

**EXHIBIT A TO
CARTRIDGE WORLD NORTH AMERICA, LLC
OFFERING CIRCULAR
MASTER FRANCHISE AGREEMENT AND EXHIBITS**

DEPARTMENT OF CORPORATIONS
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**CARTRIDGE WORLD NORTH AMERICA, LLC
MASTER FRANCHISE AGREEMENT**

Franchisee

Location

Date of Agreement

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Franchise Agreement Number: _____

Expiration Date: _____

**CARTRIDGE WORLD NORTH AMERICA, LLC
MASTER FRANCHISE AGREEMENT**

THIS MASTER FRANCHISE AGREEMENT is made as of the _____ day of _____,
_____ (the "date of this Agreement").

BETWEEN: Cartridge World North America, LLC, a limited liability company

AND: _____
(the "Master Franchisee")

In a number of places in this Master 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 those other areas are not fully enforceable. Please initial below and at all other points indicated.

Your Initials: _____ / _____

ARTICLE 1.

1.01 Business Background and Preliminary Agreements.

A. In this Agreement, Cartridge World North America LLC. is referred to as "Franchisor," "CWNA," "us," "we" or "our". We refer to the Master Franchisee as "you," "your," or the "Master Franchisee". We refer to Cartridge World, Inc., our managing member, as CW Inc. We refer to Cartridge World Pty Ltd, our Australian affiliate and the creator of the CARTRIDGE WORLD® System, as "CW International."

B. CW International has granted us the exclusive right to award Master Franchises in the United States, Central and South America, with Master Franchisees to have the right to award CARTRIDGE WORLD Store Unit Franchises using the CARTRIDGE WORLD System. Although CW International is an intended beneficiary of this Agreement and may sue to enforce it, CW International is not a party to it, has no obligations to you and is not bound by it in any way.

C. 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."

D. Cartridge World Stores use certain proprietary knowledge, formats, forms, printed materials, applications, specifications, standards and techniques licensed to or developed by us (all of which are part of the "CARTRIDGE WORLD System"). 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 of Unit Franchisees and Master Franchisees, marketing concepts, the Manuals, distinctive color schemes and Trade Dress, and the Confidential Information, as defined in this Agreement.

E. You have requested us to award to you a Master Franchise for the Territory and thereby permit you to award and service Traditional CARTRIDGE WORLD Store Unit Franchises in the Territory. Your application has been approved by us in reliance on the information you gave us, and we are pleased to make such award, subject to the terms, covenants and conditions contained in this Agreement.

F. We have agreed to the award of this Master Franchise (1) at the request of each Guarantor who in consideration of it has agreed to sign a guarantee to us in the form of Exhibit G for the performance of all obligations of the Master Franchisee to us (and/or any of the Franchisor-Related Persons/Entities), whether arising under this Agreement or otherwise and (2) with the understanding that any Designated Individual (or a substitute approved by us) will at all times maintain legal and operational control of a Business Entity Master Franchisee and serve as its full time chief executive officer.

G. Your CARTRIDGE WORLD Master 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 and sub-license the CARTRIDGE WORLD Marks, System and other Intellectual Property, all of which have been developed at considerable expense.

H. You agree that it is critical to you, us, and each Unit Franchisee for the System to be flexible to respond to commercial opportunities and challenges. An inability to change the System and/or the Manuals could adversely affect other CARTRIDGE WORLD Master Franchisees/Unit Franchisees. You, therefore, agree and anticipate that the Manuals and the System may be changed by us, from time-to-time in our Business Judgment. You (and each of your Unit Franchisees) agree to comply with the Manuals and the System and all such changes.

I. 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.

J. You understand and agree that your investment in a CARTRIDGE WORLD® Master Franchise involves special 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 your Unit 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 exists in the United States, both at the retail level and for the sale of franchises, with certain competitors having established units and/or channels of distribution. That 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. If Traditional CARTRIDGE WORLD Stores are not successful in the United States, sales (if any) of Unit Franchises can be expected to be difficult. Master franchising poses special risks, since your possible success will depend, among other things, on your abilities to market, motivate, support and retain Unit

Franchisees and to maximize their business volume. All of these and other factors make your investment speculative.

K. To simplify this Agreement and make it easier to read and understand, we have defined certain terms used in this Agreement, as set out in Section 2.01, below. When you see a capitalized word, or if you don't understand the meaning of a particular reference, look at Section 2.01 to see whether the term has been defined. Capitalized words not defined in Section 2.01 are defined in the Section where they first appear.

I have read Sec. 1.01 (including, particularly, subsections H. and J.), understand them, and agree with them.

Your Initials: _____ / _____

ARTICLE 2. CERTAIN DEFINITIONS

2.01 Definitions. As used in this Master Franchise Agreement (the "Agreement"), the following terms shall have the meanings set forth below unless otherwise noted herein.

"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).

"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 are allowed to exercise our judgment however we consider appropriate in our sole and absolute discretion, without any limitation. You and we agree that when in this Agreement we describe instances in which we 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 your and our roles as Master Franchisor and Master Franchisee, respectively, of the System and to 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 any business judgment rule in a corporate law context.

"Confidential Information" - "Confidential Information" includes all information relating to the operation of a CARTRIDGE WORLD Unit Franchise, Master Franchise or the System, including, among other things, all current and future: i) Manuals, training, techniques, processes, policies, procedures, systems, data and know how regarding the development, marketing, operation and

franchising of CARTRIDGE WORLD Stores/Master Franchises; ii) specifications and information about Products and Services and iii) all information regarding Unit Franchisees'/Master Franchisee's customers and suppliers, including any statistical and/or financial; information and all lists; iv) methods of refilling printer cartridges; v) our engineered jigs.

"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 owner and Affiliate, substantially similar to those required in Sections 12.02 and 19.01 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 then-current requirements and which must be obtained and used in the operation of a CARTRIDGE WORLD Master Franchise or Unit Franchised Business.

"Designated Individual" - The person who shall be at all times the majority equity owner and chief executive who is responsible for the management of the Master Franchised Business and is identified on Exhibit A, or a substitute individual reasonably approved by us in writing.

"Dollars" or "\$" - Any reference to dollars in this Agreement is a reference to the currency of the United States of America.

"Effective Date" - The date of this Agreement as provided above.

"Franchise" - the right to operate a Master Franchise and/or Unit Franchise, as applicable and according to context.

"Franchisor-Related Persons/Entities" - Cartridge World North America, LLC, Cartridge World, Inc., Cartridge World Pty Ltd, and each Affiliate of any of the foregoing, each Cartridge World marketing and/or advertising fund and each and all of the following, whether past, current and/or future: Each and all entities and/or persons acting through or in concert with any of the foregoing; each and all of the partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees of any of the foregoing, as well as each and all of the successors and/or assigns of 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 those 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 E and is approved by you.

"Good Standing" - A CARTRIDGE WORLD Master or Unit Franchisee is in "Good Standing" if you/they (and each of your/their 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.

"Gross Profit" - Gross Profit is Gross Volume less the actual cost incurred and paid for products/services which are sold and/or distributed by a Traditional CARTRIDGE WORLD Store.

"Gross Revenue" - The term as defined by Section 4.02.

"Gross Volume" - Gross Volume includes all charges and/or revenues which are, or could be, received or earned:

- A) by, at or in connection with a 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 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, value added or similar taxes collected and paid when due to the appropriate taxing authority and 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.

"Initial Term" - The period as defined in Section 13.01.

"Input" - Advice and suggestions regarding specified matters. When we receive Input from the FAC or any other master franchisee group we will retain the ultimate decision-making authority and responsibility for all matters for which Input is sought. FAC (or any other master 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 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 in the operation of the System.

"Limited Release" - A release by us (in the form prescribed by us at the time such release is to be delivered) of any and all known claims, liabilities and/or obligations, of any nature whatsoever, including those existing as of, and/or arising before, the date of any such release, against you, your affiliates and/or your owners, if you are a Business Entity; except that any such claims will be preserved by us if we disclose them to you in writing.

"Local Currency" - The currency or currencies used as legal tender in the country(ies) in which the Territory is located.

"Manuals" - Specifications, standards, policies and procedures prescribed by us and published to you in any media (including electronic) and which are to be followed in the operation of your CARTRIDGE WORLD Master Franchise and/or any Unit Franchise, as they may be changed or eliminated by us in our Business Judgment.

"Marketing Fund" - The fund defined under Section 10.01.

"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. The Marks currently authorized by us for use by you and/or your Unit Franchisees in the Territory are set forth in Exhibit "D."

"Master Franchise" - The rights awarded to you under this Agreement.

"Master Franchised Business" - The business operations authorized to be conducted by you under this Agreement.

"Master Franchisee" - A company, enterprise or person awarded a Master Franchise.

"Master-Owned Store" - Any Store within the Territory which Master Franchisee (or any affiliate) has opened and/or operates.

"Master Training Program" - The term as defined in Section 7.01.

"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 12, 14, 15, 19, 22 and 23.

"Premises" - The location at which you will operate your Master Franchised Business, which is subject to our prior written approval.

"Products" and **"Services"** - Products and Services designated by us for use, sale or otherwise provided and/or used at or from a CARTRIDGE WORLD Master Franchised Business, a CARTRIDGE WORLD Unit Franchised Business and/or in association with the Marks.

"Renewal Term" - As the term is defined in Section 13.02.

"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 Master Franchised Business; iii) any Business Entity Master Franchisee; iv) any CARTRIDGE WORLD Store; and v) any lease or assets associated with any of the foregoing.

"Royalty" - The periodic fee(s) payable by a Unit Franchisee to the Master Franchisee under a Unit Franchise Agreement.

"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, from or by your Master Franchise and/or 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 amounts with respect to any Similar Business is not an approval of your involvement with any Similar Business.

"Site" shall mean any location where the CARTRIDGE WORLD System and its services are offered to the public.

"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.

"Store" or "CARTRIDGE WORLD Store" - a Traditional CARTRIDGE WORLD Store.

"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 22) and Article 23 of this Agreement, even after the Agreement is ended for any reason.

"Territory" shall mean the area described on Exhibit A of this Agreement.

"Trade Dress" - The proprietary Traditional CARTRIDGE WORLD Store design and image, as they currently exist and as they may be revised and further developed by us from time-to-time in our sole and absolute discretion.

"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 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.

"Trained Employee" - The term as defined in Section 8.01.

"Unit Franchise" - The rights you are authorized to award to a Unit Franchisee under this Agreement.

"Unit Franchise Agreement" - An agreement, as approved by us, between you and a Unit Franchisee to operate a Store.

"Unit Franchised Business" - The business operations conducted by, at or in connection with a CARTRIDGE WORLD Unit Franchise.

"Unit Franchised Store" - any Traditional CARTRIDGE WORLD Store within the Territory which has been opened and is operated pursuant to a Unit Franchise.

"Unit Franchisee" - a person who has been awarded a Unit Franchise.

"Us," "We," "Our" or "Franchisor" - Cartridge World North America, LLC, a Nevada limited liability company.

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

ARTICLE 3. LICENSES AWARDED

3.01 The License.

A. CWNA hereby awards to you the license in the Territory to:

1. establish, operate and identify a Master Franchise operation in accordance with this Agreement, the System, Marks, Manuals and other written instruction from us;
2. enter into Unit Franchise Agreements as a subfranchisor for Traditional CARTRIDGE WORLD Stores in compliance with this Agreement.

The licenses granted to you hereunder shall be exercised only under and subject to all the terms and conditions of this Agreement. You have no rights in the CARTRIDGE WORLD System and/or the CARTRIDGE WORLD Marks except as specifically granted herein. You may only award franchises for Traditional CARTRIDGE WORLD Stores to be located in the Territory.

B. We may, but are not required to, authorize you to own/operate one or more Traditional CARTRIDGE WORLD Store(s) in the Territory. Any such Store will be subject to all of the terms and conditions of the Unit Franchise Agreement(s) then customarily used for the award of new Traditional

CARTRIDGE WORLD Stores in the Territory, including the then applicable fee structures; will identify a Territory approved by us in writing and in advance; and will be between you and an Affiliate of yours as the Unit Franchisee.

3.02 Non-Exclusive License.

A. Subject to our rights and your obligations as set forth in this Agreement or otherwise, we will not enter into a Master Franchise Agreement for the award of Franchises for Traditional CARTRIDGE WORLD Stores or a Unit Franchise Agreement for the operation of a Traditional CARTRIDGE WORLD Store, or own or operate a Traditional CARTRIDGE WORLD Store, inside the area (the "Territory") described in Exhibit A to this Agreement. This Master Franchise applies only to the award of Traditional Cartridge World Store Unit Franchises and specified support services related thereto. The Master Franchise does not grant you any rights with respect to other and/or related businesses, products and/or services, in which we or any Franchisor-Related Persons/Entity may be involved, now or in the future.

B. Your and our respective rights in the Territory are subject to the terms and conditions of the Franchise Agreement. All rights not expressly granted to you are reserved by us and Franchisor-Related Persons/Entities.

1. Traditional CARTRIDGE WORLD Stores, Other Outlets and Distribution Opportunities:

As defined in Section 2.01, above, a Traditional CARTRIDGE WORLD Store is a conventional, store front 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. The definition is intended to exclude any other channel of distribution, such as (but not limited to) direct mail and/or the Internet. An "Other Outlet" is a distribution outlet (other than a Traditional CARTRIDGE WORLD Store) for products and services like those sold through a Traditional CARTRIDGE WORLD Store and which uses the CARTRIDGE WORLD Brand. By way of illustration, an Other Outlet would include (but not be limited to) a kiosk in a shopping mall, a facility established inside an office supply store, and a service desk in the offices of a large commercial building using the CARTRIDGE WORLD Brand and refilling/selling ink cartridges and related products. Traditional CARTRIDGE WORLD Stores and Other Outlets are collectively referred to as, "Distribution Opportunities."

2. Rights of First Refusal, Terms and Conditions:

a) If any Unit Franchise(s) of yours has a Unit Franchise Agreement(s) giving to them a right of first refusal for Distribution Opportunities in their territory, you will have the right and the obligation to offer and award such Distribution Opportunities to such Unit Franchise(s) under the terms and conditions we prescribe and such awards will be subject to the terms and conditions of this Agreement;

b) We will provide you with a right of first refusal to exercise before any Other Outlets are located in the Territory if: a) such Other Outlet is not to be awarded to a Unit Franchise; b) you are in Good Standing; and c) you meet our then current financial, operational and other business standards for the award of the applicable Other Outlet. We have the right to establish and modify any such standards.

c) A right of first refusal regarding an Other Outlet available to you will be processed as follows:

- i) We will provide you written notice of such Other Outlet;
- ii) You will have fifteen (15) days in which to tell us in writing (and pay any initial fees) that you wish to participate in any applicable Other Outlets;
- iii) If you **do not** notify us within such period, then we may pursue the Other Outlets and/or grant any other person/entity the right to participate in such Other Outlets, without any liability to you;
- iv) If you timely notify us in writing that you **do** wish to participate in the Other Outlets, then we may condition your participation on compliance with terms and conditions that we consider appropriate in our Business Judgment to the particular Other Outlets. Conditions may include, but are not limited to: your execution of the agreements and related documents that are then generally used by us in connection with the award of the applicable Other Outlets; payment of all initial fees and any other applicable fees; meeting any eligibility requirements as are then generally applied by us to candidates for a particular Other Outlet; and the execution by you (and any Affiliate of yours) of a General Release, as defined in Section 2.01, above. If you do not meet the conditions applicable to the award of the Other Outlets and/or any opening requirements that may be included in any Other Outlet agreement, then we and/or any Affiliates may pursue such Other Outlet, and/or grant any other person/entity the right to participate in it, without any liability to you. If an Other Outlet is established in your Territory, you agree you shall have waived any right of first refusal applicable to any geographic territory awarded such Other Outlets and any other territorial rights in such geographical territory which conflicts or are inconsistent with rights awarded such Other Outlets.

C. We and Franchisor-Related Persons/Entities expressly reserve all other rights, including among them the rights to:

1. own and/or operate ourselves, and/or authorize others to own and/or operate:
 - a) any kind of business in the Territory selling to customers located anywhere, whether or not using the CARTRIDGE WORLD Marks and System; except for a CARTRIDGE WORLD Master Franchised Business or a Traditional CARTRIDGE WORLD Store and subject to any applicable rights of first refusal; and
 - b) any kind of business outside of the Territory selling to customers located anywhere, whether or not using the CARTRIDGE WORLD Marks and System, including without limitation, a Master Franchised Business and/or a Traditional CARTRIDGE WORLD Store(s);
2. develop or become associated with other concepts (including dual branding and/or other Franchise systems), and award Master/Unit Franchises and/or operate units/channels of distribution owned by us and/or any Affiliate under such other concepts for locations anywhere and selling to customers located anywhere;
3. acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere and selling to customers

located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Cartridge World Marks and System). Such transactions are expressly permitted under this Agreement, and you agree to participate at your expense in any such conversion as instructed by us; and

4. market and sell CARTRIDGE WORLD Brand (or any other brand) products and services (whether or not competitive) to customers located anywhere (including within the Territory) using any channel of distribution located anywhere, except for a Traditional CARTRIDGE WORLD Store and subject to any applicable rights of first refusal as provided in this Section.

D. We have the right to offer/provide products and/or services of any type, whether or not using the Marks, System or any other Intellectual Property, through the Internet, World Wide Web, mail order and/or other similar venues (no matter where the Customer or "ship to" address is located).

E. Your use of the Internet, World Wide Web, and other electronic or other means of marketing and distribution (including by mail) of Unit Franchises, goods and/or services must be consistent with any specifications, policies and/or standards we establish from time to time in our Business Judgment. You will not market or sell through such venue(s) without our written permission, which we can grant, condition or deny in our Business Judgment.

F. Our current policy is to allow you to accept requests from prospects and/or orders from any customer located anywhere and to market to customers located anywhere, but we can change this policy in our Business Judgment. We have the right to place geographic or other restrictions upon such activities, among other things. You agree to comply with any policy changes. You agree not to deal (and to cause your Unit Franchisees not to deal) with Special Account(s), as we may specify from time to time.

Section 3.03 Limited Support. You understand that we will have no permanent or other establishment in the Territory to provide you with local support, marketing or operational assistance. You agree that our support services are only as expressly provided in this Agreement.

Section 3.04 Your Support to Your Unit Franchisees. You agree to promptly and fully perform and provide each of the items and services set forth in each Unit Franchise Agreement, as well as those items and services set forth and/or referred to in Exhibit "F," together with such other items and services as (a) we reasonably designate from time-to-time in Manuals or otherwise and/or (b) are offered by Master Franchises owned and/or operated by us and/or our Affiliates. You and we agree that such performance is critical to the support of all CARTRIDGE WORLD Unit Franchisees in the Territory and to maximize their possibilities for success.

I have read Sec. 3.01 – 3.04, understand them, and agree with them.

Your Initials: _____ / _____

ARTICLE 4. COMPENSATION

Section 4.01 Initial Fees and Unit Franchise Training Fees.

A. In consideration for the execution of this Agreement, Master Franchisee will pay Franchisor a total Initial Master Franchise Fee of \$_____. Such Initial Master Franchise Fee is due and payable in full on signing of this Agreement, is fully earned on execution of this Agreement and is entirely non-refundable under any circumstances.

B. Within five (5) days after you execute any Application Agreement and Letter of Intent, you or your Unit Franchisee, as we may require, shall pay to us fifty percent (50%) of the then current Application Fee. Any refunds due and payable to an Applicant under any such Application Agreement and Letter of Intent shall be shared equally by you and us.

C. Within five (5) days after the earlier of the date (1) you execute any Unit Franchise Agreement, (2) any Unit Franchisee opens for business or (3) any Store(s) is (are) required to open for business under Section 5.01 or otherwise, you will pay us the greater of: Ten Thousand Dollars (\$10,000), subject to adjustment for inflation, or fifty percent (50%) of the initial franchise fee received by, or due to be paid to, you for each such Unit Franchise. If payment to you of an initial franchise fee is deferred (e.g. you finance the sale) and/or a Unit Franchise(s) has (have) not been awarded by the dates established under 5.01 A, below, the fee due us will still be paid in full on the date indicated above, notwithstanding such deferral or failure to award a sufficient number of Unit Franchises.

D. Within five (5) days after you execute any Unit Franchise Agreement you or your Unit Franchisee, as we may require, shall pay to us the then applicable unit training fee (the "Unit Training Fee"), unless we authorize a later payment date. As of the Effective Date of this Agreement, the fee for the classroom portion of the initial training program for a single attendee for each Unit Franchise is six thousand three-hundred dollars (\$6,300) and seven hundred dollars (\$700) for additional attendees. 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. These fees are subject to reasonable adjustment by us from time to time, based upon training costs and other factors. We will give you at least 30 days advance notice of any such adjustment. If you are acquiring this Master Franchise from an existing Master Franchisee, you must pay to us the Unit Training Fees, as described herein, as a condition to our consent to the transfer.

E. 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 E is incorporated in and effective upon the signing of this Agreement, excepting only those claims solely related to the offer and sale of this Master Franchise, where such releases are expressly prohibited by applicable law.

F. 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 those claims solely related to the offer and sale of the new franchise, where such releases are expressly prohibited by applicable law:

- (i) the awarding of any future, additional or other franchise;
- (ii) the renewal of this franchise and/or awarding of a renewal franchise;
- (iii) any assignment or Transfer by you and/or any Affiliate/owner of you; and/or
- (iv) any other event described in this Agreement as being conditioned in whole or in part upon such a General Release (as defined in Article 2.01, above).

Section 4.02 Revenues to You.

A. You have the opportunity to receive other revenues in connection with your Master Franchised Business from the following sources (collectively, "Gross Revenues"):

1. Royalty Revenue - Royalties due and/or paid to you by Unit Franchisees under Unit Franchise Agreements (or otherwise) based on their Gross Volume/Gross Profits;

2. Fee Revenue - Fees due and/or paid to you by Unit Franchisees under Unit Franchise Agreements (or otherwise), including, but not limited to, Transfer fees, Renewal fees, late fees, resale program fees, payments by Transferees, and other amounts (not covered in any other category) etc.;

3. Fund Revenue - Amounts due and/or paid to you by Unit Franchisees pursuant to their Unit Franchise Agreements (or otherwise) with respect to Marketing Fund and/or other advertising contributions;

4. Product Revenue - Amounts due and/or paid to you by Unit Franchisees with respect to Sales, leases and/or otherwise of Products/Services by you to Unit Franchisees;

5. Other Revenue - Amounts due and/or paid to you in connection with any other use by you or any of your Unit Franchisees of any aspect of the CARTRIDGE WORLD System and/or Marks.

B. Gross Revenues include all charges and/or revenues which are, or could be, received or earned:

- i) by, at or in connection with a CARTRIDGE WORLD Master Franchised Business;
- ii) relating to the kinds of goods or services available now or in the future through a CARTRIDGE WORLD Store/Master Franchise and/or distributed in association with the Marks or the CARTRIDGE WORLD System;
- iii) relating to the operation of any Similar Business;
- iv) with respect to, any tenants and/or subtenants on the Premises (including rent and other lease payments); and/or
- v) with respect to any co-branding activities.

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

We do not represent or warrant that any Gross Revenues will be earned or received by you.

Section 4.03 Amounts Payable to Us.

A. You agree to pay us the greater of (a) forty percent (40%) of the Royalty Revenue from each Unit Franchise in the Territory received by, or due to be paid to, you during the preceding Royalty period or (b) two and 4/10ths percent (2.4%) of each such Unit Franchisee's Gross Volume/Gross Profit during the preceding Royalty period. Such payments are to be received by us within ten (10) days after the end of each Royalty period, commencing with the Royalty period in which you begin your Master Franchised Business operations. The current Royalty period is a calendar month, but such time period may be changed by us in our Business Judgment.

B. You agree to pay us fifty percent (50%) of:

- i) all Fee Revenues received by, or due to be paid to, you within five (5) days after their receipt by you and/or of the applicable due date;

ii) all Product Revenues received by, or due to be paid to, you in the preceding month. [With respect to any items purchased by you from us (or any Affiliate of ours) and/or any Products/Services approved by us for resale by you to your Unit Franchisees, the amount payable to us will be calculated based on the amount by which your price to your Unit Franchisees exceeds the price you paid for such Product/Service];

iii) all Other Revenue received by, or due to be paid to, you and/or any Affiliates of yours in the preceding month.

C. No amounts will be due from you in connection with revenues received by you from Unit Franchisees for Fund Revenue which is spent as approved by us (and otherwise in compliance with this Agreement).

D. We may choose in our Business Judgment to collect any or all of the foregoing amounts through an electronic funds transfer program under which Unit Franchisees' payments are swept directly to an account of ours. In that event, we will keep such amounts as are validly owed to us, including any appropriate offsets, and promptly remit the balance to you. We will attempt to perform these payment collection programs in a commercially reasonable manner, but make no guarantee that any such program will be error-free. Nor do we guarantee the collection of any amounts due to you for royalties, fees, Products/Services, or any other amounts. We are not responsible for any Unit Franchisee account delinquencies or payment failures. Any amounts collected by us are subject to the exercise of any applicable rights under Section 4.09, below.

Section 4.04 Full Amounts Owed. You are free to decide upon the financial terms of any Unit Franchise Agreement, except that you are not permitted to establish new fees without our prior written authorization and we can specify maximum amounts for Royalties, fees, Products or Services and other amounts to the greatest degree permitted by law. All amounts due us under this Agreement or any other agreement will be paid by you at the time specified, in full based on the amount paid or to be paid in the future and notwithstanding any deduction, credit or similar amount, whether or not you have collected such amounts and/or decide to finance, defer payment of, waive or issue a credit regarding, any portion of the amounts due you from your Unit Franchisees/Affiliates. All amounts paid are entirely non-refundable unless you and we expressly agree otherwise in a mutually signed writing.

Section 4.05 Inflation Adjustments. 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) as compared to the previous year. We will notify you of any such percentage adjustment.

Section 4.06 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. You may be required by us to pay a fee at the time of the event to offset the cost of a convention program. You are responsible for all other costs of attendance.

Section 4.07 Alternative Payment Methods. We may choose in our Business Judgment to implement alternative methods for payment of Royalties, advertising/marketing contributions and other amounts due us, including but not limited to an electronic funds transfer program. You agree to participate in any such programs, to comply with any applicable payment procedures and to timely provide such documentation or authorizations as may be required from time to time to accomplish such funds transfer or other program. The then-current transfer process (e.g. account debit dates, applicable forms

and other information) will be provided in the Manuals or other written instruction from us. 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.

Section 4.08 Applicable Releases.

A. 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 E is incorporated in and effective upon the signing of this Agreement, excepting only those claims solely related to the offer and sale of this Master Franchise, where such releases are expressly prohibited by applicable law.

B. 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 those claims solely related to the offer and sale of the new franchise, where such releases are expressly prohibited by applicable law:

- (v) the awarding of any future, additional or other franchise;
- (vi) the renewal of this franchise and/or awarding of a successor franchise;
- (vii) any assignment or Transfer by you and/or any Affiliate/owner of you; and/or
- (viii) any other event described in this Agreement as being conditioned in whole or in part upon such a General Release (as defined in Article 2.01, above).

Section 4.09 Application of Payments, Set-Offs etc.

A. As to you and/or any Affiliate of yours, we can:

- 1) 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;
- 2) set off, from any amounts that may be owed by us, any amount owed to us or any marketing fund; and
- 3) 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.

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

Section 4.10. Interest and Late Fees on Late Payments and/or Reports. All amounts you owe us and/or our Affiliates bear interest at the highest applicable legal rate for open account business credit in the Territory, but not to exceed one and one-half percent (1.5%) per month. Additionally, we may require you to pay an administrative late fee of Five Hundred Dollars (\$500) for each late report. The foregoing amount is subject to inflation adjustment under Section 4.05, but will not exceed any applicable legal restrictions. If we and/or any Affiliates of ours experience repeated late payments by you, then we and/or any Affiliates of ours may require you to pay all amounts owed (and/or to be owed) 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.

**ARTICLE 5.
DEVELOPMENT STANDARDS, CORRECTION PROCESS AND REACQUISITION**

Section 5.01 Development Standards.

A. Master Franchisee agrees to award and cause to be opened, and thereafter maintain as opened and fully operating and in Good Standing (including during any Renewal Master Franchise with respect to this Agreement), at least the following number of CARTRIDGE WORLD Unit Franchises in the Territory on a cumulative basis by the end of each Date specified (the "Development Standards"):

<u>Date</u>	Minimum Cumulative Number of Stores in Operation <u>By Date</u>
_____, 2006	_____
_____, 2007	_____
_____, 2008	_____
_____, 2009	_____
_____, 2010 and thereafter	_____

B. You and we have specifically bargained for the foregoing obligations and your development commitments form one of the core business bases for your and our relationship. Your failure to comply with your obligations under this Section will be regarded as a material default. You and we acknowledge that a primary reason for defaults in master franchising relationships is a failure to meet development schedule obligations, that performance of such obligations is central to the business relationship and that if we had known that such obligations would not be performed on schedule, we would never have entered into this Agreement with you. Such a default entitles us to any and all remedies available under this Agreement, including among them those described in Sections 5.02 and 5.03, below, and the right to Terminate this and/or any other agreement with us and/or our Affiliates. In the alternative, we may choose in our Business Judgment to eliminate, reduce or otherwise modify the Territory, cancel your rights to subfranchise Stores and/or eliminate, reduce or otherwise modify any and/or all of your territorial and/or similar rights. While a failure to meet the Development Standards is an event of default, you understand and agree that the standards cannot and should not be construed to be a prediction or promise regarding franchise awards or anything else. We make no such representations or promises, particularly since the levels of sales achieved (if any) is largely dependent upon your efforts and market factors outside of your and our control.

Section 5.02 Correction Process. We may (but are not required to) implement the correction process described below if you fail at any time to meet the Development Standards established in Section 5.01, above:

- 1) If we notify you of your failure to meet the Development Standards, then you will have six (6) months from our delivery of written notice to you to meet the applicable Development Standards.
- 2) We will reasonably cooperate with and assist you in your efforts to meet your performance objectives. Such assistance may include, but is not limited to, meetings at our headquarters and/or in the Territory, and/or retraining activities or programs at designated locations. You are responsible for any costs associated with such activities, including travel, meals, lodging and any other related expenses and will participate in the same upon our request.

- 3) If at the end of such six (6) month correction period your CARTRIDGE WORLD Master Franchise does not meet the then applicable Development Standards, then we may elect to Terminate this Agreement. However, you will have ninety (90) days after the end of such Six (6) Month Correction Period to complete a sale of your Master Franchise to a third party if:
 - i) You provide us written notice of your desire to sell your Master Franchise within 10 days of the expiration of such six (6) month correction period along with a General Release signed by you and each of your owners and Affiliates; and
 - ii) Any such transfer meets all requirements of this Agreement, including those provided in Article 17, below.
- 4) If you do not provide us the notice described in 5.02 A. 3) i, above, or complete an authorized sale within the 90 day period provided in 5.02 A. 3), above, then we may elect to Terminate this Agreement immediately upon delivery of written notice to you in accordance with Article 22 below.
- 5) Nothing in this Section is intended to limit or diminish in any way any rights or remedies provided us under this or any other agreement, at law or in equity. The fact that any correction process may be ongoing shall not prevent us from exercising any such rights and/or remedies, including any right to Terminate this Agreement for another default under this or any other agreement.

Section 5.03 Repurchase by us for Resale.

A. If you fail at any time to meet the Development Standards established in Section 5.01, above, we may (but are not required to) reacquire your Master Franchise and Master Franchised Business for the purposes of resale to a third party. Your portion of the proceeds from resale shall be equal to the Initial Franchise Fee actually paid by you to us, less your portion of the Initial Franchise fees, Royalties and any other fees/amounts earned by you from Unit Franchisees in your Territory prior to such Repurchase (the "Repurchase Price"). Subject to all of the terms and conditions of this Section 5.03, the Repurchase Price will be paid to you by us at our sole option either in cash at closing or under an unsecured, interest free promissory note in the amount of the Repurchase Price, which shall be payable in full on a date twenty four months from the date we award a Master Franchise for all or any portion of the Territory. We may prepay this obligation at any time without penalty. In connection with our exercise of any rights under this Section 5.03, you (and each Affiliate) will execute a General Release.

B. We will give you written notice of our election to Repurchase your Master Franchise and Master Franchised Business. Pending the closing of such Repurchase, we will have the right to appoint a manager to maintain the operation of your Master Franchise. You will forever indemnify and hold us harmless against all obligations incurred in connection with the Master Franchised Business prior to our Repurchase. You'll furnish us with a complete list of accounts unpaid by you within ten (10) days of our notice of intent to exercise this option. We may (but are not required to) pay these unpaid bills directly to the parties owed and deduct them from the Repurchase Price in lieu of paying such portion directly to you.

C. The Post Term Provisions described in Section 19.01 B., below, will be continuing obligations of yours. We shall receive all Customary Representations and Warranties from you and your Affiliates in

connection with the Repurchase. We can require that the closing of the sale be through an escrow and within a reasonable period from the date of our election. 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 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. All sales, transfer and/or similar taxes in connection with the Repurchase are to be paid by you.

D. We will not assume any liabilities, debts or obligations of yours arising out of your operation of the Master Franchised Business in connection with any such Repurchase, and you will indemnify us and each of the Franchisor-Related Persons/Entities from any and all claims arising out of any such Repurchase/resale. You and we will comply with all applicable laws in connection with any such Repurchase and resale, and you and we will cooperate with each other to comply with all applicable requirements. This Agreement shall Terminate upon the date the above-described Repurchase becomes effective, subject to the Post Termination Provisions and any other surviving obligations described in this Agreement (unless earlier Terminated as a result of a default by you or by expiration of the Agreement). If you violate any Post Termination Provisions or any other 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 addition to any other remedies to which we are otherwise entitled.

I have read Sec. 5.01– 5.03, understand them, and agree with them.

Your Initials: _____ / _____

**ARTICLE 6.
DESIGNATED EQUIPMENT, PRODUCTS,
PURCHASING CO-OPS, SERVICES AND/OR SUPPLIERS**

Section 6.01 Equipment, Products and Services.

A. You agree to purchase, equip, offer and maintain, and to cause your Unit Franchisees to purchase, equip, offer and maintain, at each Unit Franchise such Designated Equipment, Products and Services as are specified by us from time to time. You agree to obtain, and to require your Unit Franchisees to obtain, such Designated Equipment, Products and Services from suppliers approved/designated by us. We may designate a single or multiple suppliers for any given item or service (including us and/or an Affiliate of ours) and may concentrate purchases with one or more suppliers in our Business Judgment. You understand that we and our Affiliate(s) derive substantial revenues from the sale of Products, Services, and Designated Equipment to Master Franchisees and Unit Franchisees, including but not limited to, warehousing and sale of inks, ink cartridges and related printer consumables; training services and programs; and construction assistance and facility design services. We expect these and/or other sales of Products/Services by us or Affiliates 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 may be designated by us in our Business Judgment as an exclusive supplier for any Products/Services. We may designate an exclusive supplier 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 may delete, substitute, modify or add to the Products/Services/suppliers in our Business Judgment.

B. Designation of a supplier may be conditioned on factors established by us in our 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.

C. You can request the approval of an item, service or supplier by notifying us in writing and submitting such information and/or materials we may request. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal. We'll notify you of our decision within a reasonable time. You are not authorized to designate or approve any suppliers of any products or services in your Territory, including you, unless we expressly consent to the same in advance and in writing.

D. You will not make any claims against us (or any Franchisor Related Person/Entity) with respect to any supplier and/or related products/services (and/or our designation of, or our relationship with, any supplier/products/services). Claims with respect to any supplier-related and/or similar matters shall 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.

E. You agree that it is critical to you, us, and each Unit Franchisee that the System be flexible to respond to commercial opportunities and challenges. An inability to change the System, the Products/Services/ Designated Equipment and/or the Manuals could adversely affect us and all CARTRIDGE WORLD Master Franchisees/Unit Franchisees. You, therefore, agree and anticipate that the Manuals, the Products/Services/Designated Equipment and the System, and any components of any of them, may be changed, supplemented or eliminated by us, from time-to-time in our Business Judgment. You (and each of your Unit Franchisees) agree to comply with all such changes.

F. Any 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, **THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED**, absent a specific written warranty expressly provided in connection with a particular item or service.

Section 6.02 Purchasing Co-operatives. We may require that you and/or Unit Franchisees join and make required purchases/leases through a 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 may offset against amounts we owe to you the amount of your unpaid cooperative obligations.

Section 6.03 Uniformity and Standards.

A. You agree to operate your Master Franchise, and to cause each of your Unit Franchisees to operate their CARTRIDGE WORLD Stores, in full compliance with the then-current CARTRIDGE WORLD System and the Manuals. You agree to cause each of your Unit Franchisees to promptly comply at their expense (and to comply at your expense) with all then current requirements, standards and operating

procedures relating to every aspect of an CARTRIDGE WORLD Store and its operations (including without limitation use of specified equipment, Products and Services, computer hardware and software; supplier programs and operating systems; signs, logos, designs and advertising/marketing materials and forms; website designs and formats).

B. You will maintain your Master Franchised Business and any Master owned Store(s) 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 (and will require your Unit Franchisees to do the same). You will ensure that no Unit Franchisee make any alterations to their CARTRIDGE WORLD Store or its appearance as originally approved by us without our prior written approval.

**ARTICLE 7.
TRAINING**

Section 7.01 Master Franchise Initial Training Program.

A. We will provide you a Master Franchise Initial Training Program to train you in methods and techniques:

- 1) for marketing and selling Traditional CARTRIDGE WORLD Store Unit Franchises in the Territory,
- 2) for such training Unit Franchisees as we may require you to provide from time to time in our Business Judgment,
- 3) for advising and supporting Unit Franchisees as required by us from time to time in our Business Judgment, and
- 4) for the administration, staffing and record keeping of its Master Franchised Business operations.

(the foregoing being hereafter referred to as the "Master Training Program.")

The Master Training Program will be conducted at our Northern California facility (and/or such other location as we may designate in our Business Judgment) and will commence upon a date to be mutually agreed upon. The Master Franchisee must successfully complete such Program. If Master Franchisee is a Business Entity, then its Designated Individual must successfully complete such training.

B. The Initial Master Franchise Fee covers a Master Training Program for a single attendee, and includes travel and accommodations (during the scheduled training period) for one (1) person. If another person attends initial training, you are responsible for then current training fees, travel and accommodation costs for each additional person. As of the date of this Agreement, the training fee for an additional attendee is Seven Hundred Dollars (\$700). In all cases, you are responsible for costs associated with attendance at initial training, such as wages, meals, incidentals and living expenses. We will use reasonable efforts to accommodate attendance by other Master Franchisee's staff members at Master Training Programs upon thirty (30) days advance notice. You are solely responsible for such staff members' expenses in connection with any training and/or seminars referenced in Sections 7.01 and 7.02, including all tuition/training fees, travel, meals and lodging. A Master Franchisee acquiring the Master Franchise from an Existing Master Franchisee also must complete the Master Training Program and must pay us the then current Unit Training Fee as a condition to transfer. Such Master Franchisees are solely responsible for travel, accommodations, meals, incidentals, and any other costs of attendance.

Section 7.02 Regular Training. You and your Designated Individual must attend additional and/or refresher training programs, including national and regional conferences, conventions and meetings, as we may reasonably require to correct, improve and/or enhance your operations, your Unit Franchisees and/or the System. In addition, we can require successful completion of training by your supervisory and/or franchise marketing personnel at locations designated by us, which may include locations in the United States, or elsewhere. Meetings designated as mandatory by us will be held in the United States at a location selected by us. Optional meetings may be at locations inside or outside of the United States, as selected by us in our Business Judgment. We may elect to charge a reasonable fee for all trainings.

Section 7.03 Training of Unit Franchisees.

A. You shall be responsible for the initial training and all related materials to be provided to each Unit Franchisee in your Territory. Unit Franchisee training/materials must meet CWNA's then-current requirements, and we may change/modify such requirements from time to time as we determine to be necessary or appropriate in our Business Judgment. We may require your Unit Franchisees to attend scheduled initial training programs for new Unit Franchisees held by us at or near our Northern California headquarters, or at such other locations as we choose in our Business Judgment. The then current Training Fees charged by us for such initial training programs will be paid to us in advance and in full. You may collect such fee from the attending Unit Franchisee, or we may require the Training Fee be paid directly to us. You and/or your Unit Franchisees will be responsible for all expenses of attendance, including travel, meals and lodging unless otherwise expressly agreed by us in writing. As of the Effective Date of this Agreement, each of your Unit Franchisees will be required to attend initial training at CWNA's training facility in Northern California. As of the Effective Date of this Agreement, the fee for the classroom portion of the initial training program for a single attendee for each Unit Franchisee is six thousand three-hundred dollars (\$6,300) and seven hundred dollars (\$700) for additional attendees. The fee for the combined pre and post opening training (per Unit Franchisee) is one thousand dollars (\$1,000) for the two sessions, regardless of the number of attendees. These fees are subject to reasonable adjustment by us from time to time, based upon training costs and other factors. We may choose in our Business Judgment to require you to provide an initial training program meeting our then current requirements in the Territory to new Unit Franchisees upon not less than 90 days advance written notice. Any such training program requires our prior written approval, which we can grant or withhold in our Business Judgment. If you deliver a portion of the initial training program in your Territory at our request, we will give to you a portion of the Training Fee. As of the date of the Effective Date, if you provide certain pre and post opening training services to a Unit Franchisee in your Territory, we will pay to you One Thousand Dollars (\$1,000). The program and the related fees are subject to change by us. Unit Franchisees are solely responsible for any travel, accommodations, living and other expenses incurred in participating in the initial training program.

B. You agree to conduct quarterly meetings with Unit Franchisees in the Territory. We will provide you with reasonable guidance regarding the content and conduct of such meetings.

C. The format and content of additional Unit Franchisee training or seminars provided by you may be determined by you, but is subject to our prior written consent, which may be granted or withheld in our/their Business Judgment. You have the discretion to determine the fees for any such training programs or seminars offered to Unit Franchisees. We may (but are not obligated to) attend any such training programs and may provide advice to you regarding the same.

ARTICLE 8. TECHNICAL ASSISTANCE

Section 8.01 Consultations and Assistance.

A. We agree to provide you at our expense one personal, on-site consultation in connection with the opening of the first Unit Franchise in your Territory to assist you in implementing the CARTRIDGE WORLD System in the Territory. Additionally, we shall provide at our expense one personal, on-site consultation within each twenty-four (24) months period thereafter. No such visit shall be more than three (3) days in length unless you and we agree otherwise with respect to a particular visit. At least one CWNA trained employee ("Trained Employee") shall make the initial consultation visit, and at least one Trained

Employee shall attend any other consultations. Regardless of the foregoing, we shall not be required to provide any of the consultations described in this paragraph, if you are signing this Agreement in connection with a transfer of the Franchise from an existing Master Franchisee.

B. If you are in Good Standing, you may request (but we are not obligated to provide) more frequent visits with at least one month's prior written notice. You agree to be responsible for all costs associated with any on site consultations conducted in addition to those described in paragraph 8.01 A., above, including travel expenses, lodging, meals, and incidental expenses. Any such additional visits must be for a minimum of two (2) days (not counting travel days). We may choose in our Business Judgment to charge you an additional fee for such visits, but not more than \$500 per consulting day (subject to inflation adjustment and exclusive of travel, lodging, meals and incidental expenses.) There shall not be more than one (1) such additional visit per year. You agree to provide in your Unit Franchise Agreements that CWNA/CW International representatives or agents have the right to visit the Unit Franchisees' Stores. We also shall have the right, but not the obligation, to make additional visits upon reasonable notice to you.

C. A Trained Employee will be available to communicate with you by telephone, e-mail and other electronic means from time to time as we reasonably consider appropriate or necessary.

D. All technical assistance and any other training, information, assistance, communications, documents, materials, notices and any other items to be provided under this Section 8.01 and/or in any connection with this Agreement and/or the Master Franchise operations shall be provided in the English language. You shall obtain and pay for any translation required. We shall own all translated materials.

ARTICLE 9.
OPERATIONS AND UNIT FRANCHISES, MATERIALS, RECORD-KEEPING,
INSPECTION, TRANSLATION

Section 9.01 Operations, Unit Franchises, Documents and Legal Compliance.

A. You agree to operate your Master Franchised Business, and to cause your Unit Franchisees to operate their businesses, in accordance with good business practices in the Territory and the CARTRIDGE WORLD standards and policies, as set forth in the Manuals or otherwise. You will cause all Unit Franchisees to adhere to such CARTRIDGE WORLD policies and procedures. You'll operate your Master Franchise in full compliance with all applicable laws, ordinances and regulations. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with your Master Franchise operation. 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 agree to notify us in writing within five (5) days of the commencement of any proceeding and/or of the issuance of any governmental order or other action impacting you and/or your Master Franchised Business and/or a Unit Franchisee.

B. Any change in the Designated Individual requires our prior written approval, which approval will be given provided the proposed individual:

- 1) submits to a personal interview at a location to be designated by us in our Business Judgment;

- 2) is of good moral character, possesses suitable business credentials and meets all other then-current CARTRIDGE WORLD standards for a Designated Individual as determined by us in our Business Judgment; and
- 3) attends and successfully completes the next available Master Training Program held in the United States prior to becoming the Designated Individual, which Program will be held at a location designated by us.

C. You shall fully and promptly disclose to us all ideas, techniques, concepts, Master/Unit Franchise customers and related data, and other information relating to a CARTRIDGE WORLD Store, Master Franchise, Unit Franchise and/or other CARTRIDGE WORLD business which are conceived or developed by Master Franchisee/Unit Franchisees and/or any of their respective agents and/or employees. We/CW International will have the perpetual right to use, and to authorize others to use, such ideas, etc., without compensation or other obligation. Master Franchisee/Unit Franchisees and/or any of their respective agents and/or employees shall be barred from ever registering or otherwise obtaining rights to any such Intellectual Property.

D. You must maintain an office within the Territory. Such office will be in a facility meeting any then current requirements for Master Franchisee Premises, as they reasonably may be modified by us from time to time.

E. Each CARTRIDGE WORLD Store (whether subfranchised or owned and operated by you and/or your Affiliate) must be subject to an individual CARTRIDGE WORLD Unit Franchise Agreement or Unit Franchise Agreement. Each such agreement must be in our then-currently approved form, subject only to such modifications as we may approve in writing and in our Business Judgment. The current form of approved CARTRIDGE WORLD Unit Franchise Agreement is attached as Exhibit H. and is subject to change by us in our Business Judgment.

F. Unit Franchise Agreements will be directly between you and the Unit Franchisee(s) and will contain such provisions as we require, including (but not limited to) terms providing that:

- 1) at any time we may require that all payments by your Unit Franchisees be made directly to us, with such amounts as are validly owed to you (less any appropriate offsets) to be promptly remitted to you by us;
- 2) if you are in default of any of your obligations to us, we may require that all payments by your Unit Franchisees be made directly to and held by us or our designee until such matter is resolved;
- 3) if this Agreement is Repurchased, Terminated or expires, any and all of your rights under your Unit Franchise Agreements, and other contracts, with your Unit Franchisees will be (at our option) assigned to us or our designee;
- 4) if this Agreement is Repurchased, Terminated or expires without the issuance by us of a renewal franchise, any or all Unit Franchise Agreements may be terminated by us in our sole discretion if we engage in a General Market Withdrawal, as that term is defined in Section 15.14, below.

G. You agree to participate in any required Unit Franchise marketing programs, such as referral

programs, and to use only Franchise marketing and advertising materials, offering circulars, agreements and other documents and related procedures that are approved by us in writing and prior to any use and/or distribution by you, including, but not limited to, any then-current Unit Franchise award process required by us. You are solely responsible for the preparation, content and filing, as applicable, of all disclosure documents/offering circulars, franchise advertising and any other documents and materials related to the offer and sale of Unit Franchises in the Territory. You agree to use qualified legal counsel with an established Franchise law practice, as reasonably determined by us in our Business Judgment. All Franchise and other agreements, all Uniform Franchise Offering Circulars and all other documents, marketing materials and other materials to be used in connection with any of your franchising activities, together with any state and/or other filings to be made by you, are subject to our prior review and written consent, which we may withhold, condition and/or deny, in our reasonable discretion. CWNA reserves the right to disapprove any previously approved form of Unit Franchise Agreement (or any other form) with not less than thirty (30) days notice to you of the need to substitute a then approved form of agreement. We agree to use reasonable efforts to conduct such reviews promptly, but you and we agree that we will have no liability to you in connection with any such review or any related delays. You are expressly prohibited from the offer and/or sale of Unit Franchises unless and until you have received written approval from us, have obtained state notices of effective filings (initial registrations, amendments, annual renewals and any other applicable filings) and have otherwise complied with your obligations under the law and this Agreement in connection with any franchise marketing, offers and/or sales. We may require that members of your franchise marketing staff attend receive/attend training approved by us prior to engaging in any franchise marketing activities. You are responsible for all costs related to your compliance with all legal requirements and the terms of this Agreement, including any legal/attorneys' fees and/or costs incurred by us in connection with any review, revision or any other efforts performed by us. You will reimburse us for all such costs incurred by us within ten (10) days of receipt of invoice. Your failure to comply with any of the provisions of this Section 9.01 is a material breach of this Agreement. You will fully indemnify us in accordance with Section 12.02 below, regardless of whether or not any material is or is not approved by us, except with respect to information contained in any such materials provided by us and related exclusively to the operations of CWNA.

H. 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 Master Franchised Business as may be required by us or by law and will require the same of Unit Franchisees to the extent applicable. You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, order and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 12.02 pertain to your obligations hereunder.

I. You agree to participate at our request in franchise marketing programs implemented by us from time to time to enhance franchise awards by Master Franchisees in their respective Territories, including franchisee referral and other programs. You and we will share the costs of any such program on an equal basis.

Section 9.02 Materials. We will provide you with such CARTRIDGE WORLD technical information and/or training materials for instruction and/or communication to Unit Franchisees as we consider appropriate and as may be developed by us from time to time. You agree to reproduce and/or distribute such materials to Unit Franchisees in the Territory at your expense and as requested by us.

Section 9.03 Record-Keeping.

A. You will provide to us such information regarding the sales and operation of your Master Franchised Business, and in such form and format, as we specify from time-to-time in our Business Judgment. We may elect to obtain such information 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:

- 1) Sales and operations reports for each Royalty period, which are due at the same time as the corresponding payment to us; 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 Master Franchise, prepared in accordance with generally accepted accounting principles, and verified and signed by you;
- 3) retention of all records of or relating to your Master Franchise, 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 Master Franchise as we reasonably may request from time to time, including without limitation copies of those portions of your income tax returns relating to your Master Franchise operations. 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.

C. Master Franchisee shall provide a similar provision in its Unit Franchise Agreements.

Section 9.04 Inspection and Audit.

A. We and/or our agents will have the right, at any time during business hours, and reasonable notice to you, to: i) inspect your Master Franchise operations and related activities, ii) remove samples for testing and analysis; iii) interview personnel; iv) interview Unit Franchisees; and v) conduct inventories. You'll cooperate fully in connection with such matters. We may require you or an individual designated by us to meet at our headquarters or other location designated by us, for the purpose of discussing and reviewing your operations, financial performance and other matters. Master Franchisee shall provide a similar provision in its Unit Franchise Agreements.

B. We and/or our agents will have the right at any time during business hours, and with reasonable notice to you, to inspect and/or audit business records relating in any way to your Master Franchise, and the books and records of any person(s), corporation or partnership that holds 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. Master Franchisee shall provide a similar provision in its Unit Franchise Agreements.

C. If any inspection or audit discloses any understatement of revenues, you will 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 may 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:

- 1) any inspection or audit is necessary because of your failure to timely furnish required information/reports; or
- 2) Revenues are 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:

- 1) Revenues are understated for any period by more than five percent (5%); or
- 2) any understatement is determined by us to be intentional.

ARTICLE 10. MASTER MARKETING FUND AND ACTIVITIES

Section 10.01 Master Franchise Marketing Fund.

A. We have implemented an advertising, publicity and marketing fund (the "Master Marketing Fund") to promote the award of Traditional CARTRIDGE WORLD Store Unit Franchises in the United States and the Brand. You'll contribute to the Master Marketing Fund each calendar quarter the greater of one half of one percent (.5%) of the Initial Master Franchise Fee actually paid by you to us or a minimum Master Marketing Fund Contribution of One Thousand Dollars (\$1,000.00), subject to inflation adjustment. Such fee is owed for each Master Franchise and/or Master Franchise Territory granted to you by us, and is payable in advance commencing with the first full calendar quarter following the Effective Date of this Agreement. Contributions shall be received by us not later than the first day of the applicable calendar quarter, are payable in the same manner as amounts payable to us under Section 4.02, above, and are subject to the provisions of Sections 4.07, 4.09 and 4.10, above. We may adjust the payment period in our Business Judgment (with corresponding payment amount adjustments made on a pro rated basis).

B. We have sole discretion over all matters relating to the Master Marketing Fund, operational, marketing or any other matter (consistent with its purposes and the provisions of this Agreement). The Master 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; web site development and maintenance; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Franchise awards and the Brand; agency and consulting services; research, any reasonable expenses approved by us and associated with any Master Franchise advisory groups formed by us in our Business Judgment from time to time. A brief statement regarding the availability of Products/Services at Traditional CARTRIDGE WORLD Store locations may be included in advertising and other items produced using the Master Marketing Fund.

C. 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. We 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 Master Marketing Fund.

D. The Master Marketing Fund will be accounted for separately and may be used to pay all administrative and other costs of the Master Marketing Fund related to its activities and purposes and/or as authorized by the relevant Master Franchise Agreements. All taxes of any kind incurred in connection with or related to the Master Marketing Fund, its activities, contributions to the Master Marketing Fund and/or any other Fund aspect, whether imposed on us, the Master Marketing Fund or any other related party, will be the sole responsibility of the Master Marketing Fund. We will prepare Financial Statements for the Master Marketing Fund annually, which will be furnished to you upon written request. We can choose that any such statements be audited and any related accounting/auditing costs be paid by the Marketing Fund. Funds in the Master Marketing Fund must be expended, prior to termination of the Master Marketing Fund, only for the purposes authorized by the relevant Franchise Agreement(s). No profit, gain or other benefit will directly accrue to us from the Master Marketing Fund. All interest earned on monies contributed to, or held in, the Master Marketing Fund will be remitted to the Master Marketing Fund and will be subject to the restrictions of the relevant Franchise Agreement(s).

E. Financial management of the Master Marketing Fund will be our sole responsibility. We may in our Business Judgment:

- 1) compensate ourselves and/or any Franchisor Related Person/Entity for salaries, administrative costs, overhead and other expenses incurred in Master 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 Master Marketing Fund (consistent with the provisions of this Agreement);
- 2) charge the Master 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 Master Marketing Fund. However, we shall be required to reimburse the Master Marketing Fund for any attorneys' fees and/or costs paid by the Master Marketing Fund in connection with any action in which we are finally found to have acted unlawfully or to be guilty of wrongdoing with respect to the Master Marketing Fund;
- 3) spend in any fiscal year an amount greater or less than the aggregate contributions to the Master Marketing Fund in that year, and the Master Marketing Fund may borrow from us or other lenders to cover deficits of the Master Marketing Fund or cause the Master Marketing Fund to invest any surplus;
- 4) collect for remission to the Master 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 separate expenditures from the Master Marketing Fund, to take account of cultural or other differences (and/or we may delegate management of a portion of the Master Marketing Fund in connection therewith);