

INFORMATION FOR PROSPECTIVE FRANCHISEES  
REQUIRED BY THE FEDERAL TRADE COMMISSION

To protect you, we've required your franchisor to give you this information. We haven't checked it and don't know if it's correct. It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant.

If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

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

FEDERAL TRADE COMMISSION  
Washington, D.C. 20580

Name of Franchisor: Parable Franchising, LLC

Date of Disclosure Document: September 27, 2005



## FRANCHISE OFFERING CIRCULAR

Parable Franchising, LLC  
A California Limited Liability Company  
3563 Empleo Street  
San Luis Obispo, California 93401  
(805) 543-2644

*Parable* franchisees operate Christian retail stores featuring Christ-based books, Bibles, music, gifts, and other merchandise.

The initial franchise fee for a *Parable* franchise is \$15,000.00 for the first *Parable* store, and \$10,000.00 for each additional *Parable* store covered by the same Franchise Agreement. The franchise fee is payable at the time you sign the Franchise Agreement. The estimated initial investment required for a new *Parable* store is from \$321,000.00 to \$770,000.00.

### Risk Factors:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO ARBITRATE AND/OR LITIGATE WITH US ONLY IN SAN LUIS OBISPO, CALIFORNIA. REQUIRING YOU TO ARBITRATE OR LITIGATE IN SAN LUIS OBISPO MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE OR LITIGATE IN CALIFORNIA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT, WITH CERTAIN EXCEPTIONS, CALIFORNIA LAW GOVERNS THE AGREEMENT. CALIFORNIA LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISOR HAS BEEN IN BUSINESS FOR A SHORT PERIOD OF TIME, SINCE JULY 13, 2004. THEREFORE, THERE IS ONLY A BRIEF OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER OR NOT TO MAKE THIS INVESTMENT.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing franchisors is available. Call the state administrators listed on Exhibit 1 or your public library for sources of information.

Registration of this franchise with a state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission and your state agencies.

Date of Issuance: September 27, 2005. The effective date of this circular may be different in different states as noted on the State-Specific Addendum to this circular.

## NOTICE APPLICABLE TO FRANCHISES IN MICHIGAN

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants

to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to: State of Michigan, Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, Michigan 48913, telephone number (517) 373-7117.

**Parable®**

**NEW STORE FRANCHISE OFFERING CIRCULAR**

**TABLE OF CONTENTS**

<b><u>ITEM</u></b>	<b><u>PAGE</u></b>
1. THE FRANCHISOR, ITS PREDECESSORS, AND AFFILIATES.....	1
2. BUSINESS EXPERIENCE .....	2
3. LITIGATION.....	3
4. BANKRUPTCY.....	3
5. INITIAL FRANCHISE FEE.....	3
6. OTHER FEES .....	3
7. INITIAL INVESTMENT .....	7
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	10
9. FRANCHISEE'S OBLIGATIONS.....	12
10. FINANCING.....	13
11. FRANCHISOR'S OBLIGATIONS.....	13
12. TERRITORY .....	21
13. TRADEMARKS .....	22
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	24
15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF .....	24
THE FRANCHISED BUSINESS.....	24
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	24
17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....	25
18. PUBLIC FIGURES.....	28
19. EARNINGS CLAIMS.....	28
20. LIST OF FRANCHISE OUTLETS.....	29
21. FINANCIAL STATEMENTS.....	32
22. CONTRACTS.....	32
23. RECEIPT.....	32

**EXHIBITS**

1. State Franchise Law Administrators
2. Deposit Agreement
  - A. Financial Statements
  - B. Franchise Agreement
  - C. Disclosure and Confidentiality Agreement
  - D. Database Agreement
  - E. General Release
  - F. Acknowledgement at Closing

## 1. THE FRANCHISOR, ITS PREDECESSORS, AND AFFILIATES

In this Franchise Offering Circular the words “we”, “us”, “our”, and similar terms, refer to Parable Franchising, LLC, the franchisor of Parable stores. The words “you” and “your” refer to the purchaser of the Parable franchise.

Our principal business address is 3563 Empleo Street, San Luis Obispo, California 93401. We do not do business under any other names. The names and addresses of our agents for service of process are listed in the state-specific addendum to this offering circular.

We were formed in California as a limited liability company on July 13, 2004.

The service mark we license to you under the Franchise Agreement is licensed to us by our affiliate The Parable Group, Inc., a California corporation, referred to in this Franchise Offering Circular as “our licensor”.

Other than for our licensor, we have no predecessors. We have several affiliates: We are owned by Parable Holdings, a California corporation, which also owns The Parable Group, Inc. and The Parable Advertising Agency, Inc., both California corporations. We and our affiliates share the same office address. Parable Holdings, The Parable Group, Inc., and The Parable Advertising Agency, Inc., as well as any entities by which we may be owned, those that we may own, and those with which we have common ownership, are referred to in this Franchise Offering Circular as “our affiliates”.

The Parable Group, Inc., which was formed in July, 1991, develops and supplies promotional and marketing materials, such as catalogs and flyers, and coordinates the execution of promotional and marketing programs used by *Parable* stores and also by independent Christian retailers who are members of its marketing association. It also provides data processing services, such as the development and maintenance of mailing lists, for retailers who are members of its marketing association. Members of The Parable Group, Inc.’s marketing association are allowed to identify themselves as members that association and to use the *Parable* name on their marketing and promotional materials and in conjunction with their store name. However, The Parable Group, Inc. has indicated its intention that by July 1, 2006, members of that association will no longer be allowed to use the *Parable* name on their advertising and promotional material or in connection with their store name. There are currently 180 members of The Parable Group, Inc.’s marketing association who, between them, own 221 stores.

The Parable Advertising Agency, Inc., which was formed in June, 1997, engaged in a business similar to that of The Parable Group, Inc., but is now inactive.

Parable Interactive, LLC, a Delaware limited liability company formed on February 14, 2000, that is partially owned by our Chief Executive Officer, develops and hosts Internet sites on the World Wide Web for Christian retailers and nonprofit Christian ministries as well as maintaining [parable.com](http://parable.com), the Internet site used by *Parable* stores.

We grant franchises for new *Parable* stores and, under a separate franchising program, franchises under which existing Christian retailers can convert their stores to *Parable* stores. We currently do not operate any *Parable* stores but our Chief Executive Officer owns and operates 2

*Parable* stores of the type being franchised by this circular, the first of which opened for business in 1981. In addition to granting *Parable* franchises and overseeing franchised *Parable* stores, we coordinate the development and execution of promotional and marketing programs used by franchised *Parable* stores.

*Parable* stores are distinctively designed retail stores featuring Christ-based books, Bibles, music, gifts, and other merchandise. *Parable* stores are normally located in shopping centers, street storefronts, or in other shopping areas. *Parable* stores are designed to appeal to customers who desire Christian books, Bibles, music, and gifts. The market for this merchandise is developed and is growing.

*Parable* stores compete with chain and independent bookstores, local and national general retailers, Internet retailers, and specialty Christian retailers.

We have not offered franchises in any other lines of business. None of our affiliates has offered franchises in any lines of business.

## **2. BUSINESS EXPERIENCE**

The principal officers, directors, and executives who have responsibility concerning our franchises are:

### Chief Executive Officer – Steven O. Potratz

Mr. Potratz is the founder of *Parable* stores and our affiliates. He assumed his present position with us upon our formation. He is also the Chief Executive Officer of The Parable Group, Inc., our licensor, and has been since its formation. He has also been the Chief Executive Officer of The Parable Advertising Agency, Inc., since its formation. Mr. Potratz is also the Chief Executive Officer of Parable Interactive LLC, described above. He is a trustee of The Potratz Family Trust, the owner of Parable Holdings, Inc., which is described in Item 1 above. Mr. Potratz and his wife, Laurie, are the owners of the 2 *Parable* stores described in Item 1 above.

### Executive Vice President and Chief Financial Officer– Tim Blair

Mr. Blair became our Executive Vice President upon our formation. Since 1996 he has also been Vice President of our licensor. In addition, he has been the President of Parable Interactive since August, 2003. He became our Chief Financial Officer in May, 2005.

### Vice President-Franchise Development – Kay Cementina

Ms. Cementina assumed her position upon our formation. She has also been employed by our licensor since 1997 in various marketing positions, including Merchandising Manager, Manager of Retail Marketing, and, currently, as Vice President-Retail Sales and Marketing. Prior to joining The Parable Group, Inc., Ms. Cementina had over 13 years of specialty and department store retailing experience.

### Vice President-Sales and Marketing – Marilyn Largent

Ms. Largent assumed her position upon our formation. She is also employed by our licensor and has been since 1997 where she served as Children's Product Specialist, Exclusive Products and Events Coordinator, Merchandising Manager, and, currently, as Vice President-Wholesale Sales and Marketing. Prior to joining The Parable Group, Ms. Largent had over 11 years of media sales and purchasing experience.

### Scott Morrell – Manager of Franchise Sales

Mr. Morrell assumed his position upon our formation. Since February, 2003, he also has been Customer Service Manager of our licensor. From February, 2002, until he became Customer Service Manager, Mr. Morrell was a customer service representative with our licensor. From February, 2000, until he became a customer service representative with The Parable Group, Inc., Mr. Morrell was a customer service representative with Parable Interactive, LLC, our affiliated web site company. Prior to joining Parable Interactive, LLC he was warehouse manager for Horizon Hobby Distributors in Paso Robles, California, which he joined in October, 1992.

### **3. LITIGATION**

Neither we, our licensor, our affiliates, nor any of the people identified in Item 2 of this circular, are or have been engaged in any litigation that is required to be discussed in this offering circular.

### **4. BANKRUPTCY**

Neither we, our licensor, our affiliates, nor any of the people identified in Item 2 of this offering circular, have been involved as a debtor in proceedings under the U. S. Bankruptcy Code which is required to be discussed in this offering circular.

### **5. INITIAL FRANCHISE FEE**

The initial franchise fee for your first *Parable* store is \$15,000.00. If the Franchise Agreement you sign authorizes you to open more than one store, the franchise fee for the second and subsequent stores opened under that Franchise Agreement is \$10,000.00 for each store. If the Franchise Agreement is terminated for any reason prior to you signing a lease for your first store location, we will refund the franchise fee to you less \$2,500.00, which amount we can retain as consideration for reviewing your franchise application, approving you as a prospective franchisee, and for the other efforts we have made in connection with your application and this Agreement. If the Franchise Agreement is terminated after you sign your initial store lease, we will not be obligated to refund any of the franchise fee to you since we will have earned the entire amount by reviewing and approving your initial store location and granting you any additional rights contained in the Agreement.

### **6. OTHER FEES**

The following chart lists the other fees you must pay us in connection with your franchise.



Name of Fee	Amount	Due Date	Remarks
Royalty (See Note 1)	2% of Gross Sales	Monthly by the 15th day of the month based on the sales of the prior month	"Gross Sales" is defined in Section 9.04 of the Franchise Agreement
Cost of Required Promotions (See Note 1)	Currently a minimum of \$3,300 per year plus postage. The actual amount will depend on the number of pieces ordered and cost per piece at the time.	As promotions are ordered	You are required to participate in at least 5 catalog promotions during each 12 month period, one during each of our seasonal campaigns that occur in February, April, June, October, and November. In addition, you must participate in at least 3 flyer promotions during each calendar year. The minimum purchase of each catalog and flyer is currently 2,500 pieces. The price per piece is currently approximately \$.10 each for catalog and \$.04 each for flyers. Additional print pieces are available from \$.04 to \$.37 each. In addition, you must purchase a promotional kit for use in connection with each promotion for which we currently charge between \$100 and \$250 each. You must pay us data processing fees of \$160 per promotion and handling fees of \$75 per 1,000 pieces mailed. In addition, you must pay the actual postage costs of your mailing. The foregoing requirements will be prorated for the first and last year of the Franchise Agreement term.

Name of Fee	Amount	Due Date	Remarks
Brand Marketing Fund (See Notes 1 & 3)	1% of gross sales	By the 15 <sup>th</sup> day of each month.	Can be used only for advertising, promotion, and public relations.
Web Site Maintenance Fee (See Note 1)	Currently \$299.00 per quarter	Quarterly	For use of the <u>parable.com</u> Internet site on the World Wide Web.
Late Charge (See Note 1)	1½ % of past due balance per month	Monthly	If applicable law limits the amount of late charges, the late charge will equal the maximum interest rate allowed on loans between businesses.
Audit Fees (See Note 1)	Cost of audit plus late charge on past due balances	As incurred	We can elect to charge this fee if a review or audit of your books shows an understatement of gross sales of 5% or more for any reporting period or if the review or audit is needed because you did not follow our reporting requirements.
Meeting Fee (See Note 1)	Amount determined prior to applicable meetings, conventions, seminars, etc.	As required by notice of meeting	Payable only if fees are required for attending our meetings.
Internet Training Fee (See Note 1)	\$50.00 per month for up to 10 employees and \$2.00 per month for each additional employee.	Quarterly	We can adjust this amount periodically as long as we do so for the entire <i>Parable</i> system. The fee is based on the total number of persons in your employ, not the number of <i>Parable</i> stores that you own.

Name of Fee	Amount	Due Date	Remarks
Transfer Fee (See Note 1)	Reimbursement of our costs, including the time of our employees, incurred in connection with the transfer plus 15% for our administration and overhead costs.	Upon approval of transfer	Payable, with certain exceptions, when there is a transfer of over 50% of the ownership of the franchise on a cumulative basis. Our costs are for such things as reviewing the application of, and interviewing, your transferee, making credit checks, assisting with inventory and store appearance reviews, and so forth. If we are required to train your transferee we can also charge our additional training fee.
Additional Training Fee (See Notes 1 & 4)	\$1,000.00 per day plus any travel costs we incur.	In advance of the service or as we otherwise direct	This fee is only for training over and above that which we provide as part of your initial training, or if required because you or your staff are not performing in accordance with the requirements of the Franchise Agreement. This fee is also payable in connection with a transfer if training of your transferee or his or her employees is required.
Special Visit Fee (See Note 1)	Reimbursement for the travel and other expenses of our representative, and/or a set payment for each day our representative is at your store	In advance of the service or as we otherwise direct	This fee is for special visits to your store that you request us to make over and above those we routinely provide to you at no extra charge.

Name of Fee	Amount	Due Date	Remarks
Relocation Fee (See Note 1)	Reimbursement of our costs, including the time of our employees, incurred in connection with the relocation of your store, plus 15% for our administration and overhead costs.	At the time your new location is approved	This fee is to compensate us for our efforts in connection with the relocation of your store. The costs we may incur include reviewing your proposed new location and lease, reviewing and approving your building plans, assisting with your decoration, fixturing, and inventory requirements, and so forth.
Renewal Fee (See Note 1)	Reimbursement of our costs, including the time of our employees, incurred in connection with the renewal of your franchise, plus 15% for our administration and overhead costs.	As billed	This fee is to compensate us for our efforts in connection with the renewal of your franchise. Our costs may include negotiating a new Franchise Agreement with you, reviewing any remodeling you may do, and costs involved if you relocate your store at the time of renewal.

NOTES: 1. These fees are not refundable and are payable to us.

2. The Brand Marketing Fund is further discussed in Item 11 below.

3. This fee is adjustable by any increase in the Consumer Price Index between the date of your Franchise Agreement and the event that gives rise to the fee.

## 7. INITIAL INVESTMENT

The following chart shows your estimated initial investment to open a *Parable* store.

Item	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial franchise fee	\$15,000 for your initial store and \$10,000 for each store thereafter (See Note 1)	Lump sum	Upon signing the Franchise Agreement	Us

<b>Item</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Architect, engineer, and/or designer (See Note 2)	\$3,000 to \$7,000	As arranged with Renaissance Design Group	As arranged with Renaissance Design Group	Renaissance Design Group
Leasehold improvements (See Note 3)	\$0 to \$90,000	As arranged with contractor	As arranged with contractor	General contractor
Equipment, decor, furniture, fixtures, etc.	\$60,000 to \$150,000 (See Note 4)	As arranged with suppliers and contractors	As arranged with suppliers and contractors	Suppliers of furniture, store fixtures, etc. and Renaissance Design Group
Point of sale recordation system, computer system, and software	\$15,000 to \$40,000 (See Note 5)	As arranged with suppliers	As arranged with suppliers	Suppliers and us
Signs	\$4,000 to \$10,000 (See Note 6)	As arranged with suppliers	As arranged with suppliers	Sign companies
Initial inventory	\$120,000 to \$350,000 (See Note 7)	As arranged with suppliers	As arranged with suppliers	Suppliers
Grand opening promotion	\$3,000 to \$5,000	As arranged with suppliers	As arranged with suppliers	Newspapers, radio stations, printers, other suppliers, and us for in store promotion kits
Premises Lease	\$1.50 to \$5.50 per square foot per month (See Note 8)	As arranged with landlord	Monthly	Landlord
Security deposits, utility deposits, business licenses, and other prepaid expenses	\$5,000 to \$15,000 (See Note 9)	As arranged with provider	As needed	Landlord, utility companies, government agencies, etc.

Item	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Travel and living expenses while attending our training course	\$1,000 to \$3,000	Lump sum	As needed	Airline, hotel, rental car, restaurants, etc.
Other preopening expenses	\$5,000 to \$10,000	As needed	As needed	Attorney, accountant, employee salaries, and other providers
Additional Funds for the first 3 months of operation (See Note 10)	\$0 to \$75,000	As needed	As needed	Rent, utilities, salaries, working capital, etc.
<b>Total Investment:</b>	\$231,000 to \$770,000 (See Note 11)			

- NOTES: 1. If the Franchise Agreement is terminated before you sign a lease for your first store, we will refund all but \$2,500.00 of the franchise fee to you. The fee is nonrefundable after you sign a lease.
2. Your store must be designed by Renaissance Design Group since they understand our store design requirements. Their charge is based on the size of your store location and is currently \$.75 per square foot. If a free standing building is involved, the costs may be more and will have to be negotiated between you and Renaissance Design Group and are not included in the above estimate.
3. These improvements include changes to the store space that are not readily removable, such as walls, lighting, bathrooms, painting, floor coverings, ceiling treatment, permanent store fixtures, and so forth. The costs will depend on the condition of the space when you take it over. Sometimes a landlord will pay or finance some or all of these costs, usually depending on the demand for store space in your area.
4. These items may include sales fixtures, counters, display cases, back room furnishings, and so forth. In order for all *Parable* stores to obtain the best pricing, these items must be ordered through Renaissance Design Group which adds an override to the cost of the order for its efforts. That charge is based on the size of your store and currently is approximately \$13.25 per square foot of store space.
5. The cost for your computer and sales recordation system will vary with the size of your store and the number of cash counters and workstations you require. See Item 11 for more information on your computer system and the software we require you to use.
6. Your store must display all of the *Parable* signs that we specify both outside and inside your store.

7. The amount of your initial and ongoing inventory will depend, to a great extent, on the size of your store and the volume of business anticipated. Many vendors allow the return of products for credit under certain circumstances.
8. *Parable* stores usually occupy from 3,000 to 10,000 square feet of space. In addition to base rent, you may also have to pay additional charges to your landlord, such as shopping center insurance, taxes, assessments, common area maintenance, heating, ventilating and air conditioning, and other charges. We have made no allowance on this chart for rent that you may have to pay before your store is open for business. The need for rent payments before opening will depend on the terms of your lease and how fast your store is ready for opening.
9. Lease security deposits normally equal 1 to 2 months rent. Unless you have a prior history with your local utility companies, they usually will require a security deposit equal to your estimated average monthly use
10. This allowance is for additional funds that may be needed during the beginning phase of your store operations. It is based on the experience of our Chief Executive Officer in opening his own 2 *Parable* stores. It is an estimate of the additional cash you may need over and above the net income of your *Parable* store for your initial 3 months of operation. While these figures are based on our best estimates, we cannot guarantee that you will not have additional cash needs during this period and beyond. Your need for additional funds will depend on factors such as: your management skill, experience, and business ability, local economic conditions, the local market for the products provided by your store, the prevailing wage rate, competition, the sales level you reach during the initial period of your operation, and other such factors.
11. No allowance has been made in this chart for any principal or interest expenses required before the opening of your store. The need for this type of expense will vary with the terms of any financing you get in connection with your store. The refundability of payments is up to the individual vendors with whom you contract.

## 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Because we want to enhance the public image and increase consumer acceptance of *Parable* stores, and to protect our proprietary names and marks, we have to control the appearance of your store and the goods and services you provide under the *Parable* name. For this reason, we require you to purchase all of the equipment, décor, furniture, fixtures, and signs we specify for your store. *Parable* stores will not necessarily be uniform in appearance. We must also approve all of the bags, gift wrap, and similar material that you use in your store, as well as various other aspects of the operation of your store. Your merchandise must meet the requirements of our manuals and other directives. You cannot carry items that do not meet the doctrinal criteria set forth in our manuals. We can require you to carry specific items, such as those featured in the periodic catalogs, flyers, promotions, and marketing events in which you participate. If we determine at any time that any items you carry are not in keeping with the requirements of our manuals and other directives, you must discontinue carrying those items upon receipt of notice from us to remove the items from your *Parable* store.

In order to achieve some degree of consistency in the appearance of new *Parable* stores, you are required to use the design services of Renaissance Design Group to design your store and to acquire your store fixtures for you. We hope that by purchasing all of our store fixtures through a designated supplier we can obtain the best price for such items for *Parable* stores. We derive no revenues as a result of your contracting with Renaissance Design Group for design services or fixture purchases.

You can only use marketing and promotional materials that you purchase from us, or, at our direction, from our affiliates, unless we approve in advance your use of other items. These items include catalogs, flyers, mailers, newspaper inserts, gift cards, and the like. We or our affiliates will charge you for these materials and services at rates determined at the time. We and our affiliates will derive revenue from your purchases. We estimate that your purchases from us and our affiliates will be approximately 3% of your total purchases of goods and services during the year, including your cost for resale merchandise. Where we contract with our affiliates to provide materials and services to you on our behalf, we normally will obtain the purchase price from you and will then pay our affiliates for their materials and services. If we direct that you purchase materials or services directly from our affiliates, we normally will receive revenues from our affiliates as a result of your purchases. There is no set amount or percentage of revenue that we will receive as a result of your direct or indirect purchases from our affiliates. We will negotiate with our affiliates in each instance to determine the revenues we will receive. To date, we have made no such sales nor negotiated any arrangements with our affiliates. Since this is our initial franchise offering, we cannot estimate the amount of any revenue we, or our affiliates, will receive from the goods and services we require that you purchase from us or our affiliates.

Where we, or our affiliates, feature merchandise in any of the catalogs and flyers, or other advertising, marketing, or promotional materials that are developed for use in connection with the programs we, or our affiliates, conduct, the vendors of that merchandise often pay us, or our affiliates, a promotional allowance. That is a principal source of revenue for us, and for our affiliates. These payments are normally based on the number of stores featuring the concerned merchandise or the volume of sales of the merchandise by *Parable* stores.

We do not have a purchasing cooperative for our stores. While we have no formal program for doing so, we intend to attempt to negotiate beneficial terms for *Parable* stores with our principal suppliers, such as quantity discounts based on the purchases of all *Parable* stores. In that regard, we may require you to participate in certain marketing and merchandise display programs and group product purchasing programs where doing so will result in reduced prices to *Parable* stores for the items featured in those programs.

We evaluate new suppliers and merchandise based on the experience of our executives and staff. We have no written supplier criteria. If a supplier requests that we review any merchandise for use in our stores, we normally can complete our product review and approval process within 30 days after we receive all required information about the product or supplier being considered, including, if we so require, samples of the items for which approval is being sought. If we incur expenses in connection with evaluating suppliers or merchandise, we can charge the concerned supplier for those costs as a condition of approving the supplier or merchandise.

You are required to use a computer system and point of sale software, that is compatible with our system and software. We can change our requirements for these items periodically,



including requiring you to purchase and use specific hardware and software. While we currently are not the suppliers of any of these items, we, or our affiliates, may be such suppliers in the future.

We grant no special benefits to franchisees that purchase merchandise or other items from any special source, other than the quantity discounts available to all *Parable* stores that result from such purchases.

We maintain the Internet site [parable.com](http://parable.com). You will be provided with a presence on that site to feature your store and advise customers of its location. Your only presence on the World Wide Web, or any similar Internet or alternative communications medium, must be on the [parable.com](http://parable.com) web site. There is currently a web site maintenance fee of \$299.00 per quarter for this service.

## 9. FRANCHISEE'S OBLIGATIONS

**THE FOLLOWING TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THAT AGREEMENT AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.**

Obligation	Section in Franchise Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	Sections 3 & 5	Items 11 & 12
b. Pre-Opening purchases/leases	Sections 6 & 8	Items 7 & 8
c. Site development and other pre-opening requirements	Sections 6, 7, & 8	Items 7, & 11
d. Initial and ongoing training	Sections 7 & 8	Items 7 & 11
e. Opening	Sections 7, 8, & 10	Items 8 & 11
f. Fees	Sections 3-5, 7-9, 11, 15, 16 & 32	Items 5 & 6
g. Compliance with standards and policies/ Operating Manual	Sections 6, & 8-14	Items 8 & 11
h. Trademarks and proprietary information	Sections 2, 8, & 14	Items 13 & 14
i. Restrictions on products/services offered	Sections 5 & 8	Items 8 & 16
j. Warranty and customer service requirements	Section 8	Item 8
k. Territorial development and sales quotas	Section 5	Item 12
l. Ongoing product/service purchases	Sections 6, & 8-10	Items 6, 8 & 16

m. Maintenance, appearance and remodeling requirements	Sections 4, 6, & 8	Item 8
n. Insurance	Section 12	Items 7 & 9
o. Advertising	Sections 9 & 10	Items 6 & 11
p. Indemnification	Section 13	None
q. Owner's participation/management/staffing	Sections 7 & 8	Items 11 & 15
r. Records/reports	Sections 8, 9, & 11	Items 6 & 17
s. Inspections/audits	Sections 8 & 11	Items 6, 8, & 11
t. Transfer	Section 15	Item 17
u. Renewal	Section 4	Item 17
v. Post-termination obligations	Sections 8, 16, & 17	Item 17
w. Non-competition covenants	Section 17	Item 17
x. Dispute resolution	Section 18	Item 17
y. Relocation	Section 5	Items 6, 12, & 17

## 10. FINANCING

We do not offer or provide any type of direct or indirect financing for our franchisees. We do not guaranty your notes, leases, or other obligations. We anticipate providing short-term financing for orders of promotional material and services that you order through us, such as payment due 30 days after billing.

## 11. FRANCHISOR'S OBLIGATIONS

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

### Pre-Opening Assistance

Before you open your store as a *Parable* store, we will:

1. Provide you with a set of typical plans and specifications for a *Parable* store. (Franchise Agreement Section 6)

2. We will review and approve your final store plans and specifications. (Franchise Agreement Section 6)

3. We will consult with you on the telephone regarding the design and construction of your store. (Franchise Agreement Section 6)

4. We will train you and your staff in the operation of a *Parable* store. (Franchise Agreement Section 7)

5. We will specify or approve your opening inventory. (Franchise Agreement Section 8)

6. We will have a representative visit your location approximately one week before your opening to train your staff and assist you with your opening. (Franchise Agreement Section 7)

7. We will consult with you on your grand opening promotion and assist you in developing the promotion. (Franchise Agreement Section 10)

#### Continuing Assistance

During the operation of your *Parable* store we provide the following services:

1. You are allowed the continuing use of the service marks, trademarks, commercial symbols, and other proprietary property we license to you in connection with the operation of your *Parable* store. (Franchise Agreement Section 2)

2. Ongoing training programs on our Internet-based training site. (Franchise Agreement Section 7)

3. You have the use of our operations and other manuals and other materials. These manuals and materials are confidential and remain our property. We can change the policies, practices, procedures, and other directives in our manuals when we determine that such changes are advisable in our reasonable business judgment. You must return our manuals and material when we ask for them. (Franchise Agreement Section 8)

4. We will provide assistance and advice to you from our home office concerning the operation of your *Parable* store. (Franchise Agreement Section 8)

5. We will send a representative to visit your store periodically to inspect your store and to assist you in the operation of your *Parable* store. (Franchise Agreement Section 8)

6. We, or our affiliates, will develop and provide to you information on the various seasonal and flyer promotions in which you are required to participate. (Franchise Agreement Section 9)

7. We will perform the services described in our Database Agreement in connection with developing and using various store, inventory, and customer data. (Database Agreement)

#### Advertising

You must forward to us monthly an amount equal to 1% of the gross sales of your *Parable* store for the Brand Marketing Fund, our cooperative advertising program. We administer this fund to develop advertising, promotional, merchandising, display, and public relations materials and programs for *Parable* stores on a local, regional, or national basis. (Franchise Agreement Section 9) Since owners of existing Christian retail stores have established clientele, they are required to contribute to the Brand Marketing Fund at a lower rate than new *Parable* franchisees. Any *Parable* stores that we own will contribute at least 1/2% of our gross sales to the Brand Marketing Fund, the same rate as our conversion franchisees. (Franchise Agreement Section 9).

The term "gross sales", as used in the Franchise Agreement, means proceeds generated from all sales and services from whatever source received, whether in cash or on credit, as well as the value of any barter transactions, including the gross amount you receive from all orders taken at your store but filled elsewhere and orders taken elsewhere but filled at your store. Credit transactions are considered made when the transaction giving rise to the extension of credit occurs and not when, or if, payment is made or when title passes to the goods sold. Credit card and other credit transactions result in "gross sales" in the full amount of customers' purchases without any allowance for bad debts, uncollectable accounts, or credit card fees and charges. If you record your sales using the suggested retail price of the items sold less actual discounts, you may report the net amount as the amount of your gross sales. "Gross sales" does not include any of the following:

- (a) The selling price of any merchandise returned to you by, or services performed for, customers to the extent you grant a credit, discount, refund, or similar allowance. An exchange of merchandise or services shall not be deducted from "gross sales" except to the extent of any accompanying credit, discount, refund, or other allowance;
- (b) Merchandise returned to its source for credit or other allowance;
- (c) Gift certificates, or their equivalent, until they are redeemed at your store;
- (d) Amounts or credits received on claims for loss or damage to merchandise or other store assets;
- (e) Sales and/or use taxes, value added tax, or other similar taxes, determined and/or imposed on the sale of merchandise or services by a governmental entity, but only to the extent that such taxes are added to the selling price of the merchandise or services and are separately stated to and collected from customers;
- (f) Sales of trade fixtures or similar property not constituting merchandise of the store.

We are not obligated to spend the Brand Marketing Fund in any particular region even if the money comes from that area nor within any particular time period. Funds not spent in the year received are carried over from year to year until they are used. We do not use any of the money from the Brand Marketing Fund to solicit the sale of franchises. (Franchise Agreement Section 9)

As described in Item 8 above, you can only use marketing and promotional materials that you purchase from us and, at our direction, from our affiliates unless we approve otherwise. We, or our affiliates, will receive revenues as a result of such purchases. It is likely that we will purchase advertising and promotion services and material from our affiliates and they will receive revenues as a result.

We may form one or more advertising councils in which our franchised stores will be required to participate. These councils will advise us on our advertising, promotion, and public relations programs. We have the right to prescribe the rules for these councils. You are required to follow these rules and, to the extent we require, participate in the activities of these councils. The Brand Marketing Fund will pay the expenses of any advertising councils we form. (Franchise Agreement Section 9)

We anticipate that all of our advertising will be developed by our employees, by those of our affiliates, and by outside advertising agencies and consultants. We will charge the Brand Marketing Fund for the time, overhead, and expenses of our employees for the work they do related to the fund's activities in an amount equal to 10% of the money collected by the fund. (Franchise Agreement Section 9)

We can publish or broadcast the advertising developed by the Brand Marketing Fund in such media as we select including newspapers, magazines, radio, television, direct mail, the Internet, by participating in special events, such as conventions, concerts, and so forth. The coverage of the concerned media can be local, regional, or national in scope. (Franchise Agreement Section 9)

All of your local advertising and promotional activities must meet the requirements and guidelines set forth in our manuals and other directives. You must submit all of your advertising, promotion, and public relations material to us within 10 days of when they are published or otherwise used. If we object to any such item or its manner of distribution, you must promptly comply with our directives in that regard. (Franchise Agreement Section 10)

See also Items 6, 8, and 9 above.

#### Electronic Cash Recording/Inventory Control System

You must acquire and use a point of sale computer system compatible using the Windows operating system as well a sufficient number of scanners, cash drawers, receipt printers, and cycle counting hardware for the operation of your store. You are required to purchase and use Bookstore Manager, a product of Bookstore Manager, Inc., 201 Fannin Street, Abilene, Texas 79603 (800) 997-6724, for your sales recordation, customer billing and inventory control software. You must use Quickbooks as your accounting software. Quickbooks is a product of Intuit, Inc., 2632 Marine Way, Mountain View, CA 94043, (650) 944-6000. (Franchise Agreement Section 8) We have the right to require you to acquire and use the computer system and software that we specify periodically. There are no contractual limits on when we can require you to make these changes or on the cost of the modifications we can require. However, before we require you to make any material change to your system, we will give you a reasonable time to amortize the cost of any component of your system that we require you to change. (Franchise Agreement Section 8)

We have the right to access your computer system, the data in it, and the reports it creates at any time. (Franchise Agreement Section 8) There are no contractual limitations on our right to access the information in your system. However, we will respect the confidentiality of your proprietary material, such as you customer lists and financial data as further discussed in our Database Agreement which is attached to this circular as Exhibit D.

### Operations Manuals

You will be allowed to review the Table of Contents of our operations and other manuals on our secure Internet site. We will issue you a temporary password to access the Table of Contents prior to your purchase of the franchise. If you are allowed to view any of our other proprietary material, you will be required to sign the Nondisclosure and Confidentiality Agreement appearing as Exhibit C to this circular.

### Selection of Your Store Location

When we sign your Franchise Agreement we specify the general area in which you can open your *Parable* store. You are given the exclusive right to find a location within that area for 60 days following the signing of the Franchise Agreement. If you do not find an acceptable location for your *Parable* store within the 60-day period, you have another 90 days to find a site for you store on a nonexclusive basis. That means that other prospective *Parable* franchisees, and we ourselves, can look for, and take, locations within that area within the 90-day period. (Franchise Agreement Section 3) We are available to consult with you on the telephone concerning the characteristics a location must have in order to get our approval. (Franchise Agreement Section 5)

Before you can lease, or otherwise acquire, a site for your *Parable* store we have to approve the site and the lease or other document giving you the right to occupy the premises. (Franchise Agreement Section 5)

Most *Parable* stores will be located in highly visible, high traffic areas. When we evaluate a site we look at the demographics of the area, traffic patterns, other stores in the area, the location's visibility, accessibility, convenience, size, layout, parking, and similar things.

If we find an acceptable location in your area during the 60-day period during which you have the exclusive right to find a location, we will we offer the site to you. You then have 5 days to accept or reject the location. If you do not accept the location, we can offer the location to another *Parable* franchisee or can keep the location for a company-owned store. If you reject 2 locations that we present to you in this manner, we can terminate the Franchise Agreement. (Franchise Agreement Section 3)

If your *Parable* store is not open for business within 120 days after you sign your lease, unless prevented by causes beyond your reasonable control, except because of your financial inability to complete the project, or for any reason within 12 months after the date of the Franchise Agreement, we can terminate the Franchise Agreement without giving you a refund or having any other liability to you. (Franchise Agreement Section 6)

### Time Needed to Open an *Parable* Store

It typically takes between 3 to 9 months between the time you sign your Franchise Agreement and the opening of your store. Factors that can affect the time within which a store can be built and opened include the time needed to secure a location and financing for the project, the time needed to obtain plans and building permits, requirements of local laws and other governmental requirements, the availability of labor and materials, the time required for your

leasehold improvements and installing your equipment, fixtures, and decor, the hiring and training of your employees, and so forth. If your Franchise Agreement covers more than one *Parable* store, you must adhere to your store-opening schedule in order to prevent a default under your Franchise Agreement. (Franchise Agreement Section 3)

### Training

Our training program is normally conducted quarterly. Approximately 1 to 3 months prior to your opening, you and your principal store manager must attend our training course. Our initial training course takes place at our home office in San Luis Obispo, California, and at an operating store in that area and will last approximately 2 weeks. An additional week of training is provided at your store location just prior to your opening.

You and your manager must attend our training course at the same time and must satisfactorily complete the course as a condition to the continuation of the franchise. If your manager does not satisfactorily complete our training course, you cannot employ that person. You can send a replacement for your manager if your manager does not satisfactorily complete our course but you will have to pay our additional training fee as discussed below. If you do not satisfactorily complete our training course, we can terminate your franchise. (Franchise Agreement Section 7)

The cost of your initial training, and the manager who attends training with you, is included in your initial franchise fee. However, you must bear all of your own travel and living costs, and those of your manager, in connection with attending our training course, and any salary and benefit costs of your manager. (Franchise Agreement Section 7)

If a partnership, limited liability company, corporation, or other entity owns your *Parable* store, an owner of the entity must attend and complete the training course to our reasonable satisfaction. (Franchise Agreement Section 7)

In addition to our initial training course, you and all of your employees must take such Internet-based training as we prescribe from time to time. If we require the satisfactory completion of testing in connection with this training, you agree to monitor the testing of your employees and to certify to us that they have satisfactorily passed the tests we require. You must pay us a fee of \$50.00 per month for access to our Internet training site by your first 10 employees and \$2.00 per month for each additional employee over 10. If you have more than one *Parable* store, this fee is based on your total number of employees, not on the number of employees in each store. This fee is currently payable quarterly. We can change the amount of this fee and its time of payment periodically as long as we change it for the entire *Parable* system and not just for your store or stores. (Franchise Agreement Section 7)

If at any time you wish us to train any additional people, and if we agree to do so, we can condition our training on your agreement to pay us an additional training fee. Our training fee is \$1,000.00 per day regardless of the number of trainees who attend the course at the same time. Our training fee is subject to adjustment by any increase in the Consumer Price Index between the date of your Franchise Agreement and the date of the training. In addition, if the training is to occur at your store or stores, you must reimburse us for the transportation, lodging, and related travel costs we incur in connection with the training. (Franchise Agreement Section 7)

If we sponsor conventions, courses, seminars, training programs, or other meetings for our franchisees, or for their employees, you, or the designated employees, must attend those meetings, up to a maximum of one such meeting in any 12-month period. In addition, if we sponsor any regional training seminars or other meetings in the region in which your *Parable* store is located, you are required to attend no more than 2 such meetings in any 12-month period and to send to these meetings those of your employees we designate. We can charge a reasonable fee for any of these conventions, courses, seminars, or meetings. You must pay your own expenses, and those of your employees, in connection with attending these events. (Franchise Agreement Section 7)

Following is a table showing the content, duration, and other information on our training course.

Subject	Location of Training	Instructional Material	Hours of Classroom Training	Hours of on the Job Training	Instructors
Parable Orientation	Home Office	Best Practices Manual	4		Kay Cementina/ Steve Adams
Parable Brand Delivery	Home Office	Video Presentation, Brand Roadmap	2		Kay Cementina
Human Resources Policies and Procedures	Home Office	Best Practices Manual and handouts	3		Frankie Conway
Database Marketing/ budget strategy	Home Office	Promotional Sales book	5		Heather Johansen/ John Strifler
Local Marketing	Home Office	Handouts	2		Marilyn Largent
Product Knowledge	Home Office and your store	Handouts	8	8	Marilyn Largent
Merchandising/ Display	Home Office and your store		5	8	Judi Peet
Inventory Management	Home Office		6		Erik Ernstrom
POS System training	Your store and on-line			13	Erik Ernstrom
Operations Checklists	Your store	Handouts.		8	Steve Adams



Subject	Location of Training	Instructional Material	Hours of Classroom Training	Hours of on the Job Training	Instructors
Sales Clerk training	Your store			8	John Strifler
Risk and Theft Prevention	Home Office		2		Steve Adams
Store Operations	Home Office and operating store			16	Steve Adams/John Strifler
Finance/Budgeting	Home Office	Handouts	8		Steve Adams
<b>TOTALS</b>			45	61	

Kay Cementina, The Parable Group VP Retail and Franchise Development, worked in specialty and department store retail for over 13 years before joining The Parable Group. In her current position she leads the retail division in all aspects of marketing and operations.

Frankie Conway, PHR, has been the Human Resources Manager at The Parable Group for 5 years. She is a certified Professional in Human Resources and actively maintains the knowledge and experience necessary to meet the standards required for this certification.

Heather Johansen has worked with data based marketing and mailing services at The Parable Group for over 8 years.

Marilyn Largent, The Parable Group VP Wholesale Sales and Marketing, has a background in radio advertising and extensive knowledge of the Christian retail industry, its products and vendor community.

Judi Peet has worked in the Christian Retail industry for over 7 years, both in a The Parable Group store and the corporate office. She has been a gift buyer, book buyer and also is a professional photographer and has extensive experience in gift display and basic design principles.

Erik Ernstrom has worked in Christian Retail for over 14 years. His background includes store management in addition to filling the corporate position of liaison with the POS companies that The Parable Group uses.

John Strifler managed a Christian retail store prior to being hired as a regional coach for The Parable Group. He is also a training specialist at The Parable Group.

Steve Adams owned 3 Christian retail stores for over 25 years before joining The Parable Group as the Franchise Director of Operations.

## 12. TERRITORY

### Your Protected Territory

The franchise is granted only for the specific location or locations we approve. As a condition of approving each of your store locations, we must mutually agree on any protected territory that will be granted in connection with those stores. Except under the circumstances discussed below, a protected territory is the geographic area within which we agree not to open a company-owned or franchised retail *Parable* store. Other than within your protected territory, we have the right to open and franchise *Parable* stores at any location, even if those stores compete with you or otherwise adversely affect your business.

The boundaries of a protected territory normally will be based on the population density within the area. We normally try to grant you a protected territory with at least 50,000 people within its borders. This criterion may vary with the size of the store you are opening, its location, other actual or potential *Parable* stores in the area, and so forth.

The grant of a protected territory does not carry with it any marketing or customer exclusivity within the territory. As such, we, our affiliates, licensed affiliates of The Parable Group, Inc., other *Parable* franchisees, and others, can sell to customers located within your protected territory. Similarly, you are not prohibited from accepting business from customers located within the protected territories of other *Parable* stores. If other *Parable* franchisees or members of The Parable Group, Inc.'s marketing association make sales to customers within your protected territory, you will not be entitled to any compensation as a result. Likewise, if you make sales to people who live or work within the protected territories of any company-owned *Parable* stores, or those owned by our affiliates, other *Parable* franchisees, or members of The Parable Group, Inc.'s marketing association, you will not have to provide compensation to us or to those affiliates or franchisees. In addition, we and our affiliates can sell private-labeled *Parable* merchandise to independent outlets, whether they are located within your protected territory or elsewhere.

We and our affiliates have the right to conduct any type of business in your protected territory, other than operating retail *Parable* stores, even if such other types of business use the *Parable* name in some manner. Other than for the Internet sales activities described below, neither we nor our affiliates anticipate operating or franchising any type of business in your protected territory under different trademarks or service marks that will have as its principal activity the sale of good similar to those sold in your *Parable* store. However, any competing units owned, operated, and/or franchised by any person or entity with whom or which we merge, by whom or which we are acquired, or which we acquire or otherwise become affiliated after the date of this Agreement will be allowed to continue to operate, even if they are located within your protected territory. However, no such affiliate will be allowed to own, operate, or franchise any stores identified by the *Parable* name within your protected territory.

We reserve to ourselves and our affiliates the right to make sales by mail order, electronically, such as over the Internet, or by other alternate means, to any customers, including those who live or work within your protected territory. If we or our affiliates make sales by such means within your protected territory, you will be compensated in accordance with our, or our

affiliate's, commission schedule as it may exist at the time the sale is made. We and our affiliates reserve the right to revise, or to eliminate, our, or their, commission schedule at any time.

Your protected territory will not be altered during the term of your Franchise Agreement. The continuation of your protected territory does not depend on your achieving a specific sales volume, market penetration, or other contingency. Only with our consent can you open additional *Parable* stores in your protected territory, or elsewhere. You have no right of first refusal or other option to open additional *Parable* stores, whether within your protected territory or elsewhere except as specifically set forth in your Franchise Agreement.

#### Relocating your Parable Store

You can relocate your *Parable* store only with our prior written consent. You must reimburse us for any costs we incur in connection with your relocation such as for approving your site, lease, design, decorations, inventory selection, and so forth. These costs will include an allowance for the time of our employees and a 15% overhead and administration charge based on the total amount to be reimbursed.

### 13. TRADEMARKS

Our affiliate, The Parable Group, Inc., has licensed us to use and sublicense the service mark "Parable". That mark was registered on the Principal Register of the United States Patent and Trademark Office on March 2, 2004. The registration bears serial number 2,820,121. All affidavits required to keep this registration in effect have been filed.

Under our License Agreement with The Parable Group, Inc., we are allowed to use certain of the names, marks, and symbols of our licensor for the operation and franchising of *Parable* stores throughout the world. However, we must use these names, marks, and symbols in a manner which is consistent with the standards prescribed by our licensor, including standards concerning the nature, character, and quality of the goods and services provided by *Parable* stores. This means that we cannot allow our franchisees to operate under the *Parable* name in any way that would jeopardize our rights to the names, marks, and symbols licensed to us by our licensor. Our licensor can terminate our License Agreement if we make improper use of the licensed names, marks, or symbols or violate any of the other terms of the License Agreement and do not correct the default as allowed by that agreement. The License Agreement provides that in the event that agreement is terminated, you will continue to have the right to use the names, marks, and symbols licensed to you under this Agreement as long as you are in good standing under this Agreement. However, our licensor will not be required to perform any services for you in connection with your use of their names, marks, or symbols. Our License Agreement has an initial term of 3 years but is automatically renewed on a year-to-year basis unless it is terminated earlier because we failed to cure a default as required. Our licensor can refuse to renew the agreement if, after the initial 3 year term, and at each annual renewal date, we do not have at least 5 franchised *Parable* stores in operation under our Franchise Agreement, and do not reach that number of franchised stores within 6 months of receipt of notice from our licensor.

Other than for our License Agreement, there are no agreements currently in effect that significantly limit our rights to use or license the use of the foregoing mark(s) in any manner material to the *Parable* franchise or to the operation of your *Parable* store.

You have to make a reasonable effort to check the area in which you propose to operate your *Parable* store to find out whether there are any confusingly similar names or marks being used in that region.

There are no presently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, relevant to your use of the licensed mark in any state. There are no pending interference, opposition, or cancellation proceedings, nor any litigation, involving the marks.

We are aware of no infringing uses that could materially affect your use of the licensed mark(s) in any state.

Even though we license you to use the name "*Parable*", you are not allowed to use that name, or any similar name, in the name of the business entity that owns your *Parable* franchise, or in the name of any other corporation, limited liability company, or other entity in which you have an interest.

You must notify us immediately if there is ever a challenge to your use of any of the names, marks, or symbols we license to you. If that happens, we can decide what action to take. You must cooperate with us in any action we take. If any action is taken against you by a third party on account of your use of the intellectual property we license to you, we will defend your right to use that property. However, we have the right to settle any such action on terms we find appropriate. We will pay all fees and costs in any such action. We also will pay any damages for which you are held liable in any such action as long as you have used the licensed names, marks, and symbols as required by the Franchise Agreement and have notified us promptly of the claim.

You should also notify us immediately if you learn of anyone using any names, marks, or symbols that are similar to ours so that we can decide whether to take action against them.

Prior to the termination or expiration of this Agreement, if we require you to stop using any or all of the names, marks, or symbols we license to you, we will reimburse you for the reasonable out of pocket costs you incur in replacing items which bear the affected names, marks, or symbols as long as you comply with our directives concerning their use and disposition. If we require you to use any additional names, marks, or symbols in connection with your *Parable* store, you must pay the costs of using these additional items.

We have the right to change some or all of the names and marks of the *Parable* system. If we do so, you must comply with our directives in this regard. If these changes occur prior to the renewal of this Agreement, we will pay the cost of replacing any of your physical assets we require you to change except as otherwise provided in the Franchise Agreement.

You are prohibited from applying for registration of any of the licensed names, marks, or symbols, or any deceptively similar names, marks, or symbols, contesting our right to use, or disputing the ownership of, the licensed names, marks, or symbols, and from assisting anyone else in doing so.

You acquire no rights in the licensed names, marks, or symbols because you use them. All of the rights and goodwill associated with the licensed names, marks, or symbols belong to us and our licensor.

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

There are no registered patents or copyrights that are material to the franchise.

Our manuals and other material contain information that we consider to be a trade secret. We claim trade secret and copyright protection for these manuals and materials although to date we have not filed any copyright applications concerning them. You must follow our directions in protecting our manuals and other trade secret material from unauthorized disclosure. You must use our proprietary material only as we direct.

We can require your employees to sign confidentiality agreements in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use.

#### **15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

The Franchise Agreement requires you to use your best efforts to produce the maximum volume of sales from your *Parable* store in a manner consistent with the terms of the Franchise Agreement and to devote an amount of time to your *Parable* business adequate for that purpose

It is your responsibility to train all of your store personnel, except to the extent we train the manager or other employees who attend our training course. Your managers need not have any ownership interest in any entity that owns your store. We do not dictate the qualifications of the employees that you hire to work in your store.

As mentioned above, we can require your employees to sign a confidentiality agreement in which they promise to protect our proprietary information.

If a partnership, limited liability company, corporation, or other entity will own your *Parable* business, an owner of the concerned entity must successfully complete our training course and be the managing agent of your business. The managing agent cannot be a person who was the principal operator of a *Parable* store that had its Franchise Agreement terminated because of a default nor can he or she be a person to whom we have a reasonable basis to object.

An owner or manager who has successfully completed our training course is the only person authorized to be the direct supervisor of your *Parable* store.

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

As discussed in Item 8 above, in order to maintain and enhance the appeal of *Parable* stores, you can only sell merchandise that meets the doctrinal criteria set forth in our manuals and other directives. You must discontinue the sale of any items to which we object.

See also Items 8 and 9 above for other provisions of the Franchise Agreement that may apply.

## 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

The following table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this offering circular. Some of these provisions may be modified by state law as described in the State-Specific Addendum to this circular.

Provision	Section in Franchise Agreement	Summary
a. Term of the Franchise	Section 4	The initial term of the Franchise Agreement is 5 years beginning on the date of your premises lease.
b. Renewal or extension of the term	Section 4	The franchise is renewable for unlimited periods of 5 years each.
c. Requirements for you to renew or extend	Section 4	You must give us notice of your desire to renew the franchise at least 6 but not more than 12 months prior to the end of the term then in effect. You cannot renew if you are in default under the Franchise Agreement at the time that notice is given or when the renewal is to take effect. We can decline to renew the franchise if you have been given 3 or more notices of default under material terms of the Franchise Agreement during the term then ending. You must sign our then-current form of Franchise Agreement for the renewal term and a general release of all claims against us so that we do not start the renewal term with unresolved issues between us. You must reimburse us for any costs we incur, including the time of our employees, in connection with your renewal, such as for negotiating the terms of your new Franchise Agreement, plus 15%. You may be required to update your store at the time of renewal, subject to the cost limitations described in the Franchise Agreement. You may be required to relocate your store when your lease expires as a condition of renewal.
d. Termination by you	Section 16	If we do not cure a default after 20 days notice from you, plus such additional time as is reasonably necessary, you can pursue all remedies available to you under law.
e. Termination by us without cause	None	Not applicable
f. Termination by us with cause	Section 16	We can terminate the Franchise Agreement immediately for certain defaults and if the default remains uncured after notice in other instances.

g. "Cause" defined-defaults which can be cured	Section 16	You have 5 days to retake possession of your store if its assets have been seized by a creditor or government official; you have 30 days to satisfy, or bond against, any final judgment against you; you have 10 days after notice to pay any fees or charges due to us; you have 90 days to relocate your store if your lease ends, unless it is ended because your default; you have 20 days, plus such additional time as may be reasonably necessary, to cure any other default under the Franchise Agreement.
h. "Cause" defined-defaults which cannot be cured	Section 16	If you are declared bankrupt or insolvent; if you make an assignment for benefit of creditors or admit your inability to pay your debts; if you, or an owner of any entity that owns the franchise, has made a material misrepresentation in connection with acquiring the franchise; if you, or an owner of any entity that owns the franchise, engages in conduct that reflects adversely on the reputation of your store or the <i>Parable</i> system; if you fail to comply with any law or regulation and do not correct the violation within the time allowed; if during any 12 month period you are given 3 or more notices of defaults under material provisions of the Franchise Agreement; if a levy of execution is made on the Franchise Agreement or the assets of your store; if you, or an officer, director, or owner of any entity that owns the franchise, is convicted of a felony or other criminal misconduct that reflects adversely upon your store or the <i>Parable</i> system; if we determine that continued operation of your store creates an imminent danger to public health or safety; if anyone who is required to complete our training course fails to complete the course as required by the Franchise Agreement; if you intentionally underreport your sales to us; if you, or an owner of any entity that owns the franchise, attempts to transfer any interest in the Franchise Agreement, the assets of your store, or any entity that owns the franchise, except as allowed by the Franchise Agreement; if you abandon the operation of your store; if the transfer of the interest of a deceased or legally incompetent owner of the franchise, or an owner of any entity that owns the franchise, is not made in the manner and within the time provided; if you lose your right to occupy your store premises because you did not cure a default under your store lease; if any agreement between us, or between you and any of our affiliates, is terminated because of your default.
i. Your obligations on termination/ nonrenewal	Sections 16 and 17	You must bring all accounts with us and our affiliates current; you must stop using our proprietary names, marks, information, trade secrets, and intellectual property; you must redecorate your store so that it does not look like

		a <i>Parable</i> store; you must return our manuals and other material; you must cancel any fictitious name statements identifying the store as a <i>Parable</i> store; you must notify everyone who does business with you that you are no longer a <i>Parable</i> franchisee; you cannot identify the store as having been a <i>Parable</i> store; you must transfer your telephone number and Internet addresses to us; your databases become our property; we have the right to purchase some or all of your store assets and have your lease assigned to us; you must comply with the noncompetition provisions described below.
j. Assignment of contract by us	Section 15	There are no restrictions on our ability to transfer some or all of our interest in the Franchise Agreement.
k. Transfer by you-definition	Section 15	Any transfer, sale, assignment, change in ownership, or other disposition of the franchise or any entity owning it.
l. Our approval of transfer by you		We must approve any transfer in writing in advance of the transfer.
m. Conditions for our approval of transfer	Section 15	Before you can make a transfer, we must approve the transferee; the transferee may be required to sign an updated Franchise Agreement; you must reimburse us for any costs we incur, including the time of our employees, in connection with the transfer plus 15%; an additional training fee may be required; the transferee may be required to complete our training course; you must sign a general release of all claims against us; if you own more than one store, you must transfer all of your stores, unless we agree otherwise.
n. Our right of first refusal to acquire your business	None	Not applicable
o. Our option to purchase your business	Section 16	We can purchase some or all of the assets of your business at their fair market value upon the expiration or termination of the Franchise Agreement.
p. Your death or disability	Section 15	The franchise, and an interest in any entity that owns the franchise, is transferable by will, by intestate succession, or by your guardian if you are declared legally incompetent. The transfer must be accomplished within in 6 months of death or declaration of incompetence. All conditions related to a transfer apply.
q. Noncompetition covenants during the term of the Franchise	Section 17	You, and all owners of any entity with an interest in the franchise, cannot own or engage in a business that competes with <i>Parable</i> stores during the term of the Franchise Agreement, except that you may continue to operate any such stores that you owned prior to becoming a <i>Parable</i> franchisee.



r. Noncompetition covenants after the franchise is terminated or expires	Section 17	You cannot own, operate, or participate in any way in a business that competes with <i>Parable</i> stores for 2 years after the expiration or termination of the Franchise Agreement within any protected territory granted in connection with your <i>Parable</i> franchise.
s. Modification of the agreement	Section 19	The Franchise Agreement can only be modified by a written document signed by both of us. We can modify our manuals and procedures during the Franchise Agreement and you must comply with those changes.
t. Integration/ merger clause	Section 34	All representations and promises between us must be contained in the Franchise Agreement, or other agreement we have both signed, or have been in the Franchise Offering Circular accompanying the Franchise Agreement.
u. Dispute resolution by arbitration or mediation	Section 18	Any dispute we cannot resolve between us will be referred to mediation. If it is not resolved in mediation, it is to be referred to arbitration.
v. Choice of forum	Section 18	All mediation, arbitration, or litigation is to take place in San Luis Obispo, California
w. Choice of Law	Section 26	Except for its noncompetition provisions, which are subject to the law of the state where your store is located, the Franchise Agreement is to be interpreted under California law.

NOTE: These states have statutes which may supersede the terms of the Franchise Agreement in your relationship with us, including those regarding the termination and the renewal of your franchise: ARKANSAS [Stat. Section 70-807]; CALIFORNIA [Bus. & Prof. Code Sections 20000-20043]; CONNECTICUT [Gen. Stat. Section 42-133e et seq.]; DELAWARE [Code Title 6, Ch. 25, Sections 2551-2556]; HAWAII [Rev. Stat. Section 482E-1]; ILLINOIS [815 ILCS 705/19 and 705/20]; INDIANA [Stat. Section 23-2-2.7]; IOWA [Code Sections 523H.1-523H.17]; MICHIGAN [Stat. Section 19.854 (27)]; MINNESOTA [Stat. Section 80C.14]; MISSISSIPPI [Code Section 75-24-51]; MISSOURI [Stat. Section 407.400]; NEBRASKA [Rev. Stat. Section 87-401]; NEW JERSEY [Stat. Section 56:10-1]; SOUTH DAKOTA [Codified Laws Section 37-5A-51]; VIRGINIA [Code 13.1-557-574-13.1-564]; WASHINGTON [Code Section 19.100.180]; WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the Franchise Agreement with us including the terms concerning the termination and renewal of your franchise. Also see the State-Specific Addendum attached to this circular for additional information that may apply in your state.

## 18. PUBLIC FIGURES

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

## 19. EARNINGS CLAIMS

We do not furnish, or authorize anyone else to furnish, any oral or written information concerning the actual or potential sales, costs, income, or profits of a *Parable* store. Actual results vary from store to store. We cannot estimate the results of any particular store.

**20. LIST OF FRANCHISE OUTLETS**

**FRANCHISED LOCATIONS STATUS SUMMARY FOR THE FISCAL YEAR 2004 and as of July 31, 2005**

STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY LICENSOR	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR END
California	0/0	0/0	0/0	0/0	0/0	0/0	0/2
Georgia	0/0	0/0	0/0	0/0	0/0	0/0	0/2
Indiana	0/0	0/0	0/0	0/0	0/0	0/0	0/1
Michigan	0/0	0/0	0/0	0/0	0/0	0/0	0/4
Nebraska	0/0	0/0	0/0	0/0	0/0	0/0	0/1
New Jersey	0/0	0/0	0/0	0/0	0/0	0/0	0/1
New Mexico	0/0	0/0	0/0	0/0	0/0	0/0	0/1
New York	0/0	0/0	0/0	0/0	0/0	0/0	0/5
Ohio	0/0	0/0	0/0	0/0	0/0	0/0	0/2
Oregon	0/0	0/0	0/0	0/0	0/0	0/0	0/5
Texas	0/0	0/0	0/0	0/0	0/0	0/0	1/1
Wisconsin	0/0	0/0	0/0	0/0	0/0	0/0	1/1
<b>TOTALS</b>	0/0	0/0	0/0	0/0	0/0	0/0	0/26

**PROJECTED OPENINGS  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005**

STATE	FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPEN	PROJECTED NUMBER OF NEW FRANCHISED NEW STORE OPENINGS IN THE NEXT FISCAL YEAR	PROJECTED NUMBER OF COMPANY- OWNED OPENINGS IN THE NEXT FISCAL YEAR
Arizona	0	2	0
California	0	3	0
Georgia	0	4	0
Iowa	0	1	0
Illinois	0	2	0
Indiana	0	1	0
Kansas	0	2	0
Kentucky	0	1	0
Michigan	0	2	0
Montana	0	2	0
New Jersey	0	1	0
New Mexico	0	1	0
Oregon	0	4	0
Pennsylvania	0	1	0
Washington	0	3	0
<b>TOTALS</b>	<b>5</b>	<b>30</b>	<b>0</b>

Following is a list of franchised *Parable* stores operating as of the date of this circular.

The Potter's House Christian  
Bookstore  
3119 N. Oak Street Ext.  
Valdosta, GA 31602  
Attn: Tom and Cherie Gregory  
Ph: 229-247-5262

Parable Christian Store of  
Newnan  
1094 Bullsboro Drive, Suite F  
Newnan, GA 30265  
Attn: Steven Lipham  
Ph: 770-502-9393

The Carpenter's Son  
217 Farabee Drive North  
Lafayette, IN 47905  
Attn: Cliff and Tricia Muller  
Ph: 765-448-6434

Kregel Bookstores  
2830 E. Beltline NE  
Grand Rapids, MI 49525  
Attn: Jim Kregel  
Ph: 616-363-9030

Kregel Bookstores  
6333 Kalamazoo SE, Suite 900  
Kentwood, MI 49508  
Attn: Jim Kregel  
Ph: 616-971-1111

Kregel Bookstores  
4014 Chicago Drive SW  
Grandville, MI 49418  
Attn: Jim Kregel  
Ph: 616-531-7707

Hage's Christian Supply  
4949 Harvey  
Muskegon, MI 49444  
Attn: David and Maryl Ritsema  
Ph: 231-798-9825

Parables  
11212 Chicago Circle  
Omaha, NE 68154  
Attn: Bill and Dorothy Alford  
Ph: 402-333-5604

Son Shine Christian  
Bookstore  
401 Route 38, Suite B9  
Moorestown, NJ 8057\_  
Attn: Lou and Sandy  
Muckenfuss  
Ph: 856-866-2688

The Master's - "A Parable  
Christian Store"  
810 E. 21st Street, Suite A-5  
Clovis, NM 88101  
Attn: Tammy Willard Garner  
and Mike Grissom  
Ph: 505-762-1924

Sacred Melody Bookstore  
3535 James Street  
Syracuse, NY 13206  
Attn: John W. Skinner  
Ph: 315-437-1095

Arrowhead Christian Book &  
Gift Center  
One Harry L Drive  
(1520 Ridge Road West)  
Johnson City, NY 13790  
Attn: David Martin  
Ph: 607-798-1793

Alpha & Omega Bookstore  
StoneRidge Plaza  
Rochester, NY 14615  
Attn: Bruce and Cindy  
Anderson  
Ph: 585-697-7693

Alpha & Omega Bookstore  
1601 Penfield Rd.  
Rochester, NY 14625  
Attn: Bruce and Cindy  
Anderson  
Ph: 585-381-1250

Alpha & Omega Bookstore  
125 White Spruce Blvd.  
Rochester, NY 14623  
Attn: Bruce and Cindy  
Anderson  
Ph: 585-272-8080

Gifts of Joy  
2423 Allentown Rd.  
Lima, OH 45805  
Attn: Mike and Janice Hulsey  
Ph: 419-229-9626

The Bookery  
2300 W. Fourth Street  
Mansfield, OH 44906  
Attn: Mark Stofer  
Ph: 419-529-4324

Evangel Family Bookstores  
315 E. Main  
Medford, OR 97501  
Attn: Brian Phelps and Mark  
Phelps  
Ph: 541-772-5850

Evangel Family Bookstores  
613 SE Jackson  
Roseburg, OR 97470  
Attn: Brian Phelps and Mark  
Phelps  
Ph: 541-672-9930

Evangel Family Bookstores  
1600 N. Riverside, Sp. 1063  
Medford, OR 97501  
Attn: Brian Phelps and Mark  
Phelps  
Ph: 541-772-2849

Evangel Family Bookstores  
420 S W 6th Street  
Grants Pass, OR 97526  
Attn: Brian Phelps and Mark  
Phelps  
Ph: 541-476-5125

Evangel Family Bookstores  
3024 Shasta Way  
Klamath Falls, OR 97603  
Attn: Brian Phelps and Mark  
Phelps  
Ph: 541-882-3368

Grapevine Books Inc.  
5634 FM 1960 West  
Houston, TX 77069  
Attn: Gary and Majorie  
Woehrmann  
Ph: 281-440-8353

Shepherd's Voice Christian  
Bookstore  
110 Crossroads Ctr.  
P.O. Box 249  
Onalaska, WI 54650  
Attn: Tim and Sarah Van Eijl  
Ph: 608-781-3460

We have no company-owned Parable stores as of the date of this circular. Our Chief Executive Officer owns and operates 2 *Parable* franchised stores of the type that are being franchised by this circular. Those addresses of those stores are as follows:

The Parable  
883 Marsh Street  
San Luis Obispo, CA 93401

The Parable  
7367 El Camino Real  
Atascadero, CA 93422

There are no franchisees who have had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us in the last 10 weeks.

## 21. FINANCIAL STATEMENTS

Attached as Exhibit A to this circular are our audited financial statements as of July 19, 2004, when we were initially funded, and December 31, 2004, the end of our last fiscal year along with our unaudited financial statements for the period from January 1, 2005, until August 31, 2005.

## 22. CONTRACTS

Exhibit B to this circular is a copy of our *Franchise Agreement*. Exhibit C is the *Disclosure and Confidentiality Agreement* that you must sign before we show you our manuals. Exhibit D is our *Database Agreement* and Exhibit F is an *Acknowledgement at Closing* in which you verify certain information about your purchase of this franchise.

## 23. RECEIPT

The last page of this offering circular contains a detachable Receipt form that you must date, sign, and return to us immediately upon your receipt of this circular.

## **State-Specific Addendum to Parable Franchise Offering Circular**

### **The following provisions are applicable to franchises in the state of California:**

1. *California Business and Professions Code* Sections 20000 through 20043 provide you with rights concerning termination or nonrenewal of your franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

3. If the Franchise Agreement contains covenants not to compete that extend beyond the termination of the franchise, these provisions may not be enforceable under California law.

4. The Franchise Agreement requires binding arbitration. The arbitration will occur at San Luis Obispo, California, with costs being borne by the losing party. You are encouraged to consult private legal counsel to determine the applicability of California and federal law, such as *Business and Professions Code* Section 20040.5, *Code of Civil Procedure* Section 1281, and the Federal Arbitration Act.

5. Neither the franchisor nor any of the people identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

Our agent for service of process in California is Steven O. Potratz, 3565 Empleo Street, San Luis Obispo, California 93401.

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

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT ANY OF ITS OFFICES.

The effective date of this circular in California is \_\_\_\_\_.

### **The following provisions are applicable to franchises in the state of Hawaii:**

1. A provision in a franchise agreement providing for termination upon bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec 101 et seq.).

2. Under the Hawaii Franchise Investment Law, a provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Hawaii or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under that law.

3. The Hawaii Franchise Investment Law prohibits us from requiring you to assent to a release, assignment novation or waiver which relieves any person from liability imposed by Hawaii law.

Our agent for service of process in Hawaii is Director of the Department of Commerce and Consumer Affairs, 1010 Richards Street, Honolulu, HI 96810.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, 1010 RICHARDS STREET, HONOLULU, HAWAII 96813.

The effective date of this circular in Hawaii is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Illinois:**

1. The Illinois Franchise Disclosure Act prohibits discrimination among franchisees for payments made for Initial Franchise Fees, Royalty Fees, and the purchase of goods or services from us.

2. Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois may not be enforceable under Illinois law.

3. The governing law or choice of law clause described in the Offering Circular and contained in the Franchise Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application of the Illinois Franchise Disclosure Act in all situations to which it is applicable.

4. The Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that Act or any other law of the State of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code:

Our agent for service of process in Illinois is the Illinois Attorney General, 500 South Second Street, Springfield, IL 62706.

IF PARABLE FRANCHISING, LLC OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS THE FRANCHISE;
- (2) FOURTEEN DAYS BEFORE SIGNING ANY BINDING AGREEMENT; OR
- (3) FOURTEEN DAYS BEFORE ANY PAYMENT TO PARABLE, INC.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE ILLINOIS ATTORNEY GENERAL, 500 SOUTH SECOND STREET, SPRINGFIELD, IL 62706 WHICH ADMINISTERS AND ENFORCES

The effective date of this circular in Illinois is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Indiana:**

1. No release required by the Franchise Agreement will release claims arising under the Indiana Deceptive Franchise Practices Law”
2. Any covenant not to compete will not be applicable beyond the protected territory granted to you under the Franchise Agreement.

Our agent for service of process in Indiana is Indiana Secretary of State, 302 West Washington Street, Room E-111, Indianapolis, Indiana 46204.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE INDIANA SECRETARY OF STATE, 302 WEST WASHINGTON STREET, ROOM E-111, INDIANAPOLIS, INDIANA 46204.

The effective date of this circular in Indiana is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Maryland:**

1. Any provision in the Franchise Agreement providing for termination upon bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec 101 et seq.).
2. Maryland Regulations (§14-226 Maryland Franchise Registration and Disclosure Law) prohibit us from requiring you to sign a general release as a condition of the sale, transfer, or renewal of the franchise that releases any liability under the Maryland Franchise Registration and Disclosure Law.
3. You are not prohibited from filing a civil lawsuit in Maryland for violations of the Maryland Franchise Registration and Disclosure Law.
4. The Franchise Agreement restricts venue of mediation of a dispute or claim to a forum outside the state of Maryland. This provision may not be enforceable under Maryland Franchise Registration and Disclosure Law.
5. Any provision in the Franchise Agreement that requires you to disclaim the occurrence of or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law will not be a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Our agent for service of process in Maryland is the Maryland Attorney General, 200 Saint Paul Place, 20th Floor, Baltimore, MD 21202-2020.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE MARYLAND ATTORNEY GENERAL, 200 SAINT PAUL PLACE, 20TH FLOOR, BALTIMORE, MD 21202-2020.



The effective date of this circular in Maryland is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Michigan:**

The following provisions are void and cannot be enforced against you in Michigan.

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

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

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to: State of Michigan, Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, Michigan 48913, telephone number (517) 373-7117.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE MICHIGAN ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, 670 LAW BUILDING, LANSING, MI 48913.

The effective date of this circular in Michigan is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Minnesota:**

1. Minnesota Statute 80C.14 subdivisions 3, 4, and 5, require, except in certain cases, that you be given 90 days notice of termination and 60 days to cure a default. It also requires 180 days' notice for the nonrenewal of the Franchise Agreement.

2. Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit our requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Agreement abrogates or reduces any of your rights as provided in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the Minnesota.

3. In accordance with Minnesota Rule 2860.4400J, to the extent required by law, we can not require you to waive your right to a jury trial, to waive your right to any procedure, forum, or remedies provided for by the laws of the Minnesota, or to consent to liquidated damages, termination penalties, or judgment notes. However, that rule does not affect the enforceability of the arbitration provisions of the Franchise Agreement.

4. Minnesota Rule 2860.4400D prohibits us from requiring you to agree to a general release.

5. Minn. Stat. Sec. 80C.12, Subd. 1(g), requires that we protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol licensed by the Franchise Agreement and to indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of our primary trade name.

Our agent for service of process in Minnesota is the Minnesota Commissioner of Commerce, 85 7th Place East, Suite 500, St. Paul, Minnesota 55101.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE MINNESOTA COMMISSIONER OF COMMERCE, 85 7TH PLACE EAST, SUITE 500, ST. PAUL, MINNESOTA 55101.

The effective date of this circular in Minnesota is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of New York:**

1. Neither we, nor any predecessor, nor any affiliate offering franchises under our principal trademark, nor any of the persons identified in Item 2 above:

(i) has any administrative, criminal, or civil action, or a significant number of civil actions, irrespective of materiality, pending against them alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

(ii) has been convicted of a felony or pleaded nolo contendere to any felony charge or, within the 10 year period immediately preceding the application for registration of this offering circular has been convicted a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint, or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

(iii) is subject to any injunctive or restrictive order or decree relating to the franchise or under any Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

2. During the 15 year period immediately preceding the date of this offering circular neither we, any predecessor, any affiliate, nor any of the people identified in Item 2 of this circular have been adjudged bankrupt, been reorganized due to insolvency, or was a principal officer of any company or a general partner of any partnership that was adjudged bankrupt or reorganized due to insolvency during or within one year after the time that such officer held that position with any such company or partnership. None of the foregoing persons or corporations is currently subject to any pending bankruptcy or reorganization proceeding.

3. The initial franchise fee is placed in our general operating fund and is used to pay operating and administrative expenses.

4. Provisions in the Franchise Agreement requiring you to execute a general release of claims against us may not be enforceable under Article 33 of the General Business Law of New York and the regulations issued under it.

5. Under Article 33 of the New York State General Business Law, a provision in the Franchise Agreement restricting jurisdiction or venue to a forum outside of New York or requiring the

application of the laws of another state is void with respect to a claim otherwise enforceable under that law.

Our agent for service of process in New York is the New York Secretary of State, 41 State Street, Albany, New York 12231-0001.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE NEW YORK DEPARTMENT OF LAW, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

The effective date of this circular in New York is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of North Dakota:**

1. The requirement in the Franchise Agreement that you sign a general release of all claims against us as a condition of the renewal of the franchise may not be enforceable under North Dakota Century Code Section 51-19-09.

2. The covenants not to compete set forth in the Franchise Agreement may not be enforceable in North Dakota.

3. To the extent required by a valid enforceable statute, the venue of any arbitration or legal action will be in North Dakota.

4. To the extent required by a valid enforceable statute, the Franchise Agreement will be governed by North Dakota law.

5. To the extent required by a valid enforceable statute, the waivers of exemplary and other damages set forth in the Franchise Agreement may not be enforceable.

Our agent for service of process in North Dakota is the North Dakota Securities Commissioner, 600 East Boulevard, 5th Floor, Bismarck, ND 58505.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO NORTH DAKOTA SECURITIES COMMISSIONER, 600 EAST BOULEVARD, 5th FLOOR, BISMARCK, ND 58505.

The effective date of this circular in North Dakota is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Rhode Island:**

1. To the extent required by a valid enforceable statute, the venue of any arbitration or legal action will be in Rhode Island.

2. Wherever in the Franchise Agreement you are required to sign a release in our favor, that release will not affect any claims you may have under the Rhode Island Franchise Investment Act.

Our agent for service of process in Rhode Island is the Rhode Island Director of Business

Regulation, Securities Division, 233 Richmond St., Suite 232, Providence, RI 02903

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO RHODE ISLAND DIVISION OF SECURITIES, 233 RICHMOND STREET, SUITE 232, PROVIDENCE, RI 02903.

The effective date of this circular in Rhode Island is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of South Dakota:**

Our agent for service of process in South Dakota is the South Dakota Commissioner of Commerce and Regulation, 118 West Capital Avenue, Pierre, SD 57501.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE SOUTH DAKOTA DEPARTMENT OF COMMERCE AND REGULATION, SECURITIES DIVISION, 118 WEST CAPITAL AVENUE, PIERRE, SD 57501-2017.

The effective date of this circular in South Dakota is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Virginia:**

Our agent for service of process in Virginia is the Clerk of the State Corporation Commission, 1300 East Main Street, 1st Floor, Richmond, VA 23219.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE VIRGINIA STATE CORPORATION COMMISSION, DIVISION OF SECURITIES AND RETAIL FRANCHISING, 1300 EAST MAIN STREET, 9<sup>TH</sup> FLOOR, RICHMOND, VA 23219.

The effective date of this circular in Virginia is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Washington:**

1. To the extent required by a valid enforceable statute, all litigation and arbitration involving a franchise purchased in Washington must be conducted either in Washington, or in a place as mutually agreed upon at the time of the litigation or arbitration.

2. A release or waiver of rights you are required to execute will not release any rights you may have under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel.

3. Provisions in the Franchise Agreement such as those that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, rights or remedies under the Act, such as a right to a jury trial, may not be enforceable under Washington law.

4. Transfer fees are collectible only to the extent that they reflect our reasonable estimated or actual costs in effecting the transfer.

4. RCW 19.100.180 may supersede the Franchise Agreement in the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Franchise Agreement concerning your relationship with us including the areas of termination and renewal of the franchise.

Our agent for service of process in Washington is the Washington Director of Financial Institutions, 150 Israel Rd SW, Tumwater Washington 98501.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE WASHINGTON DIRECTOR OF FINANCIAL INSTITUTIONS, 150 ISRAEL RD SW, TUMWATER WASHINGTON 98501.

The effective date of this circular in Washington is \_\_\_\_\_.

**The following provisions are applicable to franchises in the state of Wisconsin:**

The Wisconsin Fair Dealership Law applies to most franchise agreements in Wisconsin and prohibits termination, cancellation, nonrenewal, or substantial change in the competitive circumstances of a dealership agreement without good cause. The Law further provides that 90 days' prior written notice of the proposed termination must be given to the dealer. The dealer has 60 days to cure the deficiency and, if the deficiency is cured, the notice is void.

Our agent for service of process in Wisconsin is the Wisconsin Division of Securities, 345 West Washington Avenue, 4th Floor, Madison, WI 53703.

IF PARABLE FRANCHISING, LLC DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE WISCONSIN DIVISION OF SECURITIES, 345 WEST WASHINGTON AVENUE, 4TH FLOOR, MADISON, WI 53703.

The effective date of this circular in Wisconsin is \_\_\_\_\_.