRIDGE WORLD standards for new stores and promptly undertake all changes as are required by us from time-to-time in our Business Judgment. You will not make any alterations to your CARTRIDGE WORLD Store or its appearance as originally approved by us without our prior written approval.

C. You agree that you and your employees will wear then current CARTRIDGE WORLD logo apparel at your sole expense.

10.2 Designated Equipment, Products, Services and/or Suppliers.

A. Your CARTRIDGE WORLD Store must purchase, use and offer such Designated Equipment, Products and Services, as are specified by us and/or a Related Company from time to time. We may designate a single or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our Business Judgment. Such suppliers may include, and may be limited to, us and/or companies affiliated with and/or related to us. You understand that we currently have a Related Company(ies) that derive(s) substantial revenues from i) warehousing and selling Products to CARTRIDGE WORLD Store Franchisees, including but not limited to, inks, ink cartridges and related printer consumables, and ii) Services, including construction management and facility design services. We expect these and/or other sales of Products/Services by us and/or Related Company(ies) to continue in the future. We also may develop new products and processes which you may be required to use/implement in your operations. We or an Affiliate or Related Company(ies) can be designated by us/Related Company(ies) in our/their Business Judgment as an exclusive supplier for any such Products/Services. An exclusive supplier may be designated to help ensure that such Products are of a uniform, high quality and are uniformly available in all Traditional CARTRIDGE WORLD Stores. You and we agree that the predictability of high quality Products, Product performance and similar factors are of key importance to our target consumers, to building a positive image and reputation for the CARTRIDGE WORLD Brand and Franchise system, and to individual Store and System growth. We/Related Companies may delete, substitute, modify or add to the Products/Services/suppliers in our/their Business Judgment.

B. Designation of a supplier may be conditioned on factors established by us/Related Companies in our/their Business Judgment, including without limitation performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us/them. We/Related Companies can approve, or revoke or deny approval, of particular items or suppliers in our/their Business Judgment.

C. You must purchase all goods and services for your CARTRIDGE WORLD Store from suppliers approved by us, unless otherwise permitted by us or as provided in the Manuals. You can request the approval of an item, service or supplier by notifying us in writing and submitting such information and/or materials we request. We can require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal. We will notify you of our decision within a reasonable time.

D. You will not make any claims against us/Related Companies with respect to any supplier and/or related products/services, and/or our designation of, or our relationship with, any supplier/products/services. Claims by you with respect to any supplier-related and/or similar matters will be made only against the supplier in question. You will provide us with written notice prior to taking any action in connection with such a claim. We will use diligent efforts to assist you in resolving any disputes with suppliers approved and/or designated by us.

10.3 Purchasing Cooperative. We can require that you join and make required purchases/leases through the CARTRIDGE WORLD purchasing cooperative or other entity designated by us. Such entity may adopt its own bylaws, rules, regulations and procedures, subject to our consent in our Business Judgment. We can require each such entity to submit monthly and annual financial statements, and can require that the annual financial statements be audited, all at the expense of such cooperative. Your failure to timely pay amounts due to, or comply with the bylaws, rules, regulations and procedures of such cooperative is a breach of this Agreement. We can offset against amounts we owe to you the amount of your unpaid cooperative obligations.

10.4 Compliance with Laws and Ethical Business Practices.

A. You'll operate your CARTRIDGE WORLD Store in full compliance with all applicable laws, ordinances and regulations. If there is ever a conflict between the requirements imposed under this Agreement and your obligation to comply with applicable laws, ordinances, and regulations, you shall immediately: (1) comply with the applicable law, ordinance, and/or regulation; and (2) give us written notice explaining the nature and extent of the conflict.

B. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with your CARTRIDGE WORLD Store. It is your sole responsibility to identify and obtain all authorizations necessary to your operation. You agree to maintain high standards of honesty, integrity, fair dealing and ethical conduct in your business activities. You will notify us in writing within five (5) days of the commencement of any proceeding and/or of the issuance of any governmental order or action impacting you and/or your CARTRIDGE WORLD Store.

C. You agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti terrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Franchise Business as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 7.4 pertain to your obligations hereunder.

10.5 Management and Personnel of Your CARTRIDGE WORLD Store, Training.

A. Your CARTRIDGE WORLD Store must be personally managed on a full-time basis by a person who has successfully completed mandatory training and met then-current standards. We strongly recommend on-site management by you.

B. You are solely responsible for the hiring and management of your CARTRIDGE WORLD Store employees, for the terms of their employment and for ensuring their compliance with any training or other employment related requirements established by us from time to time in our Business Judgment.

C. We have the right to deal with the manager regarding routine operations and reporting requirements. You will ensure that our records for your CARTRIDGE WORLD Store managers/supervisors are kept current.

10.6 Insurance.

A. You agree to maintain in force policies of insurance issued by carriers approved by us covering various risks, as specified in writing by us from time-to-time. We can specify the types and amounts of coverage required under such policies and require different and/or additional kinds of insurance at any time, including excess liability insurance. Each insurance policy must: i) name us and our Affiliates and Related Companies as additional named insured; ii) contain a waiver of all subrogation rights against us, our Affiliates and any successors and assigns; iii) and provide thirty (30) days' prior written notice to us of any material modifications, cancellation, or expiration of such policies.

B. If you fail to maintain required insurance coverage, we will have the right (but not the obligation) to obtain such insurance coverage on your behalf. You will pay us on demand any costs and premiums incurred by us.

C. Current insurance requirements include the following and are subject to change by us: (i) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, your CARTRIDGE WORLD Store; (ii) all risk property and casualty insurance for the replacement value of your CARTRIDGE WORLD Store and all associated items; and (iii) business interruption insurance providing for continued payment of all amounts due us and/or any Affiliate of ours under this Agreement.

10.7 Program Participation. We can condition your participation in any program, or your receipt of any CARTRIDGE WORLD System benefits, on you being in Good Standing.

10.8 Continued Payment of Royalties, etc. During Closure. You must immediately notify us of any closure of your CARTRIDGE WORLD Store for any reason and submit a plan for re-opening. All financial obligations of yours to us or to any Franchisor-Related Person/Entity (including royalties) will remain in effect during such closure period, unless we otherwise agree in writing. Any such closure not authorized and/or excused by us shall be a default of this Agreement, entitling us to all remedies available hereunder, at law and in equity.

10.9 Customer Satisfaction, Quality Controls, etc. We can institute various programs for auditing customer satisfaction and/or other quality control measures. We can require you to pay for such program costs. You agree to request your customers to participate in any surveys performed by or on behalf of us, using forms prescribed by us from time to time.

10.10 Franchisee Advisory Council and Selection. We and/or Related Companies may elect in our/their Business Judgment to form a "Franchisee Advisory Council" or "FAC," to provide input to us. The FAC will consist of Franchisees in Good Standing, each of whom shall represent the interests of the Traditional CARTRIDGE WORLD Stores in their distinct geographical region (the "Region"). FAC members will be elected for a term or terms by a majority of the Traditional CARTRIDGE WORLD Stores situated in their respective Region. The geographical area of each Region will be established by us and/or Related Companies, as applicable, in our/their Business Judgment, with due consideration given to achieving a representative group of Stores for each Region. The number of Regions and their respective boundaries will be subject to adjustment from time to time to reflect growth and Store population changes, among other appropriate factors. Each Store, both franchisee and Franchisor-Related Company-owned, will be entitled to one vote per Store. We and/or Related Companies, as applicable, will always have the right to appoint one representative to participate in all FAC meetings and any other FAC activities, but such representative will be a non-voting participant. The FAC may adopt its own bylaws, rules, regulations and procedures, subject to our and/or Related Companies, as applicable, consent in our/their Business Judgment. While we/they are not required to do so except in those specific instances stated in this Agreement, if we/Related Companies submit any matters for approval to an FAC and approval is granted, the approval will be binding on you.

11. MARKETING.

11.1 National Marketing Fund.

A. CWNA has established an advertising, publicity and marketing fund (the "National Marketing

Fund" or "Marketing Fund") to promote CARTRIDGE WORLD Stores and the Brand. You agree to make a marketing fund contribution calculated as follows with respect to the two business segments identified below:

(a) with respect to computer hardware (including printers) and/or software sales, an amount not to exceed four percent (4%) of Gross Profit received or earned by you during the preceding royalty period,

plus

(b) with respect to all other Products and Services sales (including but not limited to inks, cartridges and computer compatibles), an additional amount not to exceed four percent (4%) of "Gross Volume" received or earned by you during the preceding royalty period;

The percentage contributions shall be established by CWNA in its Business Judgment, subject to the maximum limitations described above. Such percentage marketing contributions will be calculated and payable at the same time and in the same manner as royalties, including any electronic funds transfer requirements. Such contributions shall be payable to CWNA, or as otherwise instructed by CWNA. CWNA may, on a temporary or permanent basis, delegate management of all or part of the Marketing Fund to us and/or other Master Franchisees and/or Related Companies, including but not limited to contribution collection activities. In such an event, all rights of, and benefits to, CWNA with respect to the Marketing Fund, whether arising under the provisions of this Agreement or otherwise, shall also accrue to us and/or such other entities. If CWNA has delegated or delegates any such management to us, it will have no obligations to you [and you will not make any claims against CWNA or any Related Company] with respect to such management activities and/or any related matter. To the extent of any such delegation, all such obligations will be ours alone.

B. CWNA shall have sole discretion over all matters relating to the Marketing Fund, operational, marketing or any other matter (consistent with its purposes and the provisions of this Agreement). The Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future CARTRIDGE WORLD Stores and the Brand; agency and consulting services; research, any expenses approved by us and associated with FAC or other franchisee advisory groups. A brief statement regarding the availability of CARTRIDGE WORLD franchises may be included in advertising and other items produced using the Marketing Fund.

C. CWNA, we and/or any Franchisor-Related Persons/Entities can provide goods, services, materials, etc. (including administrative services and/or "in-house advertising agency" services) and be compensated and/or reimbursed for the same by the Marketing Fund, provided that any such compensation must be reasonable in amount. CWNA can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Marketing Fund. While CWNA is not required to do so, if an FAC has been formed and any matters are submitted by CWNA for approval to the FAC and approval is granted by a majority of the members, the approval will be binding on you.

D. The Marketing Fund will be accounted for separately and may be used to pay all administrative and other costs of the Marketing Fund related to its activities and purposes and/or as

authorized by the relevant Franchise Agreements. All taxes of any kind incurred in connection with or related to the Marketing Fund, its activities, contributions to the Marketing Fund and/or any other Fund aspect, whether imposed on CWNA, us, a Related Company, the Marketing Fund or any other related party, will be the sole responsibility of the Marketing Fund. CWNA will prepare financial statements for the Marketing Fund annually, which will be furnished to you upon written request. CWNA can choose that any such statements be audited and any related accounting/auditing costs be paid by the Marketing Fund. Funds in the Marketing Fund must be expended, prior to termination of the Marketing Fund, only for the purposes authorized by the relevant Franchise Agreement(s.) No profit, gain or other benefit will directly accrue to CWNA from the Marketing Fund. All interest earned on monies contributed to, or held in, the Marketing Fund will be remitted to the Marketing Fund and will be subject to the restrictions of the relevant Franchise Agreement(s.) In making expenditures, the Marketing Fund will first spend any contributions made by any supplier; second, any earnings on assets held by the Marketing Fund; third, any contributions made by CWNA; and finally any contributions made by Franchisees.

E. Financial management of the Marketing Fund will be CWNA's sole responsibility. CWNA can in its Business Judgment do any of the following:

- 1) compensate us and/or any Franchisor-Related Person/Entity for salaries, administrative costs, overhead and other expenses incurred in Marketing Fund related programs/activities, including but not limited to production, research, insurance, and collection expenses, as well as any legal expense related to the activities and purposes of the Marketing Fund (consistent with the provisions of this Agreement);
- 2) charge the Marketing Fund for attorney's fees and other costs related in any way to claims against us and/or any of the Franchisor-Related Persons/Entities regarding the Marketing Fund. However, CWNA shall be required to reimburse the Marketing Fund for any attorneys' fees and/or costs paid by the Marketing Fund in connection with any action in which CWNA is finally found to have acted unlawfully or to be guilty of wrongdoing with respect to the Marketing Fund;
- 3) 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 CWNA or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus;
- 4) collect for remission to the Marketing Fund any advertising or promotional amounts offered by any supplier based upon franchisee purchases. Any such contributions, whether or not made with respect to purchases by you, will not count toward your required Fund contributions;
- 5) pay the advertising, marketing, public relations and related costs involved in any co-branding, dual franchising or other such multi-sponsor programs;
- 6) revise marketing and other programs, and/or make expenditures from the Marketing Fund, to take account of cultural and other differences (and/or CWNA can delegate management of a portion of the Marketing Fund in connection therewith);
- 7) defer, waive and/or compromise claims for current/future contributions to, and/or claims against or with respect to, the Marketing Fund and fund the same with the Marketing Fund;
- 8) take legal or other action against any franchisee in default of their obligations to the Marketing Fund;
- 9) merge the Marketing Fund with any marketing fund otherwise established for CARTRIDGE WORLD Stores for use as described in this Section 11.1, so long as the restrictions of the relevant Franchise Agreement(s) continue to apply to contributions made by Franchisees under such arrangements;
- 10) maintain Marketing Fund assets in one or more accounts designated as "trust accounts" for purposes of protecting such assets from claims of third-party creditors, (however, such action shall not be deemed to create any "trust," "fiduciary relationship" or similar special arrangement);
- 11) incorporate the Marketing Fund or operate it through an entity separate from CWNA, which is subject to all rights and duties of CWNA relating to the Marketing Fund;

12) take such other actions in connection with the Fund as CWNA considers to be appropriate and as are consistent with the provisions of this Section 11.1.

F. You acknowledge and agree that we have no obligation to ensure that expenditures by the Marketing Fund are or will be proportionate or equivalent to contributions to the Marketing Fund by CARTRIDGE WORLD Stores operating in any geographic area, or that any CARTRIDGE WORLD Store will benefit directly, indirectly or in proportion to its contribution to the Marketing Fund; provided that contributions from Traditional CARTRIDGE WORLD Stores in the United States will be used in accordance with this Agreement for the primary benefit of Traditional CARTRIDGE WORLD Stores in the United States. We have no obligation to cause other CARTRIDGE WORLD Stores to contribute to the Marketing Fund or engage in local marketing, and we can permit a franchisee to make direct advertising expenditures in place of contributions to the Marketing Fund. You understand that some CARTRIDGE WORLD franchisees may have Marketing Fund obligations that are different from yours, if any. However, all CARTRIDGE WORLD Stores owned by CWNA and/or us will make contributions to the Marketing Fund as if they were subject to the then-current form of Franchise Agreement.

G. Neither CWNA nor we (nor any of the Franchisor-Related Persons/Entities, including the FAC) will be liable for any act or omission in connection with the Marketing Fund which is consistent with this Agreement. You and we expressly agree that none of the relationships with you in connection with the Marketing Fund are in the nature of a "trust," "fiduciary" or similar special arrangement.

H. Subject to the express requirements of this Agreement that your contributions will only be spent as authorized herein, you agree that CWNA and/or us and/or any Related Company can deny access to any and all programs and/or materials created by, and benefits of, the Marketing Fund to you and to any Franchisees who are in default in any obligations to the Marketing Fund and/or otherwise in default under this Agreement.

11.2 Your Participation in the Marketing Fund. You agree to participate in all Marketing Fund programs. You have the right to set your own prices, except that we can specify maximum prices for goods or services to the greatest degree permitted by law. You will fully honor all coupons, price reduction and other promotions/programs as directed by us. CWNA can choose for the Marketing Fund to furnish you with marketing, advertising and promotional materials and also can choose to require that you pay the cost of producing, shipping and handling for such materials.

11.3 Your Local Store Marketing Activities.

A. You must spend at least Four Hundred Dollars (\$400.00) each calendar month for local advertising and promotion of your CARTRIDGE WORLD Store, subject to inflation adjustment as set forth in Section 9.6 and to the additional Grand Opening requirements provided in Section 3.7, above. You agree to submit, upon our request, verification of your expenditures in a form prescribed by us in our Business Judgment. Appropriate local advertising expenditures may include, but are not limited to, classified telephone directory listings and advertising. The value of discounts, coupon redemptions and/or products or services given without charge shall not be considered to meet your local advertising obligation under this Section.

B. Your advertising must be in good taste and conform to ethical and legal standards. We can require that samples of all advertising and promotional materials for any media, including the Internet, be submitted to us for our review and approval prior to use. You agree not to use any materials or programs disapproved by us/CWNA at any time in our/their Business Judgment. We can require that a

brief statement regarding the availability of CARTRIDGE WORLD franchises is included in advertising used by you and/or that brochures regarding purchase of CARTRIDGE WORLD franchises are displayed in your CARTRIDGE WORLD Store.

C. You agree to comply with the Manuals and any other specifications we give to you regarding your use of the Internet, World Wide Web or other electronic media in connection with your CARTRIDGE WORLD Store, including, but not limited to, any requirement that any such use be only through us/any Related Company, and/or a designated Internet/Intranet Service Provider (which can be us or an Affiliate), and/or that all web pages related to your Store be accessed through a designated site and/or meet specifications. You agree that you will not establish and/or maintain without our prior written consent any independent website, domain name, e-mail address or other such presence for use in connection with your Franchised Business and may not use the CARTRIDGE WORLD name or marks in connection with any of the foregoing. A CARTRIDGE WORLD internet/intranet system has been implemented to enhance communications by and among CARTRIDGE WORLD network members, to help support various system maintenance services, and to permit the efficient/economic delivery of a variety of information, such as Manuals, System bulletins, marketing materials, financial data, reporting information, technical instructions, etc. You agree to participate in any such intranet/internet activities as required from time to time and to maintain the necessary hardware, software, POS Systems, equipment, High-Speed Internet Service (Cable, DSL) (based on availability) or dial-up modem and other items as we require to enable you to do so on an ongoing basis at your expense. You agree to pay by credit card, bank autodraft, or other method required by us, an Internet/Intranet Service Fee to support such Systems and programs, which Fee is \$100 per month as of the date of this Agreement and is subject to adjustment by us based upon product/service vendor price increases and/or the formula provided in Section 9.6 above. In addition to any other rights and remedies we may have, if you are not in Good Standing we may limit or suspend your access to and/or use of systems and programs related to this Fee, including but not limited to your POS system operation, until any defaults by you are cured or we are otherwise satisfied, and you return to Good Standing.

11.4 Regional Franchisee Marketing Group(s) ("FMG"). We/ CWNA can elect in our/their Business Judgment to form any regional association(s) of CARTRIDGE WORLD franchisees to conduct various marketing-related activities on a cooperative basis (an "FMG"). If an FMG is formed covering your area, then you must join and actively participate. You may be required to contribute such amounts as are determined from time-to-time by the FMG. Contributions will be established on a per Store basis. The FMG can adopt its own bylaws, rules, regulations and procedures, subject to our consent in our Business Judgment. Any failure to timely pay amounts due to, or to comply with the bylaws, rules, regulations and procedures of, the FMG shall be a breach of this Agreement. We can offset against amounts we/CWNA owe to you the amount of your unpaid FMG obligations. While neither we nor /CWNA are required to do so, if we/they submit any matters for approval to the FMG and approval is granted, the approval will be binding on you.

12. STORE RECORDS AND REPORTING.

12.1 Bookkeeping, Accounting and Records, Cash Register, Computer and Other Systems. You must obtain and maintain at your sole expense accounting, sales, reporting and records retention systems conforming to any requirements prescribed by us from time-to-time, including any such electronic systems with on line access for us. Such systems may include, but are not limited to, electronic cash register, computer and point-of-sale systems, and software programs, and may have components only available from us, a Franchisor-Related Person/Entity and/or designated suppliers. We reserve the right to use in our Business Judgment, and to have full access to, all cash register, computer and any other systems, and the information and data they contain. We can charge a reasonable fee for the license, modification, maintenance or support of software or any other goods and/or services that we furnish to you in connection with any of the systems.

12.2 Reports, Financial Statements and Tax Returns.

A. You will provide to us such information regarding the sales and operation of your CARTRIDGE WORLD Store, and in such form and format, as we/Related Companies specify from time-to-time in their Business Judgment. Such information may be obtained through a variety of methods, including among them direct on line access, facsimile transmissions and written copies. Current information requirements include, but are not limited to, the following, and are subject to change by us/Related Companies:

- 1) Sales and operations reports for each royalty period, which are due at the same time as the corresponding royalty payment; and
- 2) within forty-five (45) days after the end of each fiscal year, an unaudited fiscal year-end balance sheet and income statement for your CARTRIDGE WORLD Store, prepared in accordance with generally accepted accounting principles, and verified and signed by you;
- 3) retention of all records of or relating to your CARTRIDGE WORLD Store, including all income, sales and other tax returns, for the term of this Agreement and one year thereafter.

B. You agree to provide such other data, information and supporting records for your CARTRIDGE WORLD Store as we/Related Companies reasonably may request from time to time, including without limitation copies of your CARTRIDGE WORLD Store's state sales tax returns and those portions of your income tax returns relating to your CARTRIDGE WORLD Store. We reserve the right to require you to provide us at your expense with an annual audited financial statement prepared by a certified public accountant upon a reasonable belief by us that such statements are required to help ensure reporting accuracy.

13. INSPECTIONS AND AUDITS.

13.1 Our Inspections, etc. We and/or our agents and/or Related Companies will have the right, at any time during business hours, and without prior notice to you, to: i) inspect your CARTRIDGE WORLD Store and related activities and items and record the same; ii) remove samples for testing and analysis; iii) interview personnel; iv) interview customers; and v) conduct inventories. You agree to cooperate fully in connection with such matters. We may require you or an individual we designate to meet at our principal business address or other location we specify, for the purpose of discussing and reviewing your CARTRIDGE WORLD Store's operations, financial performance and other matters.

13.2 Audit. We and/or our agents and/or Related Companies will have the right at any time during business hours, and without prior notice to you, to inspect and/or audit business records relating in

any way to your CARTRIDGE WORLD Store and the books and records of any person(s), corporation or partnership which holds, or does business with, the Franchise. Such business records may include, but are not limited to, bookkeeping and accounting records, sales and income tax records and returns, cash register tapes, invoices, and deposit receipts. Our right to audit includes the right to access all cash registers, computers and other equipment by electronic means. You'll cooperate fully with such an audit. Notwithstanding any provision to the contrary in this Agreement or otherwise, our audit rights will continue in effect for two years after the Repurchase, Termination, expiration, or Transfer of this Agreement and/or any renewal franchise. Our or your failure to exercise any rights to conduct an audit will not act as a waiver of any rights or constitute a lack of diligence for purposes of the delayed discovery doctrine or otherwise.

13.3 Gross Volume Understatements. If any inspection or audit discloses an understatement of Gross Volume, you must pay to us the royalties and marketing contributions due on the understated amount, plus interest, from the date originally due until the date of payment. We can require you to reimburse us for the cost of the inspection or audit, including, without limitation, the charges of any independent accountants, and related travel and per diem charges for our and their employees, if:

- A) any inspection or audit is necessary because of your failure to timely furnish required information/reports; or
- B) Gross Volume is understated for any period by more than two percent (2%).

In addition to all other remedies and rights of ours hereunder or under applicable law, we may Terminate this Agreement if:

- A) Gross Volume is understated for any period by more than five percent (5%); or
- B) any understatement is determined by us to be intentional.

14. TRANSFER.

10.5 Transfers by Us.

A. This Agreement, and any or all of our rights and/or obligations under it, are fully transferable by us in our Business Judgment, in whole or in part, without your consent; provided that any such transferee shall appear at the time of the transfer to have financial resources reasonably appropriate to fulfill its obligations under this Agreement. For the purposes of this Section 14.1, we shall be entitled to rely upon financial statements provided to us by the transferee. If we transfer this Agreement, only the transferee will have obligations to you. Our obligations to you (and those of any of the Franchisor-Related Persons/Entities) will be extinguished. You specifically acknowledge and agree that we and/or any Franchisor-Related Entity/Person can be sold and/or we and/or any Franchisor-Related Entity/Person can sell any or all intellectual property and/or other assets (including the Marks); go public; engage in a private or other placement of some or all of our/their securities; merge, acquire other entities and/or assets (competitive or not); be acquired by a competitive or other entity; and/or undertake any refinancing, leveraged buy-out and/or other transaction.

B. On any repurchase, Termination or expiration of the Master Franchise Agreement between us and CWNA, or notice by CWNA to you of our having committed a default or of CWNA's election to receive direct payment, you will (1) pay to CWNA or its nominee all amounts owed or to be owing, and submit all reports due or to become due, under this (and/or any other) Agreement and (2) allow to be assigned to CWNA (or its nominee) this Franchise Agreement and any other Franchise or other agreement between

us and you (or any Affiliate of yours). You hereby award to CWNA a power of attorney authorizing CWNA to execute any and all such assignments.

C. You agree that neither we nor any Franchisor-Related Person/Entity will have any liability to you resulting from our entering into any transactions permitted hereunder.

14.2 Transfers by You.

A. The rights and duties created by this Agreement are personal to you (or your owners, if the Franchisee is a Business Entity). We have awarded the Franchise relying on the individual integrity, ability, experience and financial resources of you or such owners. Therefore, neither this Agreement, the Franchise, the Franchisee or your CARTRIDGE WORLD Store (or any interest in, or the assets of, any of them) can be transferred without our prior written approval. Any transfer or attempted transfer without our approval is null and void.

B. The term "Transfer" includes (but is not limited to) any voluntary or involuntary assignment, sale, gift, pledge or any grant of any security or other interest (whether partial or whole, or direct or indirect), by you (or your owners, if the Franchisee is a Business Entity). A Transfer also includes the following events: i) any transfer of ownership of capital stock or any partnership or similar interest; ii) any merger, consolidation or issuance of additional securities representing an ownership interest in the Franchisee; iii) any sale of voting stock of the Franchisee or of any security convertible to voting stock; iv) any transfer in a corporate or partnership dissolution, divorce, insolvency proceeding or otherwise by operation of law; v) any transfer of any interest in any revenues, profits, or assets of your CARTRIDGE WORLD Store and which is not in the ordinary course of business; or vi) any transfer to a Business Entity and/or a trust or similar entity. A transfer of ownership, possession or control of your CARTRIDGE WORLD Store, or of its assets, may only be made with a Transfer of the Franchise. Any Transfer in the event of death or disability will be governed by Section 14.5, below.

14.3 Conditions for Approval of Any Transfer.

A. All of the following conditions must be met prior to, or concurrently with, the effective date of any Transfer. We can waive any condition in our sole and absolute discretion.

1) You must be in compliance with this Agreement, the Manuals, all other agreements between you and us (including any of our respective Affiliates), and all leases/subleases with any party, and the transferee must expressly assume all obligations under all such agreements; and

2) The transferee and its owners must meet our then current requirements for new franchisees, including but not limited to business experience, aptitude and financial resources; and

3) You must meet all payment and reporting obligations under the Franchise Agreement and any other agreements between you and us (and any of our respective Affiliates/Related Companies). Promissory notes shall be accelerated and paid in full; and

4) All obligations to third parties in connection with your CARTRIDGE WORLD Store must be satisfied or assumed by the transferee; and

5) All aspects of your CARTRIDGE WORLD Store, including but not limited to its design, appearance, equipment, and operations, must have been brought into full compliance with the Manuals and specifications and standards then-applicable for new CARTRIDGE WORLD Stores; and

6) At our option, the transferee must successfully complete, or agree to complete, our training program for new franchisees, and transferee is responsible for all travel and training costs, including then applicable training fees; and

7) The transferee must, at our option, i) agree to be bound by all the terms and conditions of this Agreement for the remainder of the term, or ii) execute our then current form of franchise agreement and ancillary documents (including guarantees) as are then customarily used by us in the grant of franchises, which may contain terms materially different from this Agreement. The term of any such new franchise agreement shall be for the full term generally awarded to new franchisees as of the time of the transfer. We will require a payment from the transferee concurrent with the signing of the new franchise agreement. Such payment shall be calculated by multiplying the then-current Initial Franchise Fee by the percentage representing the difference between the full term of the new agreement and the remaining term of the existing franchise agreement for the Store the transferee is acquiring. By way of illustration, if four years of the initial term of a transferring franchise are remaining at the time of Transfer, and if a new ten-year term is awarded by us, then we will charge the pro-rated fee, which shall be 60% of the then-current initial franchise fee. Any such fee is in addition to any training or other fees owed by the transferee in connection with such Transfer.

8) The Transfer must be completed in compliance with the terms of any applicable leases and other agreements and with all applicable laws, including but not limited to licensing and operations-related laws and/or laws governing franchise sales; and

9) You or the transferee must pay us with your application for a Transfer a non-refundable transfer fee of _____ Thousand Dollars (\$_____000), subject to inflation adjustment as provided in Section 9.6, above, but only if such proposed Transfer involves a change in ownership or control of fifty percent (50%) or more.

10) You and each of your owners and/or Affiliates, and the transferee (and each owner and/or Affiliate of the transferee), must sign a General Release; and

11) Any grant of a security or similar interest in connection with a Transfer (which grant may or may not be permitted by us in our Business Judgment), will be subordinated to our rights and the rights of any Franchisor-Related Person/Entity under the Franchise Agreement or any other agreement; provided that we can refuse to allow you or anyone else to grant or receive a pledge, mortgage, lien or any security or similar interest in and/or to the Franchise or the Franchised Business (or any of its assets) if, after having expended commercially reasonable efforts in discussions with lenders or other applicable parties, we are unable in our Business Judgment to obtain appropriate protections for our rights under this Agreement and/or for CARTRIDGE WORLD System interests; and

12) You must agree with the transferee not to compete after the Transfer in accordance with restrictions acceptable to us and substantially similar to those described in Section 8.2 B, above, to the maximum extent permitted by law. We shall be named a third party beneficiary of such agreement; and

13) We can (but are not required to) withhold or condition our consent to any Transfer in our Business Judgment, particularly if we believe that the terms of Transfer jeopardize the economic viability of the franchise or based on other circumstances of the Transfer, and/or if we would not normally directly award a franchise in such a situation.

14) We may, but are not required to, refer to you a prospect(s) for the possible purchase of your Franchised Business. You agree to pay to us a referral fee equal to ten percent (10%) of the total

and final purchase price for your Franchised Business (or any interest therein), if your Franchised Business (or any interest therein), is transferred to such a prospect. The fee calculation shall be based upon the total purchase price, regardless of whether or not you actually receive the full purchase price at closing (e.g., regardless of any financing by you, notes payable, negotiated payment installments, etc.). We must receive the referral fee in cash at or prior to closing as a pre-condition to the effectiveness of any consent to transfer from us. You agree to comply with the then current provisions in the Manuals and/or other written requirements established by us regarding processing prospect referrals and other matters relating to any prospect referral program operated by us.

B. You agree that we may (but are not required to) discuss with you and/or the proposed transferee all matters related to any Transfer and/or proposed Transfer at any time which we consider to be appropriate in our Business Judgment without liability (including our opinion of the terms of sale, performance of your franchise, etc.). You expressly consent to any such discussions by us.

C. Neither you nor any transferee shall rely on us to assist in the evaluation of the terms of any proposed Transfer. You acknowledge and agree that an approval of a proposed transfer shall not be deemed to be an approval of the terms, nor any indication as to any likelihood of success or economic viability.

14.4 Additional Conditions for Transfer to a Business Entity.

A. We will consent to a Transfer from you to a Business Entity owned by you and formed for the sole purpose of operating the CARTRIDGE WORLD Store if the conditions described in 14.3, above, and the following conditions are met. Such a Transfer will not relieve you of your obligations under this Agreement. You will remain jointly and severally liable to us for your and the Business Entity's obligations.

1) The Business Entity's stock certificates (and/or other applicable evidences of ownership and all documents of formation/governance) must recite that any ownership interest in the Business Entity is restricted by the terms of this Agreement; and

2) You must have (and continue to maintain) management control and ownership of at least fifty-one percent (51%) of the Business Entity and personally manage its affairs; and

3) The individual Franchisee (or, if the Franchisee is a partnership, at least one of the partners) must be and remain the chief executive officer, chief operating officer or chief financial officer and meet our then-current training requirements. If the Franchisee is or becomes a corporation, LLC, partnership or other Business Entity, the chief executive officer, chief operating officer or chief financial officer of such entity must always meet all of our then-current training and other standards; and

4) The transferee must enter into an approved form of assignment in which the Business Entity assumes all of the Franchisee's obligations under this Agreement and any other agreements with us and/or a Franchisor-Related Person/Entity, and any other documents we can require as provided in 14.3 A. (7), above. If the assignment is to a Business Entity wholly-owned by you, we will waive the transfer fee stated in Section 14.3 A 9), above, but we may in our Business Judgment require you to pay a reasonable administrative services fee of Five Hundred Dollars (\$500) for any such assignment occurring more than 120 days after the Effective Date of this Agreement; and

5) All current and future owners of the Business Entity must agree in writing to comply with this Agreement and any other agreements with us and/or any Franchisor-Related Persons/Entities. We can at our option and in our Business Judgment require any and all owners to jointly and severally guarantee (in

a written form approved by us) any such obligations of the Business Entity under any such agreements. The current approved form of Continuing Personal Guarantee is attached as Exhibit 1 to this Agreement; and

6) No public offerings of debt or equity ownership in the transferee entity can be conducted, and no shares of any type issued without obtaining our prior written consent; and

7) We can require that each of the present and/or future shareholders, directors, and/or officers execute confidentiality and non-competition agreements with terms substantially similar to those described in Sections 8.1 and 8.2, respectively; and

8) In any event, we can withhold or condition our consent to any Transfer as we deem appropriate in our Business Judgment, based on the circumstances of the Transfer or otherwise.

14.5 Death or Disability of Franchisee.

A. If the Franchisee, or if the owner of the Franchisee with a controlling interest, dies or is permanently disabled, then his or her interest in this Agreement, the Franchise and/or the Franchisee shall be transferred to a third party subject to all of the provisions of this Article 14. A "permanent disability" occurs if you are not able to personally, actively participate in the management of your CARTRIDGE WORLD Store for (6) consecutive months. Any Transfer under this Section shall be completed within six (6) months from the date of death or permanent disability. If no Transfer occurs, the Franchise will automatically terminate at the end of such period, unless a written extension is granted by us in our Business Judgment.

B. We can (but are not required to) operate the Franchised Business on your behalf and at your expense in the event of your death, disability or absence. We can pay ourselves a reasonable amount for our management services and other costs. We will use reasonable efforts and business judgment in managing the business, but will in all cases be indemnified by you (and/or your estate) against any costs and/or liabilities related in any way to our management and the operation of the Franchised Business. We are expressly authorized by you to manage in good faith and on terms that we consider appropriate in our Business Judgment, including payment of any past, current and/or future obligations to us or to any other creditor out of assets and/or revenues of the Franchised Business.

14.6 Effect of Consent to Transfer. Our consent to a Transfer is not a waiver of any claims we may have against you, and you are not relieved of any obligations to us or any Franchisor-Related Persons/Entities, unless you have an express written release signed by us. Your obligations under the Post Termination Provisions will survive any Transfer of this Agreement. Any dispute regarding any proposed or completed Transfer will be resolved through the dispute resolution provisions of this Agreement. Neither we nor any Franchisor-Related Persons/Entities will have any liability to you or any proposed or actual transferee in connection with our examination and/or possible consent or withholding of consent involving any Transfer or proposed Transfer, or our exercise of any right of ours, which is consistent with this Agreement. You agree to indemnify and hold us harmless from any liability to you, the proposed transferee or otherwise.

14.7 Our Right-of-First-Refusal.

A. We have a right of first refusal regarding any proposed Transfer subject to this Agreement. With each proposed Transfer, you will provide us with a true and complete copy of the offer

received by you (and any ancillary agreements), and the conditions to Transfer described in Sections 14.3 and 14.4, as applicable, will be met. The offer and the price and terms of purchase must apply only to an interest in this Agreement, the Franchise, your CARTRIDGE WORLD Store or the Franchisee. Any value attributable to the goodwill of the Marks, CARTRIDGE WORLD System elements, Confidential Information or any other assets, tangible or intangible, related to the CARTRIDGE WORLD brand and System will be excluded from the purchase price.

B. We will give you written notice of our decision to exercise our right of first refusal within fourteen (14) days from the date of our receipt of the offer and ancillary documents. If any of the assets to be purchased do not meet the standards we then apply to new CARTRIDGE WORLD Stores, or if you are in default, we can require that the store be brought into compliance and any defaults cured before the 14 day period begins. We can substitute cash for any form of payment proposed in such offer and will have a reasonable period of time in which to prepare for the close of the transaction (generally 60 days). We'll be entitled to purchase any interest subject to all Customary Representations, Warranties and Agreements. We can require that the closing of the sale be through an escrow. You and we will comply with any applicable bulk sales and/or similar laws, and you will maintain all insurance policies until the date of closing. We will have the right to set off against any amount of money payable by us all amounts due from you and/or your Affiliates to us and/or our Affiliates and/or Related Companies. We will also have the right, in our Business Judgment, to pay any amount otherwise payable to you directly to your creditors in satisfaction of your obligations. If you violate any of your obligations that expressly or by their nature survive this Agreement, we will not be obligated to pay any amount otherwise due or payable to you thereafter. In connection with such purchase, you and each transferor (and your respective Affiliates) will sign a General Release.

C. If we do not exercise our right-of-first-refusal, you or your owner can complete the sale to such purchaser on the exact terms of such offer, subject to the conditions of this Article 14. If there is a material change in the terms of the sale, we will have an additional right-of-first-refusal on the same terms and conditions as are applicable to the initial right-of-first-refusal. Our rights under this or any other Section are fully assignable.

14.8 Our Right to Repurchase

A. We have a right, but not an obligation, to repurchase your Franchise, your Franchised Business and the assets of your Franchised Business (the "Repurchase"). We may exercise this right in our Business Judgment by giving you written notice at any time during the term of this Agreement and on or within 120 days of Termination/expiration thereof.

B. The Repurchase price shall be established subject to the following limitations. If you and we are unable to agree on the Repurchase price, then the fair market value will be determined by an independent appraiser selected by you and us and subject to the limitations provided herein. If you and we are unable to agree on an appraiser, you and we will each select one appraiser, who together will select a third appraiser. The fair market value will be deemed to be the average of the three (3) independent appraisals. All sales, transfer and/or similar taxes are to be paid by you. Any going concern value of the Franchised Business shall be factored into the Repurchase price, but in no event will the Repurchase price include:

1) any goodwill or other monetary factor for the Marks, CARTRIDGE WORLD System elements, Confidential Information or any other assets, tangible or intangible, which are proprietary to us and/or a Related Party; and/or