



Rapid Refill Ink

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RAPID REFILL INK INTERNATIONAL CORP.

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*

THIS OFFERING CIRCULAR WAS ISSUED ON MARCH 29, 2006 TO MEET THE REQUIREMENTS OF THE FEDERAL TRADE COMMISSION. CERTAIN STATES REQUIRE FRANCHISORS TO MAKE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. IF APPLICABLE, THESE ADDITIONAL DISCLOSURES WILL BE FURNISHED TO YOU IN EXHIBITS J AND K TO THIS OFFERING CIRCULAR, WHICH WILL BE EFFECTIVE IN THOSE STATES AS OF THE DATE SHOWN IN EXHIBIT A.

FRANCHISE OFFERING CIRCULAR

RAPID REFILL INK INTERNATIONAL CORP.

a Minnesota corporation

12400 Whitewater Road, Suite 150

Minnetonka, Minnesota 55343

(541) 431-4665

www.rapidrefillink.com



The franchisee will operate stores under the name "Rapid Refill Ink" specializing in reprocessing, refilling, and selling of ink jet and laser toner cartridges for printers, copiers, fax machines, and all-in-one machines. These cartridges, along with OEM and compatible cartridges, will be sold to consumers and businesses through an attractive and friendly retail environment.

The initial franchise fee for your first individual franchised location, which may be an "A-Store" or a "B-Store", will be \$30,000, and for all additional locations, the initial franchise fee will be \$20,000. Your initial investment to establish a Store will range from \$129,520 to \$225,550 for an A-Store and from \$79,395 to \$143,685 for a B-Store. If you sign a 3-Pack Agreement, you will not have to pay a development fee, but when you sign the 3-Pack Agreement, you will also sign all three franchise agreements, and pay the initial franchise fee for those agreements. Please refer to Items 5 and 7 for details on these fees and costs.

Risk Factors:

1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO LITIGATE ONLY IN STATE OR FEDERAL COURT IN THE STATE WHERE THE FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH THE FRANCHISOR IN THE STATE OF ITS PRINCIPAL PLACE OF BUSINESS THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF MINNESOTA GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

LOCAL LAW MAY SUPERSEDE THESE FRANCHISE AGREEMENT PROVISIONS. CERTAIN STATES REQUIRE THE SUPERSEDING PROVISIONS TO APPEAR IN AN ADDENDUM IN THIS OFFERING CIRCULAR.

Information about comparisons of franchisors is available. Call the state administrators listed in Exhibit "B" or your public library for sources of information.

Registration of this franchise with any 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 the appropriate State agency listed in Exhibit "B".

This offering circular was issued on March 29, 2006 to meet the requirements of the Federal Trade Commission. Certain states require franchisors to make additional disclosures related to the information contained in this offering circular (see Exhibits J and K of this offering circular), which will be effective in those states as of the dates shown in Exhibit A.

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Exhibits

- A. Effective Dates
- B. List of State Administrators
- C. List of Agents for Service of Process
- D. Franchise Agreement
- E. 3-Pack Agreement
- F. Table of Contents to the Manual
- G. Confidentiality and Nondisclosure Agreement
- H. List of Franchisees
- I. Financial Statements
- J. Area Representatives and Brokers
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- L. Agreement Amendments
- M. Franchisee Compliance Certification
- N. Receipts

ITEM 1
THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this offering circular, the words “we,” “us,” and “our” refer to Rapid Refill Ink International Corp., which is the franchisor. We conduct business under the name and mark “Rapid Refill Ink,” and do not conduct business under any other name. “You” means the person or entity who buys the franchise.

We offer franchises to operate full-service stores that can process and refill ink or toner cartridges for ink-jet and laser printers, copy and fax machines and all-in-one machines (“**Cartridges**”), which serve as a retail storefront, which maintain full ink-jet and laser toner cartridge remanufacturing equipment and supplies; and that are physically located in malls, streetfronts, and other retail establishments (an “**A-Store**”). Other types of Store designs include retail-service only stores (without ink-jet and laser toner cartridge remanufacturing equipment and capabilities) that are located in malls, streetfronts, and other retail establishments (“**B-Stores**”). Additionally, an important part of our business is unattended branded drop-off boxes located within and outside retail establishments (“**Drop Boxes**”), and collection bins located in a school or for the benefit of youth groups and other organizations (“**Collection Bins**”) used for the recovery of Cartridges from customers.

We are a Minnesota corporation, and we were formed on March 8, 2005. Our principal place of business is located at 12400 Whitewater Road, Suite 150, Minnetonka, Minnesota 55343, and we also maintain offices at 919 International Way, Springfield, Oregon 97477 (541.431.4465). Effective March 20, 2005, we acquired the *Rapid Refill Ink* franchise system, trademarks, other intellectual property, and related assets from our predecessor, Rapid Refill Ink International, LLC (the “**Acquisition**”).

Our Predecessor

Our predecessor, Rapid Refill Ink International, LLC (the “**Predecessor**”), was organized in the State of Oregon on April 24, 2003 under the name “Cartridge Works LLC.” It later changed its name to “Rapid Refill Ink, LLC” (on December 31, 2003) and then again to “Rapid Refill Ink International, LLC” (on April 23, 2004). Our Predecessor’s principal place of business was 132 East Broadway, Suite 900, Eugene, Oregon 97401 (541.683.3770). It conducted business under the names “Cartridge Works” and “Rapid Refill Ink.” The Predecessor first conducted a business of the type offered in this offering circular in 2002 and offered franchises from January 2004 until the Acquisition. The Predecessor also licensed two individuals to operate businesses in California, similar to Stores, one of which used the Proprietary Marks, and neither of which used the methods and information employed under the System. The Predecessor later offered each of these licensees the chance to convert their business to a Store. The Predecessor did not engage in other lines of business or offer franchises in any other lines of business.

Our agents for service of process are listed in Exhibit C to this Offering Circular.

The Franchise Offered

Your Store will operate under the mark “Rapid Refill Ink” and other trademarks, service marks, logos and commercial symbols (the “**Proprietary Marks**”) that we designate. We will offer to qualified individuals a franchise agreement for the establishment and operation of a Store at a mutually-agreeable location, which will be specified in the franchise agreement that we will sign with you (a “**Franchise**”).

Agreement"). The first Store under your first Franchise Agreement may be either an A-Store or a B-Store. As mentioned above, an A-Store is a full-service store selling Cartridges, that also can process Cartridge refills for ink jet and laser toner cartridges, and which is physically located in a mall, on a streetfront, or in another retail establishment. B-Stores, in contrast to A-Stores, are retail-service only facilities (that is, they have no capacity to refill or process Cartridge refills for ink jet or laser toner cartridges, and must obtain these services from us or another approved supplier). B-Stores can also be physically located in a mall, on a streetfront, or in another retail establishment.

We also offer to qualified individuals development arrangements for the purpose of committing to enter into three Franchise Agreements (a "**3-Pack Agreement**"). If you sign a 3-Pack Agreement, you will not have to pay a separate development fee, but you will sign all three Franchise Agreements at that time and be required to pay the initial franchise fees for those Franchise Agreements (see Item 5 for details on the amount of the initial franchise fees due under a 3-Pack Agreement). The 3-Pack Agreement also will provide for an extended period under which you may locate sites for the Stores to be operated under the three Franchise Agreements.

Stores operate under a system we have developed (the "**System**") that is identified by the Proprietary Marks, and which is characterized by procedures, techniques, and methods for merchandising activities; distinct inventory specifications and standards; our confidential operations manual (the "**Manual**"); as well as methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion, marketing and advertising. We may change, improve and develop the System during the term of your franchise.

Other Business Experience

We first conducted a business of the type offered in this offering circular in March 2005. Affiliates of ours currently operate five stores in Eugene and Bend, Oregon (and have done so since November 2002). As of the date of this offering circular, there are 36 *Rapid Refill Ink* franchises in operation. We do not engage in other lines of business or offered franchises in any other lines of business.

Competition

We believe that the market for the sale and servicing of Cartridges and related products is developing and expanding. The Store will compete with retailers selling new "OEM" (original equipment manufacturer) Cartridges, such as office supply stores, office equipment repair stores, computer supply stores, OEM's, e-commerce printing suppliers, warehouse chains (super stores), and existing retailers of recycled and reconditioned inkjet and laser toner cartridges.

Industry-Specific Laws and Regulations

You must comply with all local, state, and federal laws that apply to your stores' operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, etc. You must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. You should consult with your attorney concerning these and other local laws and ordinances that may affect your store's operation.

ITEM 2
BUSINESS EXPERIENCE

A list of our directors, principal officers, and other executives who have management responsibility for the franchise described in this offering circular follows. The location of employment for each person is Eugene, Oregon, unless we indicate otherwise. The information concerning their employment over the past five years is as follows:

President

Dan P. White

Mr. White has served as our President since the Acquisition in March 2005. Before that, he served our Predecessor as its President, Chief Executive Officer, and Director from April 2003 until the Acquisition in March 2005. Before that, Mr. White served in various capacities and as a consultant to various technology and marketing-related businesses. From October 2001 to May 2003, he served as Vice President – Sales and Marketing for Webrizon, Inc. Mr. White served as Director of Sales and Marketing USA for Waterstreet Technology Group of Vancouver, British Columbia (July 2001-October 2001), Director of Sales and Marketing for IFX International Corp. (March 2001-July 2001), and New Business Development Manager/Franchise/Retail for Kinzan, Inc. (July 2000-February 2001). Before that, Mr. White served as Vice President of Franchise Products for NetCreate Systems, Inc. and as Vice President of Franchise Products and Vice President of Consumer Products for Nextron Communications, Inc. (May 1998-February 2000). While these companies are based around the country, Mr. White's duties were performed from Eugene, Oregon.

Chairman of the Board of Directors

Roger E. Block

Mr. Block has served as the Chairman of our Board of Directors since March 2006. He also currently serves as Executive Vice President of Carlson Travel Network Associates, Inc. in Minneapolis, Minnesota since October 1997. Carlson Travel Network Associates, Inc. franchises four travel concepts: Carlson Wagonlit Travel, Cruise Holidays, Results Travel and SeaMaster Cruises located throughout the United States and Canada. Together, these systems have over 1,800 franchisees. Before joining Carlson, Mr. Block was the founder, Chairman, and President of Travel Agents International, Inc., a franchisor with over 325 franchised locations.

Chief Financial Officer

Ross Johnson

Mr. Johnson has served as our Chief Financial Officer since the acquisition in March 2005. From March 2002 to May 2003, Mr. Johnson was Chief Financial Officer of Clarity Coverdale Fury in Minneapolis, Minnesota. From December 1999 to February 2002, he served as Director of Finance and Operations for the eCommerce Unit of Cincom Systems, Inc. in Cincinnati, Ohio.

Vice President

Barak Gibson

Mr. Gibson has served as our Vice President since the Acquisition in March 2005. He joined the Predecessor in July 2003 and served as its Vice President, Store Operations from July 2003 until the March 2005 Acquisition.

Vice President

Pete Olson

Mr. Olson has served as our Vice President since the Acquisition in March 2005. Mr. Olson joined the Predecessor in July 2003 and served as its Vice President, Production and Training from July 2003 until the Acquisition in March 2005. Before that he served Emerald Valley Weatherization of Springfield, Oregon as a Window Installation Tech Supervisor (January 2002-December 2002), as a Department Manager for Pro Contracting in Eugene, Oregon (March 2001-December 2002), and a Pro V, Inc. business owner in Cottage Grove, Oregon (from 1996 to September 2000).

Vice President**Peter Palmisano**

Mr. Palmisano has served as our Vice President since the Acquisition in March 2005. He served as an independently employed small business consultant in Eden Prairie, Minnesota from April 2003 to March 2005. From May 2001 to April 2003, he was Chief Operating Officer for Kelle Company in New Hope, Minnesota. Mr. Palmisano held various management positions with Winmark Corporation (the franchisor of "Play It Again Sports" and other concepts) in Golden Valley, Minnesota from November 1992 to March 2001.

Vice President of Franchise Development**Dave Shaw**

Mr. Shaw has served as our Vice President of Franchise Development since August 2005. He served as President of Makoto USA, Inc. in Centennial, Colorado from July 2002 to December 2004. From September 1999 to December 2001, Mr. Shaw was President and Chief Executive Officer of EBIZ Enterprises, Inc. in Stafford, Texas.

Director of Marketing**Kelly Cahill**

Ms. Cahill has served as our Director of Marketing since the Acquisition in March 2005. She was Director of Marketing for our Predecessor from August 2004 to March 2005. From June 2004 to September 2004, Ms. Cahill was Sales Team Manager for University Directories in Eugene, Oregon. From January 2004 to July 2004, she was an Account Representative for Alsin Capital Management in Eugene, Oregon. From October 2003 to June 2004, Ms. Cahill worked in Retail Sports Marketing for Copeland Sports in Eugene, Oregon; before that, she was a student.

International Franchise Representative**Chris White**

Mr. White has served as our International Franchise Representative since the Acquisition in March 2005. He served as an International Franchise Representative for the Predecessor from December 2003 to March 2005. From January 2003 to December 2003, Mr. White was a Commercial Diver for Triton Diving Services, Inc. in New Orleans, Louisiana; before that, he was a student.

Brokers:Area Representatives

Our Predecessor offered an "area representative" program, under which the area representatives were involved in the process of soliciting and assisting the Predecessor in identifying prospective Rapid Refill franchisees and developers. We do not currently offer such a program, but we will work with the area representatives, listed in Exhibit J, with whom the Predecessor contracted. Attached to this offering circular as Exhibit J is a listing of our area representatives, and the individuals who work for those area representatives will act for us in the capacity of franchise "brokers."

FranChoice

FranChoice, Inc. ("**FranChoice**") is a Minnesota corporation incorporated on March 10, 2000. Its principal place of business is 7500 Flying Cloud Drive, Suite 600, Eden Prairie, Minnesota 55344, and its telephone number is (952) 345-8400. FranChoice provides its franchise brokerage services through independent contractors who are identified in Exhibit J of this offering circular. FranChoice's officers, directors and key employees are as follows:

President of FranChoice: Stephen K. Hockett

Steve Hockett became the President of FranChoice in January 2003. From January 2002 through January 2003 he was an Independent Franchise Consultant working with FranChoice. From January 1993 to February 2002, he was a Vice President for Great Clips, Inc., of Minneapolis, Minnesota.

Vice President of FranChoice: Lori L. Kiser-Block

Lori Kiser joined FranChoice as a Consultant Development Manager in April 2003 and became Vice President of FranChoice in November 2003. Before joining FranChoice, from March 2002 until December 2002, Ms. Kiser-Block was Vice President of eFrame Technology, Omaha, Nebraska. Before that Ms. Kiser-Block worked for Carlson Leisure Group, Minnetonka, Minnesota in various positions starting as a Franchise Sales Manager in February 1993, becoming Director of Franchise Sales in 1996, and serving as Senior Director of Franchise Services until December 2001.

Chief Financial Officer of FranChoice: Tony Verbeten

Tony Verbeten joined FranChoice in December 2002 as Chief Financial Officer. He also is currently Chief Financial Officer of Capistar Franchise Holdings, parent company of FranChoice and also based in Eden Prairie. He was named Director of FranChoice in November 2005. Before joining FranChoice, Mr. Verbeten was Controller for Digital River of Eden Prairie, Minnesota, from August 2001 to November 2002. He was an independent financial planner from June through August 2001. From January 2000 to May 2001 he was Vice President of Finance and Controller for Dantis, Minnetonka, Minnesota.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this offering circular.

ITEM 4
BANKRUPTCY

No person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5
INITIAL FRANCHISE FEE

Franchise Agreement

The initial franchise fee for your first Store will be \$30,000. For your second Store and each additional Store, whether the Stores are A or B Stores, the initial franchise fee will be \$20,000. These amounts are referred to below as the "**Initial Franchise Fee.**"

During our Predecessor's last fiscal year (which ran from April 1, 2004 until the Acquisition), the Predecessor received Initial Franchise Fees ranging from \$5,000 to \$30,000. Those franchisees who paid less than \$30,000 for an Initial Franchise Fee had previously been operating as licensees under the Proprietary Marks. Except as described above, the Initial Franchise Fee is uniform for all new franchisees.

If we determine that you are unable to satisfactorily complete the initial training program (See Item 11 below for a description of the initial training program), we may terminate the Franchise Agreement. If we terminate the Franchise Agreement, upon your execution of a general release, we will refund to you the greater of: (a) \$10,000, or (b) one-third of the Initial Franchise Fee.

The Initial Franchise Fee is payable in lump sum when you sign the Franchise Agreement, and will be fully earned and non-refundable.

3-Pack Agreement

If you sign a 3-Pack Agreement, you will not have to pay a separate development fee, but you will sign all three Franchise Agreements at that time and be required to pay the initial franchise fees for those Franchise Agreements. At the time you sign the 3-Pack Agreement, you must pay the full initial franchise fee for the first Franchise Agreement (\$30,000), and ½ of the \$20,000 initial franchise (\$10,000) for the second and third Franchise Agreements. You will then pay the remaining \$10,000 balance on each of the initial franchise fees for the second and third Franchise Agreements at the time we approve the site(s) for the Stores to be located under those agreements.

(As an example, if you sign a 3-Pack Agreement – you must pay \$50,000 at the time you sign the agreement (\$30,000 for the first Franchise Agreement and \$10,000 each for the second and third Franchise Agreements). You will then be required to pay the additional \$10,000 each for the second and third Franchise Agreements at the time we approve the site(s) for the Stores to be operated under those agreements.)

The fees paid at the time you sign the 3-Pack Agreement are not refundable and will be fully earned when we receive them from you.

POS Set-Up

You will also need to have your point-of-sale system properly set-up and tested. You may do that yourself, hire a qualified outside vendor, or ask us to do that work for you.

ITEM 6
OTHER FEES

Please review the table below with the notes that follow.

| Name of fee (Note 1) | Amount | Due Date | Remarks |
|---------------------------------|--|--|--|
| Royalty Fee | 6% of Gross Revenues, except that as to revenues from sales of OEM Cartridges, the royalty rate is reduced to 3% (Note 2.) | Each week, before the close of business on Wednesday, based on the previous week's Gross Revenues. | Gross Revenues includes all revenue from the franchise location, less sales tax or use tax. (Payments are due on Wednesdays, but if Wednesday is a bank holiday that prevents payment on that day, you can pay us on the next business day.) |
| Advertising Fee | 4% of Gross Revenues, of which one-half will be allocated to the Advertising Fund | Same as the royalty fee. | Note 3. |
| Advertising Preparation Fee | Currently \$75/hour (also see remarks column) | As incurred. | We may charge this fee if, at your request, we prepare advertising materials for you. We also reserve the right to increase our hourly rate. You must also reimburse us for any out-of-pocket costs and vendor charges (for example, an outside graphic artist or ad agency) that we incur on your behalf. |
| Grand Opening Advertising | At least \$5,000 (in addition to the advertising fund, explained above) | You will incur this cost in the first two months that you are open | You must develop and submit to us, for our prior approval, a grand opening marketing plan. If you don't do so, we have the right (but not the obligation) to prepare a grand opening marketing plan. |
| Late Fees | \$35 for each overdue payment, plus 1.5% interest per month (but not more than any applicable maximum interest rate) | On demand (Note 4) | Payable only if you don't pay us on time and in the proper amount. Interest will continue to accrue on the overdue amount until the interest and the overdue amount are both paid. |
| Audit | Note 4 | On Demand | Note 4 |
| Transfer Fees | \$7,500 or 25% of the then-current Initial Franchise Fee charged for a first Store with us, whichever is more | Before transfer | Payable only if you make a transfer. You will also have to pay any third-party brokerage and referral fees relating to the transfer transaction, even if we originally engaged the broker. |

| Name of fee (Note 1) | Amount | Due Date | Remarks |
|---------------------------------|---|---|---|
| Indemnification | Will vary under circumstances | As incurred | Note 5 |
| Costs and Attorneys' Fees | Varies | On demand | If you default under the Franchise Agreement, you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the agreement. |
| Securities Offering Fee | \$7,500 or our actual expenses, whichever is more | Upon demand | If you engage in a securities offering, you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering and you also must indemnify us (see above). |
| Renewal Fee | The greater of \$3,500 or 10% of the then-current initial franchise fee | Before renewal | The renewal fee is payable instead of a new initial franchise fee. |
| Technology Fee | \$18 per week (to be adjusted annually to reflect changes in the Consumer Price Index) | Weekly, at the same time as the royalty fee | The Technology Fee defrays the cost of the services we provide in connection with the Computer System and the Required Software. |
| Additional Assistance | A mutually agreed-upon fee. | On demand | We do not charge a separate fee for initial training (see Item 11). This fee is payable only if you ask for additional on-site assistance, and we agree that it is necessary. |
| Product Testing | Will vary. | On demand, if incurred | If you propose to offer for sale a new product or item which is not then approved by us, you must submit samples to us for testing, and we may charge you or the vendor for our costs in conducting those inspections or running those tests. |
| Insurance | Reimburse our cost to procure insurance coverage for you, plus a reasonable fee for our expenses. | On demand | If you fail to obtain or maintain the required insurance coverage, we will have the right (but not the obligation) to do so, and charge you for such coverage. |
| Operating Fee | Reimburse our expenses incurred, plus a reasonable fee. | On demand | Payable only if we have to operate your franchise if you are unable to do so due to illness, incapacity, or death. |

| Name of fee (Note 1) | Amount | Due Date | Remarks |
|------------------------------|---|-----------|--|
| Default Operations Fee | Reimburse our expenses incurred, plus a reasonable fee. | On demand | Payable only if we operate your franchise upon your failure to cure a default within 30 days after notice. |

Notes to Item 6 Chart:

1. All fees are imposed by and are payable to us. All fees are non-refundable.
2. Royalty fees will be 6% for Gross Revenues received from the sale of all products and services at the Store – except that the royalty fee will be reduced to 3% for revenues received from the verifiable sale of OEM (original equipment manufacturer) Cartridges. Royalties are due and payable each “Week.”
3. The advertising fee of 4% of Gross Revenues per Week (the “**Advertising Fee**”) will be allocated in the following manner: 2% will be allocated the Advertising Fund or to a Regional Ad Fund, and 2% must be spent, by you, on local advertising and promotion. We reserve the right at any time to reallocate the amounts of the Advertising Fee that are to be spent among the Advertising Fund, Regional Ad Fund or on local advertising and promotion. See Item 11 for further information regarding the Advertising Fund, Regional Ad Fund, and local advertising and promotion. You will not be required to contribute or expend on advertising, in total, more than the Advertising Fee (although we encourage you, and you are free, to spend more on advertising your own business).
4. If we audit and find that you understated Gross Revenues by 2% or more (or if we audit because you did not provide us with sales reports), you will have to reimburse us for all of our inspection expenses, including our reasonable accounting and legal fees, plus: (a) a fee of \$35 for each overdue payment; and (b) interest on the unreported receipts at 1.5% per month (up to the maximum rate permitted by law). Interest will accrue from the date of the underpayment.
5. You must indemnify and reimburse us for our costs (including our attorneys’ fees) if we are sued or held liable in any case having anything to do with: (a) your business operations; (b) any securities offering you propose or undertake; and (c) if we have to defend a claim alleging trademark infringement because you used our marks in a manner not allowed under franchise agreement.

ITEM 7
INITIAL INVESTMENT

Please review this table together with the notes that follow in this Item 7.

| Expenditures | "A Store" Estimated Range | "B Store" Estimated Range | Method of Payment and When Due | To Whom Payment Is To Be Made |
|------------------------------------|--------------------------------------|--------------------------------------|---|--|
| Initial Franchise Fee (Note 1) | \$20,000 to \$30,000 | \$20,000 to \$30,000 | As Described in Item 5 | Us |
| Rent (Note 2) | \$12,300 to \$27,900 | \$7,720 to \$17,460 | Monthly, As Arranged | Landlord |
| Utility Security Deposits (Note 3) | \$0 to \$500 | \$0 to \$400 | Before Opening, As Arranged | Landlord and Utility Company |
| Leasehold Improvements (Note 4) | \$12,000 to \$25,000 | \$5,000 to \$15,000 | Before Opening, As Arranged | Vendors |
| Fixtures (Note 5) | \$9,395 to \$18,000 | \$6,400 to \$9,000 | Before Opening, As Arranged | Approved Vendor or Lender |
| Equipment (Note 5) | \$30,000 to \$40,000 | \$3,500 to \$5,250 | Before Opening, As Arranged | Approved Vendor or Lender |
| Initial Inventory (Note 6) | \$12,500 to \$17,000 | \$12,500 to \$17,000 | Before Opening, As Arranged | Us, or other approved vendors |
| Insurance (Note 7) | \$225 to \$1,650 | \$225 to \$1,325 | As Arranged | Insurance Company |
| Training Travel Expenses (Note 8) | \$3,300 to \$6,000 | See Note 8 | As Arranged | Travel and hospitality vendors |
| Training Tuition | \$0 | \$0 | None | None |
| Freight Costs | \$2,000 to \$5,000 | \$1,250 to \$2,750 | As Incurred | Freight carriers |
| Exterior Signage (Note 9) | \$300 to \$12,000 | \$300 to \$9,000 | As Arranged | Approved Vendor |
| Grand Opening Adv'g (Note 10) | \$5,000 | \$5,000 | As Arranged | Vendors |

| Expenditures | "A Store" Estimated Range | "B Store" Estimated Range | Method of Payment and When Due | To Whom Payment Is To Be Made |
|---|------------------------------|------------------------------|--------------------------------------|--|
| Salesperson expenses (Note 11) | \$7,500 | \$7,500 | As Incurred | Salesperson |
| Additional Funds (3 mos.) (Note 12) | \$15,000 to \$30,000 | \$10,000 to \$24,000 | As Incurred | Vendors, employees, landlord |
| TOTAL | \$129,520 to \$225,550 | \$79,395 to \$143,685 | | |

Notes to Item 7 Chart

- 1 **Initial Franchise Fee.** The high amount in the chart is the Initial Franchise Fee for your first Store with us, and the low amount in the chart is the Initial Franchise Fee for your second and each additional Store with us, which may be an A-Store or B-Store. See Item 5 for details.

Please also refer to Item 5 for more information on the 3-Pack Agreement. If you sign a 3-Pack Agreement, you will pay us at the time of signing the full initial franchise fee for the first Franchise Agreement, and ½ of the initial franchise fees due for the second and third Franchise Agreements. The remaining initial franchise fees for the second and third Franchise Agreements will be paid at the time we approve a site(s) for the Stores to be established under those agreements.

- 2 **Rent.** These estimates are for eight months' rent, covering your security deposit (first and last month's rent), three months pre-opening, and three months after you open. You may be able to negotiate more favorable terms (e.g., rent abatement for one or more months before you open your business) with your landlord; if so, your costs will vary.

The typical A-Store facility requires 1,200 square feet or more of retail space, and a B-Store typically requires 750 square feet or more of retail space. The above estimate contemplates rent for a 1,200 square foot A Store (and a 750 square foot B Store) at the rate of \$13.50 to \$30 per square foot and common area maintenance charges for six months at a rate of \$2.50 to \$6.50 per square foot (but the estimate assumes that no CAM charges will be included in any deposit for the first and last months' rent). Your rent expenses may vary widely based on factors such as geographic location, the size of your Store, local rental rates, your lease term, the current occupancy/vacancy rates for retail space in your market, and other factors, and may be considerably higher in large metropolitan areas and urban downtown areas.

- 3 **Utility Security Deposits.** Lessors and utility companies may require you to place a deposit before occupying the premises and before installing telephone, gas, water, electricity and related utility services. Your real estate deposit is included in the rent figure (see Note 2 above).
- 4 **Leasehold Improvements.** The cost of construction and leasehold improvements depends upon the size and condition of the premises, the nature and extent of leasehold improvements required, the local cost of contract work and the location of the Store. The range of figures above includes the cost of reasonable renovation or leasehold improvements, including flooring, and installation of fixtures, but may vary if the lessor provides you a construction allowance. The estimate in the chart

above assumes that the leasehold improvements will be made to "vanilla shell" premises whose flooring, walls, ceilings, mechanical, and electrical systems are prepared for Store construction.

- 5 Fixtures and Equipment. The Manual describes the fixtures and equipment necessary for a Store, which include shelving, fixtures, counters, POS systems, and other items. You may do that yourself or hire a qualified outside vendor. The estimate assumes that you will incur set-up and testing costs for your POS system in the range of \$0 (for example if you do the work yourself) to \$1,000 (for example if you hire an outside vendor). The estimate provided includes a required purchase of 25 Drop Boxes for each Store at a current cost of \$105 per Drop Box and 10 Collection Bins for each Store at a current cost of \$55 per Collection Bin.
- 6 Initial Inventory. Before beginning business operations, you must purchase an initial inventory of Cartridges and related merchandise and products of the type and quantity that we require, as provided in the Manual and as described in Item 8 of this Offering Circular. Shipping costs will be extra.
- 7 Insurance. You must procure and maintain throughout the term of the Franchise Agreement insurance of the types and amounts that we require (as described in Item 8 of this Offering Circular). The cost of insurance will vary based on policy limits, type of policies procured, geographic location, and other related factors. The estimate in the chart above is for your initial premium payment for approximately three months of coverage. The method of payment of premiums varies, and often is paid either annually or quarterly in advance.
- 8 Training Expenses. You will not pay us a fee for initial training. You will however be responsible for your own costs and expenses (and those of your employees). You must arrange and pay for transportation, meals, lodging, and wages for any persons attending training. Your costs will likely vary depending on a number of factors, such as distance to travel, choice of accommodations, and the type of transportation you use. The low estimate contemplates that you reside in the general vicinity of a training facility, and the high estimate includes costs for an out-of-state franchisee attending the training program. We highly recommend (and have made our estimates based on) attendance of two people at training, however you may send up to four. The figures represent anticipated costs for an initial (Part I) three-day course as soon as you are accepted as a franchisee, followed later by a second (Part II) ten-day course just before you open your Store, a \$150 per-diem allowance (meals & hotels) and a \$750 travel allowance. If you send additional persons to training, or if you incur higher per-diem expenses, your costs will be higher. Additional store training is optional but highly encouraged. Training requirements are described in Items 6 and 11 of this Offering Circular.
- 9 Signage. You must acquire and install interior and exterior signs bearing the Proprietary Marks as we require. The cost of this signage will vary based upon the supplier, location of your business, local laws and ordinances, the landlord's signage requirements, and other similar factors. You cannot install or use any signage unless we have approved it in writing.
- 10 Grand Opening Advertising. You must spend the minimum amount shown on Grand Opening advertising and promotion within two months after the Store first opens for business.
- 11 Salesperson Expense. You are required to hire, engage, or utilize the services of a salesperson to help promote the products and services provided at the Store. The figures in the chart above assume a monthly salary of \$2,500 for this salesperson during the three months after the Store first opens for business.

- 12 **Additional Funds.** The disclosure laws require us to estimate all costs and expenses to operate your franchise during the "initial phase" of your business, which is defined as at least three months or a reasonable period for the industry. We are not aware of any established "initial phase" for this industry, so our disclosures for "Additional Funds" cover a three month period.

These figures assume that you will receive no operating revenue during this period, and cover only the following costs: three months payroll (and related taxes and payroll expenses) for a minimal staff; real property rental for the second and third month following opening (the first month is covered under the heading "Rent"); advertising, promotion, travel and entertainment; business insurance; utilities; telephone and general office expenses. The estimates do not cover Royalty Fees, Advertising Fees, or cost of goods sold, which you will not incur absent sales, nor do they cover any interest or other financing costs you may incur, which will vary depending on how much you borrow. These estimates also do not provide for your cash needs to cover any financing costs that you incur or your personal living expenses. You should not plan to draw income from the operation during the start-up and development stage of your business, the actual duration of which will vary materially from store to store and cannot be predicted by us for your business (and which may extend for longer than the three month "initial phase" described above). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets that you can liquidate or against which you may borrow, to cover personal living expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond.

Fees paid to us are not refundable. Amounts you pay to third parties may or may not be refundable depending upon the arrangements you make with them.

We do not offer any financing for your initial investment. The availability and terms of your financing will depend upon various factors such as the availability of financing generally, your credit-worthiness, the collateral or other security that you may have, and lending institutions' policies.

We prepared these estimates based on our experience and that of existing Store locations. These estimates cover your initial cash investment up to the opening of your business. The "Additional Funds" line covers our estimate of certain costs you will incur during the first three months of operation.

Your investment and expenditures may vary considerably from the figures above, depending on many factors such as location, the amount of space you lease, the business capabilities of your management and service team, your requirements for living expenses, and the rate of growth and success of your business. Because the exact amount of reserves will vary from operation to operation and we cannot meaningfully estimate those figures, we recommend that you retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your particular operation. We also recommend that you contact existing Store operators to discuss their experiences and start-up and development expenses and costs.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General Inventory Requirements

You must at all times maintain an inventory of Cartridges and related merchandise and products, and other products, materials and supplies in quantities and quality established by us. (Franchise Agreement, § 13.5.3)

We require all advertising and promotional materials, signs, decorations, and other items which may be designated by us to bear the Proprietary Marks in the form, color, location and manner that we may prescribe. (Franchise Agreement, § 13.5.10)

Inventory, Drop Box and Collection Bin Purchases

Before opening the Store, you must buy certain products from third-party suppliers, such as inventory, build-out materials, and fixtures. We estimate that the purchase of such products will total \$40,000 for your first Store (an A-Store) and \$20,000 for your second and each additional Store (whether an A-Store or a B-Store). You also must maintain a minimum inventory (currently \$15,000) of finished product for sale in your Store. Although neither we nor affiliates will sell you these items, nor receive any profits from your purchase(s) of these items, we may in certain circumstances facilitate your purchases of these materials by receiving your payments for them, and delivering the materials to you. In these cases, we are simply a conduit, or pass-through, for payments to the supplier, as all revenues are passed along to the third party designee(s) who ultimately produce and/or supply these products.

You must buy at least 25 Drop Boxes for the Store before your Store opens. These Drop Boxes currently cost \$105 each (although depending upon the number of boxes that you purchase, the vendor may afford you a discount), plus shipping costs. We do not sell Drop Boxes to you, but we currently have designated a single supplier for such items.

You must buy at least 10 Collection Bins for the Store before your Store opens. These Collection Bins currently cost \$55 each (although depending upon the number of bins that you purchase, the vendor may afford you a discount), plus shipping costs. We do not sell Collection Bins to you, but we currently have designated a single supplier for such items.

Trademarked Products

We have the right to develop and own a proprietary line of Cartridges and other proprietary products ("**Trademarked Products**"). If you choose to purchase Trademarked Products, you must purchase them from us or a limited number of vendors authorized by us, at prices in effect at the time of purchase. If we develop and sell Trademarked Products, we will derive revenue and make a profit on your purchases of Trademarked Products. You are not obligated to purchase Trademarked Products in any particular volume. (Franchise Agreement, § 14.3)

Approved Supplies and Vendors

We will provide you with a list of approved manufacturers, vendors and distributors ("**Approved Vendors List**") for products that will be included as inventory in your Store. Approved vendors may include us or our affiliates. We may revise the Approved Vendors List in our sole discretion. If you wish to purchase any product from a vendor that is not on the Approved Vendors List, you must first notify us and, if requested, submit samples and information for examination and testing so we may determine whether the item or proposed vendor meets our specifications and quality standards. The vendor may be required to pay a charge, not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test. Although there is no time limit on the time we may take in order to evaluate a new vendor, our decision to approve or disapprove a new vendor typically will be made within ninety days after we receive all the relevant materials. We may re-inspect the facilities and products of any vendor and we reserve the right to revoke our approval of any item or any vendor that fails to continue to meet any of our criteria. We are not contractually obligated to make our specifications and standards available to you and do not plan to do so. (Franchise Agreement, § 14.1)

We apply the following general criteria in approving vendors: (1) Ability to make the product to our high quality and safety specifications; (2) Production and delivery capability; (3) Integrity of the vendor; (4) Financial condition of the vendor; and (5) Evidence of a valid franchise granting the right to use any proprietary material. We do not currently use any purchasing arrangements or distribution cooperatives.

We will negotiate purchase arrangements for our franchisees when we can do so. We already have arranged for certain discounts in the range of 5% to 15% from certain vendors. These percentages may vary; in some cases the discounts from standard pricing may be higher.

Cash For Carts, LLC ("CFC") is a company owned by some of our officers, including Dan White. CFC is an approved vendor of Cartridges, and franchisees may purchase Cartridges from CFC, but will not be required to do so. CFC is an Oregon limited liability company, organized on January 12, 2005. CFC has not and does not offer franchises in any line of business. During the fiscal year ended December 31, 2005, CFC received \$10,380.56 from franchisee purchases of Cartridges.

Computer Hardware Components and Software Programs

The computer hardware and software used in our system is not proprietary to us. We require you to purchase specific computer hardware, software and POS equipment for the operation of your Store, however, and such hardware, software and equipment is described in Item 11. Please see Item 11 for details.

Mandatory Specifications and Standards

All inventory and other items used in operating your Store which are not specifically required to be purchased in accordance with our Approved Vendors List must conform to our specifications and quality standards established. Any items bearing trademarks, likenesses, copyrighted material or other proprietary material must be licensed from the proper owner or agent, and you must provide us with evidence of a valid license. (Franchise Agreement, § 14.2)

You must comply with all requirements in the Franchise Agreement (including § 13), the Manual and other written policies we supply to you. You must also have and maintain all required licenses, permits and certificates required to operate the Store, must comply with all applicable laws (Franchise Agreement, § 13.6), and must notify us in writing within 5 days of any legal action or matter which may adversely affect the operation or financial condition of the Store (Franchise Agreement, § 13.9). You must train and maintain at all times during the term of the Franchise Agreement an outside salesperson for the purpose of promoting the products and services of the Store (Franchise Agreement, § 13.8).

Bookkeeping and Records

You must maintain a bookkeeping, accounting and record keeping system, and submit periodic reports, as we specify in the Manual or otherwise in writing. You must retain your books and records throughout the term of the Franchise Agreement and for three years after (Franchise Agreement, § 12.1) and make them available for inspection, copying, and audit by us (Franchise Agreement, § 12.4). You must use the templates and other charts of accounts that we will provide to you wherever possible.

You must provide us on a form we approve with a profit and loss statement and activity report for each calendar month. Within 90 days after each fiscal year, you must provide us with a profit and loss statement and a balance sheet as of the last day of that fiscal year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP"), including all adjustments

necessary for fair presentation of financial statements; and you must certify that your financial statements are true and correct. We may also require you to submit financial statements each year prepared in accordance with GAAP by an independent certified public accountant. (Franchise Agreement, § 12.2.2)

Marketing and Promotional Materials

Regardless of whether the logo or brand is utilized, you may not implement any advertising plan or use any promotional material until it has been submitted to and approved by us in writing. If you have not received written approval within fifteen days after our receipt of the proposed advertising plans promotional materials, the materials will be deemed disapproved (Franchise Agreement, § 10.7). We may develop and make available to you from time to time, at your expense, advertising and promotional materials for use in local advertising and promotion (Franchise Agreement, § 10.6).

Insurance Policies

You must maintain insurance policies protecting you and (as additional insureds) us and our officers, directors, partners and employees against all loss, liability, personal injury, death or property damage or expense relating to your Store. Policies must meet be written by an insurance company satisfactory to us and must meet our specifications, including the types and amounts of coverage, and the dollar limits and deductible levels, among other things. The premiums for this insurance will vary depending on nature and value of the physical assets, your gross revenues, number of employees, square footage, location, drivers' driving records, and other factors bearing on risk exposure (Franchise Agreement, § 16.2). Within 120 days after you sign the Franchise Agreement (or the date you purchase or lease the location for your Store, if that is sooner than the 120 day mark), you must provide us with Certificates of Insurance showing that you have obtained (paid the premiums for) the required policies. Policies must not be subject to cancellation or alteration without at least twenty days' prior written notice to us. We may modify minimum insurance limits in our sole discretion by written notice to you (Franchise Agreement, § 16.3).

You must obtain your insurance from an insurance company that we find satisfactory and must include at least the following coverage (this is only a summary; more details may be found in § 16 of the Franchise Agreement):

- "All risks coverage" on the Stores and all fixtures, equipment, supplies and other property used in the operation of the Stores, for full repair and replacement value;
- Worker's compensation and employer's liability insurance, and other insurance that may be required by statute or law (if you are permitted not to have worker's compensation insurance for your owners and officers, and choose not to do so, then you must instead maintain adequate alternative coverages at all times for work-related injuries);
- Comprehensive general liability insurance and product liability insurance with limits of at least \$1.0 million combined single limit including various coverages;
- Automobile liability insurance and property damage liability insurance with a combined single limit of at least \$1.0 million;
- Business interruption insurance for actual losses sustained; and

- Other insurance and coverage that may be required under your lease or that we may otherwise required.

We may specify that you must obtain insurance with higher minimum levels of coverages if we deem it is appropriate to do so.

Your insurance will not be limited because of the fact that we may also maintain insurance.

If you do not obtain and maintain the required insurance we will have the right and authority (but we won't have any obligation) to obtain insurance coverage for you and charge the insurance to you, along with a reasonable fee for the expenses we incur. These fees will be payable to us upon notice to you.

Payments from Franchisees for Approved Goods and Services

We estimate that your purchases of goods and services which are required to be purchased from approved or designated sources, or which must meet our standards or specifications, account for 95% of all purchases of goods and services required in the opening of your business and 95% of all purchases of goods and services required in the on-going operation of your business. Except as described above with regard to purchases of Cartridges from CFC, neither we nor our affiliates currently receive revenue on the products that you purchase from approved or designated sources but we reserve the right to do so in the future.

During the fiscal year ended December 31, 2005, we did not receive any revenues from franchisee purchases of any products or services. However, we now have a central facility from which franchisees will have the option to buy refilled inventory and we will receive revenues from those sales.

We do not provide or withhold material benefits to franchisees based on their use of designated or approved sources.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

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

| Obligation | Section(s) in Franchise Agreement | Item(s) in Offering Circular |
|---|-----------------------------------|------------------------------|
| a Site selection and acquisition/lease | 4 | 6, 7 and 11 |
| b Pre-opening purchases/leases | 4.4 and 13.5 | 7 and 8 |
| c Site development and other pre-opening requirements | 4 | 6, 7, and 11 |
| d Initial and ongoing training | 5 | 11 |
| e Opening | 13.3 | 11 |
| f Fees | 2 and 10 | 5 and 6 |

| Obligation | Section(s) in Franchise Agreement | Item(s) in Offering Circular |
|---|-----------------------------------|------------------------------|
| g Compliance with standards and policies/Manual | 7, 10.5, 13.1, 13.2 and 14.2 | 11 |
| h Trademarks and proprietary information | 6 and 14.3 | 13 and 14 |
| i Restrictions on products/services offered | 1.4, 13.5, 14.1 and 15.2 | 16 |
| j Warranty and customer service requirements | None | |
| k Territorial development and sales quotas | None | 12 |
| l Ongoing product/service purchases | 13.5 and 14 | 8 |
| m Maintenance, appearance and remodeling requirements | 13.4 | 11 |
| n Insurance | 16 | 6 and 8 |
| o Advertising | 10 | 6 and 11 |
| p Indemnification | 22.3 | 6 |
| q Owner's participation/ management/staffing | 13.8 and 17.2 | 11 and 15 |
| r Records/reports | 12 | 6 |
| s Inspections/audits | 12.4 | 6 and 11 |
| t Transfer | 20 | 17 |
| u Renewal | 3.2 | 17 |
| v Post-termination obligations | 17.4 and 19 | 17 |
| w Non-competition covenants | 17.3-17.6 | 17 |
| x Dispute resolution | 25 | 17 |

ITEM 10 **FINANCING**

We do not offer direct or indirect financing to you or guarantee your lease or other obligations.

ITEM 11 **FRANCHISOR'S OBLIGATIONS**

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

Before you open your business, we will:

1. Provide an initial training program as more fully described below in this Item 11. (Franchise Agreement, § 5.1)

2. Loan you a Manual which details the procedures, standards and specifications for opening and operating a Store, and which will remain our sole property. You may not disclose, duplicate or allow any unauthorized use of the Manual. (Franchise Agreement, § 7.2)
3. Review your proposed sites for the Store and notify you of our approval or disapproval within 30 business days after receiving your written proposal for the site. We will not conduct any other site selection activities on your behalf. (Franchise Agreement, § 4.1)
4. Provide you with training, store layout design, and operations manuals at the initial training program described in § 5.1 of the Franchise Agreement, a copy of our current specifications, Approved Vendors List, including a comprehensive list of established sources of Cartridges and related merchandise and products, equipment, and supplies necessary for your Store, and specifications for those products. (Franchise Agreement, §§ 13.5 and 14.1)

During the operation of the Store, we will:

1. Send one of our representatives to your Store during the start up of operations of the Store, to facilitate the Store opening, as well as the standardization of procedures and techniques essential to the operation of the Store. (Franchise Agreement, § 5.2)
2. Administer an Advertising Fund. (Franchise Agreement, § 10.3)
3. Inspect or test as we deem necessary any previously unapproved items or vendors you propose for use in or by sale from the Store. (Franchise Agreement, § 14.1)

Advertising

For each Week during the term of your Franchise Agreement, you must contribute four percent of your Store's Gross Revenues as an Advertising Fee. The Advertising Fee will be paid to our advertising fund (the "**Advertising Fund**"), or to any regional advertising fund ("**Regional Ad Fund**") established, or on local advertising and promotion, in the proportions that we may designate in writing occasionally (but you will not be required to contribute or expend, in total, more than the amount of the Advertising Fee). Currently, one-half of the Advertising Fee (that is, 2%) will be allocated to the Advertising Fund, and you will be required to spend the remaining half (that is, the other 2%) of the Advertising Fee on local advertising and promotion.

The Advertising Fund

We will administer the Advertising Fund as follows:

1. We direct all marketing programs with sole discretion over the creative concepts, materials and media used in those programs, as well as their placement and allocation. The purpose of the Advertising Fund is to maximize general public recognition and acceptance of the Proprietary Marks for the benefit of the System and we are not obligated to make expenditures for you which are equivalent or proportionate to your contribution, nor to ensure that any particular franchisee benefits directly on a proportional basis or otherwise from the placement of marketing or advertising.
2. The amounts contributed to the Advertising Fund may be used to meet any and all costs of maintaining, administering, directing and preparing advertising (including the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns and other public relations

activities; employing advertising agencies and providing promotional brochures and other marketing materials to franchisees in the system). Amounts that you pay to the Advertising Fund will not be used to defray our general operating expenses, except for the reasonable administrative costs and overhead, if any, that we may incur in activities reasonably related to the administration or direction of the Advertising Fund and advertising programs (including for example conducting market research, preparing marketing and advertising materials, and collecting and accounting for assessments for the Advertising Fund).

3. Although we presently anticipate that all contributions to the Advertising Fund will be expended for marketing and promotional purposes during our fiscal year in which the contributions were made, either by the Advertising Fund or distributed to franchisees in the form of a rebate for their use in local advertising, if there are any excess amounts remaining in the Advertising Fund at the end of the fiscal year, they will be rolled-over and used for expenditures in the following fiscal year(s).

4. Sums paid into the Advertising Fund will not be used to defray our expenses, except that we may ask the Advertising Fund to reimburse us for the reasonable costs and overhead that we may incur in directing and implementing the Advertising Fund (but not more than 15% of the monies in the Advertising Fund), including for example the costs we incur of using our own staff for creating and implementing, advertising, merchandising, promotional and marketing programs. The Advertising Fund and its earnings will not otherwise inure to our benefit.

5. Although we intend the Advertising Fund to be of perpetual duration, we have the right to terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been expended for advertising or promotional purposes.

6. An accounting of the operation of the Advertising Fund will be prepared annually and made available to you upon request. We reserve the right, at our option, to require that the annual accounting include an audit of the operation of the Advertising Fund prepared by an independent certified public accountant selected by us and prepared at the expense of the Advertising Fund.

During the 2005 fiscal year, expenditures for the Advertising Fund were as follows: 50% on all marketing related materials (8% on print materials, 8% on design, and 34% on production), 37% on professional fees (including advertising agencies), and 13% on franchise rebates.

Regional Ad Fund

We will have the right to designate any geographical area for purposes of establishing a Regional Ad Fund. If a Regional Ad Fund for the geographic area in which your Store is located has been established at the time you commence operations under your Franchise Agreement, you must immediately become a member of the Regional Ad Fund. If a Regional Ad Fund for the geographic area in which your Store is located is established during the term of your Franchise Agreement, you must become a member of the Regional Ad Fund within 30 days after the date on which the Regional Ad Fund commences operation. You will not be required to be a member of more than one Regional Ad Fund. (Franchise Agreement, § 10.4)

In addition:

1. Each Regional Ad Fund will be organized and governed in a form and manner, and will commence operations on a date, approved in advance by us. The activities carried on by each Regional Ad Fund, including the form and availability of the Regional Ad Fund's governing documents, will be decided by a majority vote of its members. Any Store that we operate within the region of the Regional

Ad Fund will have the same voting rights as stores operated by franchisees. You will be entitled to cast one vote for each Store you own and operate. (Franchise Agreement, § 10.4.1)

2. Each Regional Ad Fund will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising and promotion. (Franchise Agreement, § 10.4.2)

3. No advertising or promotional plans or materials may be used by a Regional Ad Fund or furnished to its members without our prior approval. (Franchise Agreement, § 10.4.3)

4. You must submit your required Advertising Fee (all or a portion of which may be contributed to the Regional Ad Fund) at the same time as other payments to us, which are more fully described above in Item 6, together with the statements or reports as may be required by us or by the Regional Ad Fund with our prior written approval. If we request, you must submit your payments and reports normally due to the Regional Ad Fund directly to us for distribution to the Regional Ad Fund. (Franchise Agreement, § 10.4.4)

5. Each Regional Ad Fund must prepare annual financial statements and those statements will be made available to you upon request. Although once established, each Regional Ad Fund is intended to be of perpetual duration, we maintain the right to form, change, terminate or merge any Regional Ad Fund. A Regional Ad Fund will not be terminated, however, until all monies in that Regional Ad Fund have been expended for advertising or promotional purposes. (Franchise Agreement, § 10.4.5)

At the present time, we produce marketing materials for use by individual franchisees on a local basis, such as advertising in local media, in-store point of purchase displays and materials, newspaper advertisements, and newsletters.

Advertising Approvals

For all proposed advertising, marketing, and promotional plans, which you (or the Regional Ad Fund, where applicable) propose to use, you (or the Regional Ad Fund) must submit samples of those plans and materials to us, for our review and prior written approval. If you do not receive written approval from us within fifteen days of the date we receive those samples or materials, we will be deemed to have disapproved them. Any and all copyright in and to advertising and promotional materials developed by or on behalf of you will be our sole property, and you must sign any documents (and, if necessary, require your independent contractors to sign any documents) as we may deem reasonably necessary to implement this requirement. (Franchise Agreement, § 10.7)

Site Selection

You are solely responsible for selecting the site for your Store within the area designated in your Franchise Agreement. You must obtain our approval of the site. The matters considered by us in approving the location for the proposed site may include the following: (1) population; (2) demographic characteristics of the surrounding area; (3) shopping mall characteristics, including location, size and type of major department store anchors; (4) location and surrounding area foot and vehicle traffic patterns; (5) sales volume (on a square foot basis) of a proposed shopping mall; (6) rent and associated costs; (7) lease and term provisions; (8) estimated cost of tenant improvements; and (9) site lines.

You are responsible for purchasing or leasing a suitable site for the Store. You must establish the Store and have it open and in operation no later than 12 months following the date you enter into the Franchise Agreement. (If you have entered into a 3-Pack Agreement, the time in which you must establish the Stores under the second and third Franchise Agreements will be extended for a time period that you and

we will agree upon in advance.) If you are unable to establish the Store, or if you and we cannot agree on a site for the Store, within six months following the date you enter into the Franchise Agreement, we will have the right to terminate the Franchise Agreement. Within ninety days after you sign your Franchise Agreement, you must submit a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site. We will approve or disapprove the proposed site within 30 business days after receiving your written proposal. Any site selection assistance or approval provided by us is not a guarantee of success for that location or a representation that any particular location is available for use as a Store. (Franchise Agreement, § 4.1)

If we or our affiliates identify a site for your Store, we may lease or sublease the site to you; however, we have no obligation to enter into a lease or sublease with you and only act in an advisory capacity to assist you in acquiring a location (Franchise Agreement, § 4.2). We suggest that you consult with your own lease advisor.

After receiving our written approval of your location, you must execute a lease (if the premises are to be leased) or a binding agreement to purchase the site, the terms of which have been previously approved by us. As a condition of our approval, we may require the lease to contain certain provisions, including provisions that: (Franchise Agreement, § 4.3)

- A. Allow us to elect to receive an assignment of your leasehold interest upon termination or expiration of your Franchise Agreement;
- B. Permit your lessor to provide us with all revenue and other information it may have about your Store, as we may request;
- C. Require your lessor concurrently to provide us with a copy of any written notice to you of deficiency under the lease and to allow us, in our sole discretion, to cure any deficiency under the lease, if you fail to do so within 15 days after your cure period expires;
- D. Permit you to display the Proprietary Marks as required by the Manual, subject only to applicable law;
- E. Restrict use of the store location to the operation of a Store; and
- F. State that any default under the lease will also be a default under your Franchise Agreement, and any default under your Franchise Agreement will be a default under the lease.

Promptly after obtaining possession of the site for the Store, you must do the following (according to Franchise Agreement, § 4.4):

- G. Cause to be prepared and submit for our approval a site selection survey and any modifications to our basic architectural plans and specifications for a Store required to develop a Store at the site you have leased or purchased. You may modify our basic plans and specifications only as necessary to comply with applicable ordinances, building codes and permit requirements and only after we give our approval;
- H. Obtain all required building, utility, health, sanitation, and other required permits and licenses; and zoning variances;
- I. Purchase or lease, and install, all required equipment, fixtures, furniture and signs;

J. Complete the construction and remodeling, and decorating of the Store in compliance with plans and specifications approved by us and all applicable ordinances, building codes and permit requirements;

K. Obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and

L. Otherwise complete the development of your Store.

You must maintain the condition and appearance of the premises of the Store consistent with our quality controls and standards, and may not materially alter your Store or replace or alter your equipment, fixtures or signs without our prior written approval. (Franchise Agreement, § 13.4)

Typical Length of Time Before Operation

It typically takes approximately three to nine months between signing the Franchise Agreement and the opening of your business. The time required to open may be affected by various factors including your ability to select a suitable site, delays in making leasing and financing arrangements, completing construction, leasehold improvements and decor and furnishing, completing training, meeting local ordinances or community requirements, delivery of equipment and signs, and similar factors. You must have all necessary licenses, permits, and approvals, have hired and trained personnel, installed equipment, and otherwise implemented all components of the System before opening. If you fail to begin operations within one year after execution of a Franchise Agreement or as otherwise approved in writing by us, we may terminate the Franchise Agreement. (Franchise Agreement, § 13.3)

Training Programs

We will provide to you, your designated manager, and up to four of your employees an initial training program of 13½ days in duration to be conducted at our principal place of business or any other location as we may designate. Training will be conducted before opening your business, will cover the subjects identified in the tables below, and currently is conducted in three separate sessions, each of which must be completed before you may attend the next session, as follows:

| Part I – Business Training | | | |
|---|---|------------------------------------|-------------------------------------|
| Subject | Instructional Material | Hours Of Classroom Training | Hours Of On The Job Training |
| New Business Set-Up | Training guidebook, operations manual, forms and handouts | 7 | 0 |
| Real Estate, New Store Development and Personnel Planning | Training guidebook, operations manual, forms and handouts | 10 | 0 |
| Writing Your Business Plan | Forms and handouts | 7 | 0 |
| Totals | | 24 | 0 |

| Part II – Store Operations Training | | | |
|--|---|------------------------------------|-------------------------------------|
| Subject | Instructional Material | Hours Of Classroom Training | Hours Of On The Job Training |
| Store Operations and Customer Service | Training guidebook, operations manual, forms and handouts | 8 | 4 |

| | | | |
|---------------------------|--|-----------|----------|
| Advertising and Marketing | Training guidebook, operations manual, forms and handouts | 8 | 0 |
| Sales Training | Training guidebook, operations manual, forms and handouts | 8 | 0 |
| Point of Sale | Training manuals, operations manuals, proprietary software | 16 | 0 |
| Totals | | 40 | 4 |

| Part III – Production Training | | | |
|---------------------------------------|---|------------------------------------|-------------------------------------|
| Subject | Instructional Material | Hours of Classroom Training | Hours of On The Job Training |
| Ink Cartridge Refilling | Step-by-step training manuals and hands on training | 24 | 0 |
| Laser Cartridge Remanufacturing | Step-by-step training manuals and hands on training | 12 | 0 |
| Totals | | 40 | 0 |

You will bear all costs and expenses that you and your employees incur in attending the training course, including travel costs and room and board expenses (Franchise Agreement, § 5.1). You must complete training to our satisfaction, as described in Item 5 of this Offering Circular (Franchise Agreement, § 5.3). (See also Item 5 for a description of what happens if you do not satisfactorily complete training.)

For two days during start-up of operations of your Store, one of our representatives will assist you at your premises in establishing and standardizing procedures and techniques essential to the operation of the Store and in training personnel; however, we are not responsible for offering training or guidance regarding compliance with any laws, ordinances or other legal matters. If you ask for additional assistance (and we agree to provide it), you will have to reimburse us for an agreed-upon fee plus the expenses associated in providing that additional assistance. (Franchise Agreement, § 5.2)

Our training staff will be selected from our operating staff. Mr. Peter Palmisano (see Item 2) will supervise training; and other members of our staff, including Kelly Cahill (see Item 2), and Pete Olson (see Item 2) also will conduct our training programs. We reserve the right to make changes in our training staff as we deem necessary and advisable.

We may provide, and if we do, may require that previously-trained and experienced franchisees or their managers or employees attend and successfully complete refresher training programs or seminars to be conducted at a location designated by us. Attendance at those refresher training programs or seminars will be at your sole expense. (Franchise Agreement, § 5.5)

Training will typically be conducted in Eugene, Oregon, but we may choose a different location as well.

Hardware Components and Software Programs

The computer hardware and software used in our system is not proprietary to us. No specific brand of computer hardware is currently required, but we require you to obtain a commercially-reasonable computer system (“**Computer System**”) in a configuration equal to the most optimal configuration that is then-available for approximately \$6,200, plus any other hardware and software that we reasonably specify. We may from time to time require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of

such upgrades and updates. As of the date of this offering circular this requirement would mean that you would purchase Microsoft Retail Management software and a computer system with the following specifications (among others):

- 1 – Server: Pentium® 4 or faster processor with CD R/W
- 2 – POS stations: Pentium® 4 or faster processor
- 2 – 15" of larger flat screen monitors
- 1 – 15" monitor or better
- 3 – Windows XP Pro (latest version or service pack)
- 80 GB hard drive minimum on each computer
- 512 MB RAM or more on each computer
- 2 serial ports and 2 USB 2.0 ports on each computer
- 120 GB hard drive for the server
- 1 – Laser or DeskJet printer
- high speed (broadband) internet connection, if available (such as DSL or cable modem service)
- 1 – back-up battery for server
- 2 – licenses for Cartscan
- 1 Multitech RF560VPN Router/Firewall
- 2 surge protectors for POS terminals

You must afford us unimpeded access to your Computer System in the manner, form, and at the times we may request. We will have the right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

The hardware and software that we currently use for our point-of-sale (POS) system is not proprietary to us, but some is the proprietary property of third parties. The vendors of those hardware and software programs are described below. Other hardware requirements are a MMF Vasario 16" wide cash drawer, MMF under counter mounting kit, MMF cash drawer interface cables RG11, Star Micronics receipt printer, Metrologic Voyager barcode scanner, and a Cherry Keyboards programmable keyboard with track reader. You must record all sales on computer-based point of sale systems approved by us or on those other types of cash registers as we may designate in the Manual or otherwise in writing ("Cash Register Systems"), which will be deemed part of your Computer System. You must utilize Cash Register Systems which are fully compatible with any program or system which we, in our discretion, may employ, and you must record all Gross Revenues and all sales information on that equipment. (Franchise Agreement, § 11.7).

| Vendor | Address | How the hardware or software will be used in the Store, and the general type of data collected or generated | Length of time that we have made continuous use of the component or program |
|----------------------------|--|--|--|
| MMF Cash Drawer Company | 370 Alice Street Wheaton, IL 60090 Phone: 800.769.1954 | Collect and store cash and checks collected during business hours. | 2 Years |
| Epson, Epson America, Inc. | 3840 Kilroy Airport Way Long Beach, CA 90806 Phone: 562.981.3840 | Print customer receipts and Credit Card authorization slips | 2 Years |

| Vendor | Address | How the hardware or software will be used in the Store, and the general type of data collected or generated | Length of time that we have made continuous use of the component or program |
|--|---|--|--|
| Metrologic Instruments, Inc. | 90 Coles Rd. Blackwood, NJ 08012 Phone: 888.633.3762 | Barcode scanner for quick entry of inventory into POS system. | 2 Years |
| The Cherry Corporation | 3600 Sunset Ave. Waukegan, IL 60087 Phone: 847.662.9200 | Dual purpose keyboard and Credit Card swipe. | 2 Years |
| Microsoft Corp.: Microsoft Retail Management System | One Microsoft Way Redmond, WA 98052 Phone: 425.882.8080 | Point of Sale software for collecting sales transactions | 2 Years |
| Microsoft Corp.: MS Office – Small Business and Windows XP Professional | One Microsoft Way Redmond, WA 98052 Phone: 425.882.8080 | Operating systems and general office functions, including e-mail | 2 Years |
| Symantec: Norton Systemworks | 20330 Stevens Creek Blvd. Cupertino, CA 95014 Phone: 408.517.8000 | Antivirus and security software | New |
| Intuit, Inc. Quickbooks | 2632 Marine Way Mountain View, CA 94039 Phone: 650.944.6000 | Point of Sale software for accounting and bookkeeping | New |

Websites

Unless we approve otherwise in writing, you are not permitted to establish a separate Website, and will only have one or more references or webpage(s), as we designate and approve, within our Website (the term “Website” is defined to mean a group of related documents that can be accessed through a common internet address). However, if we approve a separate Website for you (which we are not obligated to do), then each of the following provisions will apply: (1) any Website you own or maintain is deemed “advertising” under the Franchise Agreement; (2) you must not establish or use any Website without our prior written approval; (3) before establishing any Website, you must submit to us, for our prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags) in the form and manner we may require; (4) you must not use or modify a Website without our prior written approval; (5) you must comply with our standards and specifications for Websites that we may periodically prescribe in the Manuals or otherwise in writing; and (6) if required by us, you must establish hyperlinks to our Website and others as we may request.

Manual

The Table of Contents to the Manual is attached to this Offering Circular as Exhibit F.

ITEM 12 TERRITORY

Franchise Agreement

You will be permitted to operate your Store at a specific location described in the Franchise Agreement (the “**Approved Location**”). You may not relocate your Store to another location without our prior written approval, and subject to the rights of other franchisees (Franchise Agreement, § 1.2). You may operate the Store only at the location specified in the Franchise Agreement (Franchise Agreement, § 4.5).

Subject to the terms of the Franchise Agreement, as long as the Franchise Agreement is in effect and you are not in material default, we will not franchise or open any other Store at any location within the protected territory that is designated in the Franchise Agreement (the “**Protected Territory**”), except as otherwise provided in the Franchise Agreement. (Franchise Agreement, § 1.3) The minimum Protected Territory that will be granted to you under the Franchise Agreement will be a circle surrounding the Store with a radius of one and one-half miles (except in certain urban areas, where the radius of the circle will be smaller – typically extending one-quarter mile from the Store, but in isolated cases perhaps less). The Protected Territory will not include any area that is cut off by a natural barrier (for example, a river, gorge, or mountain range) from the portion of the Protected Territory in which the Store is located, without navigable crossings (such as a bridge or road). Your Protected Territory also will not include any area already assigned to another Store’s Protected Territory.

We retain all rights that are not expressly granted to you under the Franchise Agreement. (Franchise Agreement, § 1.4) As a result, we will have the right, among others, to do all of the following things:

1. The right to establish, and license others to establish, Stores at any location outside the Protected Territory, even if those Stores are close to the Protected Territory or the Approved Location, and even if they threaten to (or actually do) impact on sales at your Store.
2. The right to establish (and license others to establish) stores under other systems and other marks. These stores may offer products and services that are the same as or similar to those you will offer at your Store. These Stores may be located anywhere even if they threaten to (or actually do) impact on sales at your Store.
3. The right to sell and distribute Cartridges, as well as other products and services offered under the System, from any place to any purchaser. This includes, for example, the right to sell from retail locations, by catalog and mail order, telephone, and on the Internet. These sales will not, however, be made from a Store that is physically located inside the Protected Territory.
4. Acquire and operate any business or store of any kind, whether located inside or outside the Protected Territory, but this will not include Stores operated under the System inside the Protected Territory.
5. The right to do business with national or multi-regional accounts and to place (and license others to place) Drop Boxes at any location inside or outside of your Protected Territory to service those accounts. (While we prefer that local franchisees service accounts that are within the Protected Territory, we are a customer-oriented business and will make a judgment as to how best and efficiently to serve the customer in terms of which Stores should service the needs of a national or multi-regional customer.)

You will not receive the right to establish additional Stores within the Protected Area.

You do not need to meet any particular sales volume in order to keep your territorial rights as described above, so long as you remain in compliance with the terms of your Franchise Agreement.

Drop Boxes

Inside Your Drop Box Territory. You may locate Drop Boxes only within the special Drop-Box territory that will be designated in the Franchise Agreement (the “**Drop Box Territory**”). The minimum Drop Box Territory that will be granted to you under the Franchise Agreement will be a circle surrounding the Store with a radius of one and one-half miles (except in certain urban areas, where the radius of the circle will be smaller – typically extending one-quarter mile from the Store, but in isolated cases perhaps less). The Drop Box Territory will not include any area that is cut off by a natural barrier (for example, a river, gorge, or mountain range) from the portion of the Drop Box Territory in which the Store is located, without navigable crossings (such as a bridge or road). Your Drop Box Territory also will not include any area already assigned to another Store’s Drop Box Territory. You must place your initial complement of 25 Drop Boxes within the Drop Box Territory no later than six months following the opening of your Store. You must at all times during the term of the Franchise Agreement install and maintain at least the minimum number of Drop Boxes that we may require within your Protected Territory, and you must do so in the manner that we specify in the Manuals or otherwise in writing. If, in our reasonable judgment, you do not place a sufficient number of Drop Boxes to properly service the Protected Territory, that will be a default under the Franchise Agreement for which we will have the right, among other things, to terminate the Franchise Agreement if you do not cure the default.

Outside Your Drop Box Territory. Outside your Drop Box Territory, you may propose to place one or more Drop Boxes, but each proposed location will be subject to our prior review, our prior written approval, and our standards. We will not approve placement of Drop Boxes inside the Drop Box Territory or the Protected Territory of any other Store. If you place Drop Boxes outside of your Drop Box Territory, with our approval, and we later enter into an agreement with a franchisee to establish a new Store whose Protected Territory or Drop Box Territory includes the place where you have placed a Drop Box, you will have to remove your Drop Box from that location and the newly-established franchisee will be able to place its Drop Box at that location.

Collection Bins

You may locate Collection Bins anywhere within your Protected Territory, except for the locations of national accounts that we may from time to time identify. We reserve the right to place Collection Bins within your Protected Territory on the premises of businesses and organizations that we may deem to be national accounts. You must place your initial complement of 10 Collection Bins within the Protected Territory no later than six months following the opening of your Store. You must at all times during the term of the Franchise Agreement install and maintain at least the minimum number of Collection Bins that we may require within your Protected Territory, and you must do so in the manner that we specify in the Manuals or otherwise in writing. If, in our reasonable judgment, you do not place a sufficient number of Collection Bins to properly service the Protected Territory, that will be a default under the Franchise Agreement for which we will have the right, among other things, to terminate the Franchise Agreement if you do not cure the default.

ITEM 13
TRADEMARKS

The Franchise Agreement allows you to use our Proprietary Marks with the Franchised Business. We have registered the following principal mark on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

| Mark | Registration No. | Registration Date |
|------------------|------------------|-------------------|
| Rapid Refill Ink | 2918486 | January 18, 2005 |

We will file, when due, affidavits of use and all other documents necessary to protect the registration.

There are no presently effective determinations of the USPTO, the trademark administrator of any state or any court, any pending interference, opposition or cancellation proceeding, any pending material litigation involving the Proprietary Marks which are relevant to their use in this state or the state in which the Store is to be located.

There are no other agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks in any manner material to you. While we are aware that these are from time-to-time infringing uses of the Proprietary Marks, to the best of our knowledge, there are no infringing uses that could materially affect your use of the Proprietary Marks in this state or any other state in which your Store is to be located. We do note, however, that the name "Rapid Refill Ink" bears some similarities to other names and marks and while we do not expect there to be consumer confusion, there is always the possibility of another company using a name or mark to sell similar services that include one or more elements that are similar to our name. We will determine whether and when it is appropriate or prudent to pursue infringement claims or actions against those parties.

We may change or modify the System presently identified by the Proprietary Marks (for example, we may adopt new or different trade names, marks, etc.) for you to use. (Franchise Agreement, § 9)

All of your use of the marks, and any goodwill established by your use, will be only for our benefit and that of our affiliates. You may not contest the validity or ownership of the Proprietary Marks or assisting another from contesting the Proprietary Marks at any time during or after the term of the franchise. (Franchise Agreement, § 6.1)

You must promptly notify us of any attempt by any other person, firm or corporation to use the Proprietary Marks or any colorable imitation of the Proprietary Marks. Upon receipt of timely notice of an infringement, we will have the sole right to determine whether or not any action will be taken on account of the infringements or imitations and the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Proprietary Marks in their sole discretion. You may not institute any suit or take any actions concerning the Proprietary Marks without first obtaining our written consent to do so, which we may give or withhold in our sole discretion. You will have to cooperate with us to defend or bring any litigation regarding the Proprietary Marks or the System. We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Proprietary Marks. (Franchise Agreement, § 6.1.2)

We have no obligation, under the Franchise Agreement or otherwise, to indemnify you for damages if you are a party to any administrative or judicial proceeding involving the Proprietary Marks.

You may not use any Proprietary Mark (or portion of any Proprietary Mark) as part of your corporate or trade name, or in selling any product or service that we have not authorized. You will have to properly

attribute ownership of the Proprietary Marks to us and our affiliates and give use the notices of trademark and service mark registrations that we specify. You will also be required to obtain fictitious or assumed name (also sometimes called "dba") registrations if required by local law. (Franchise Agreement, § 6.3)

We may inspect your business and premises at all reasonable times and confer with your customers and employees, inspect service techniques and procedures, inspect inventory mix, and select Cartridges and related items to test and evaluate your compliance with our quality control and performance standards. (Franchise Agreement, § 6.6)

You must refrain from any merchandising, advertising or promotional practice which is unethical or may be injurious to our business, other franchised stores' business, or to the goodwill associated with the Proprietary Marks. (Franchise Agreement, § 13.5)

ITEM 14 **PATENTS, COPYRIGHTS, PROPRIETARY INFORMATION**

Patents and Copyrights

We own no patents that pertain to the franchise. If we determine that it is advisable to acquire a patent, additional trademark or service mark protection, or copyright registration, you may be required to use them in the manner that we require.

Proprietary Information

Your entire knowledge of the System, including the operation, standards and procedures of your Store, is derived from information disclosed to you by us, which information is proprietary, confidential and our trade secret. You must maintain the absolute confidentiality of all trade secret information during and after the term of the franchise and may not use that information in any other business or in any manner that we do not specifically authorize in writing. (Franchise Agreement, § 8.1)

All of your employees having access to the confidential and proprietary information agreements or other proprietary information of ours must execute confidential information agreements in the form acceptable to us, as indicated in the Manual. (Franchise Agreement, § 8.4)

You may divulge confidential information and trade secrets only to those of your employees who must have access to it in order to operate your Store. (Franchise Agreement, § 8.2) Unless designated otherwise in writing, all information, knowledge and know-how will be considered confidential for purposes of the Franchise Agreement, except information which you can demonstrate lawfully came to your attention before disclosure by us or which, at the time of or after disclosure to you by us, had lawfully become a part of the public domain, through non-wrongful publication or communication by others. (Franchise Agreement, § 8.3) We may seek immediate equitable remedies, including restraining orders and injunctive relief in order to safeguard our proprietary, confidential, unique, and special information. You may not use in advertising or any other form of promotion, or in any manner our copyrighted materials, without the appropriate (for example, © or TM or ®) copyright and trademark designations that we require you to use. (Franchise Agreement, § 8.4)

You must at all times preserve in confidence all materials and information furnished or disclosed to you by us and designated by us as confidential, and disclose that information or those materials only to employees or agents who must have access to it for their employment. (Franchise Agreement, § 8.2).

The Manual contains proprietary information of ours and you must keep it confidential both during the term of the franchise and after to the expiration or termination of the franchise. You must keep your copy of the Manual available at the Store premises in a current and up-to-date manner. You must not make any unauthorized use, disclosure or duplication of any portion of the Manual. When not in use by authorized personnel, you must keep physical copies of the Manual in a locked receptacle at your Store, and only grant authorized personnel, as defined in the Manual, access to the key or lock combination of that receptacle, or with access to any electronic copies, or online access to, the Manual. The master copy of the Manual maintained by us at our home office will be controlling in case of any dispute. (Franchise Agreement, § 7.4)

We have no obligation under the Franchise Agreement or otherwise to protect any or all rights that you have or may acquire to use a patent, patent application or copyright which we may have or obtain.

There is no infringing use known to us or our affiliates, which would materially affect your use of the proprietary or copyrighted materials.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL
OPERATION OF THE FRANCHISE BUSINESS

The Store is to be at all times under your, or a competent trained employee's, direct on-premises supervision. You, your partners, or your Store manager must devote full time energy and best efforts to the management and operation of your Store.

The Store must at all times be under your direct, on-premises supervision (or a trained and competent employee acting as full-time manager). You must keep us informed at all times of the identity of any employee(s) acting as manager(s) of the Store. You must not engage in any business or other activities that will conflict with your obligations under the Franchise Agreement. (Franchise Agreement, § 13.8)

Your designated manager, if applicable, must attend and successfully complete the initial training System to be held at our principal place of business store or other designated location. (Franchise Agreement, § 5.1)

We require you (or if you are a corporation, partnership, or other entity, each of your principal owner(s)) to enter into the Guarantee, Indemnification and Acknowledgement appended to the Franchise Agreement as Exhibit B. In addition, all of your employees who have access to our confidential and proprietary information will be required to sign the form of confidentiality agreements that is appended to the Franchise Agreement as Exhibit E. (Franchise Agreement, § 8.4)

During the term of the Franchise Agreement and any renewals, except as otherwise approved in writing by us, you, a shareholder of a beneficial interest of ten percent (10%) or more of the securities if you are a corporation, a general partner if you are a partnership, or your approved designated manager must devote full time, energy, and best efforts to the management and operation of the Store. (Franchise Agreement, § 17.2)

ITEM 16
RESTRICTIONS ON WHAT FRANCHISEE MAY SELL

Our requirements for approved products, services, and vendors are discussed in Item 8 of this Offering Circular.

You must offer for sale and sell from the Store all types and categories and quantities of Cartridges and related merchandise and products, which we authorize for our franchisees. You may not, without our prior written approval, offer any products or services that we have not specifically approved nor may you use the Store for any purpose except operating in compliance with the terms of the Franchise Agreement and Manual. (Franchise Agreement, § 13.5)

You are not limited in the customers to whom you may sell products or services through retail store operations. You are prohibited, however, from selling products or services through any type of mail order, internet sales, telemarketing, direct mail or direct solicitation operations. We have the right to change or supplement the types of authorized products and services offered from a Store, and there will be no limits on our right to do so.

ITEM 17
RENEWAL, TERMINATION, TRANSFER DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this offering circular.

FRANCHISE AGREEMENT

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| a. Term of the franchise | § 3.1 | Ten years |
| b. Renewal or extension of the term | § 3.2 | If you are in good standing you can renew for up to three additional terms of 10 years each |
| c. Requirements for you to renew or extend | §§ 3.2.1-3.2.10 | Sign new agreement, comply with then-current standards, satisfy all monetary obligations, pay fee, remodel if necessary and sign release |
| d. Termination by you | None | |
| e. Termination by us without cause | None | |
| f. Termination by us with cause | § 18 | We can terminate only if you default |
| g. "Cause" defined - defaults which can be cured | § 18.3 | You have 10 days to cure non-payment of fees; you have 30 days to cure any other default not listed in Sec. 18.2 |
| h. "Cause" defined - defaults which cannot be cured | § 18.2 | Non-curable defaults: conviction of felony, repeated defaults even if cured, abandonment, insolvency, trademark misuse, unapproved transfers, failure to equip store, training failure, misrepresentation, manual misuse, store closure, non-authentic product. The provisions with respect to termination if you file a petition in bankruptcy may not be enforceable under the U.S. Bankruptcy Code. |
| i. Your obligations on termination/nonrenewal | § 19 | Obligations include complete de-identification and payment of amounts due (also see r, below) |
| j. Assignment of contract by us | § 20.1 | No restriction on our right to assign |
| k. "Transfer" by you - definition | § 20.3.1 | Includes transfer of contract or assets or ownership change |
| l. Our approval of transfer by franchisee | § 20.4 | We have the right to approve or disapprove all transfers but will not unreasonably withhold approval |
| m. Conditions for our approval of transfer | § 20.4 | New franchisee qualifies, transfer fee paid, you must pay any third-party brokerage or referral fees, training arranged, release signed by you and current agreement signed by new franchisee (also see r, below) |

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|---|
| n. Our right of first refusal to acquire your business | § 20.5 | We can match any offer for your business |
| o. Our option to purchase your business | None | |
| p. Your death or disability | §§ 20.6 and 20.7 | Franchise must be assigned by estate to approved buyer in 12 months in case of death; we may require Franchise to be transferred to buyer within 6 months of permanent disability; we may also operate the franchise if business is interrupted due to death or disability. |
| q. Non-competition covenants during the term of the franchise | § 17.3 | No involvement in competing business; no diversion of business |
| r. Non-competition covenants after the franchise is terminated or expires | § 17.4 | No competing business for 1 year within an area that is within the greater of: (i) the Protected Territory, and (ii) a 10 mile radius from the location of the Store. |
| s. Modification of the agreement | § 24.8 | Except for unilateral modifications by us permitted under the Franchise Agreement, no modifications unless mutually agreed upon. |
| t. Integration/merger clause | § 24.7 | The Franchise Agreement supercedes all prior agreements between the parties. |
| u. Dispute resolution by arbitration or mediation | § 25.3 | Non-binding mediation before a party may bring an action in court |
| v. Choice of forum | § 25.2 | Litigation must be brought in the applicable federal or state court where we maintain our principal place of business. |
| w. Choice of law | § 25.1 | Minnesota law applies |

The following states have statutes which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise: ARKANSAS [Stat. § 72-204], CALIFORNIA [§§ 20021, 20025, 20026 and 20030], CONNECTICUT [Gen. Stat. § 42-133f], DELAWARE [Code §§ 2551-2556], HAWAII [Rev. Stat. § 482E-6], ILLINOIS [815 ILCS 705/1-44], INDIANA [Stat. §§ 23-2-2.5-1 and 23-2-2.7], IOWA [Code §§ 523H.7 and 523H.8], MICHIGAN [Stat. § 445.1527(c)-(d)], MINNESOTA [Stat. § 80C.14], MISSISSIPPI [Code § 75-24-53], MISSOURI [Stat. § 407.405], NEBRASKA [Rev. Stat. § 87-404], NEW JERSEY [Stat. § 56:10-5], SOUTH DAKOTA [Codified Laws § 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code § 19.100.180(i)-(j)], WISCONSIN [Stat. §§ 135.03; 135.04]. These and other states may have court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In addition to the provisions noted in the table above, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Sections 25.6, 25.7 and 25.8 in

the Franchise Agreement. We recommend that you carefully review all of these provisions, and the entire contract, with a lawyer.

Applicable state law may require additional disclosures related to the information in this offering circular. These additional disclosures, if any, appear in an addendum. Please refer to the disclosure addenda and contractual amendments appended to this offering circular for additional terms that may be required under applicable state law.

ITEM 18 **PUBLIC FIGURES**

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

ITEM 19 **EARNINGS CLAIMS**

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Store. Actual results vary from unit to unit, and we cannot estimate the results of any particular franchise.

ITEM 20 **LIST OF OUTLETS**

Franchised Store Activity Summary For Fiscal Years 2005/2004/2003 (Note 1)

| State (Note 2) | Transfers | | | Canceled or Terminated | | | Not Renewed | | | Reacquired by Franchisor | | | Otherwise Left the System | | | Total from Left Columns | | | Franchises Operating at Year End (Note 3) | | |
|-------------------|-----------|------|------|---------------------------|------|------|-------------|------|------|--------------------------------|------|------|---------------------------------|------|------|-------------------------------|------|------|--|------|------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| California | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Colorado | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 2 | 0 |
| Georgia | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Florida | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| Idaho | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 2 | 0 |
| Iowa | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Louisiana | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Michigan | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| New York | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 2 | 0 |
| Oregon | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 13 | 10 | 0 |
| Texas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| Virginia | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| Washington | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 0 | 0 |
| Total | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 36 | 22 | 0 |

Notes

1. As discussed in Item 1 above, we acquired the rights to the System in March 2005. Our fiscal year end is December 31. The Predecessor (through its affiliates) first conducted a business of the type offered in this offering circular in 2002, and did not begin selling franchises until 2004.
2. States not listed had no franchised Stores during the relevant period.
3. Exhibit H contains the names and addresses for our franchisees.

Area Developer Activity Summary For Fiscal Years 2005/2004/2003 (Note 1)

| State (Note 2) | Transfers | | | Canceled or Terminated | | | Not Renewed | | | Reacquired by Franchisor | | | Otherwise Left the System | | | Total from Left Columns | | | Area Developers Operating at Year End (Note 3) | | |
|-------------------|-----------|------|------|---------------------------|------|------|-------------|------|------|--------------------------------|------|------|---------------------------------|------|------|-------------------------------|------|------|--|------|------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| California | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Colorado | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Idaho | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Utah | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Washington | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 5 | 0 |

Notes

1. As of the date of this offering circular, we no longer offer area development agreements. As discussed in Item 1 above, we acquired the rights to the System in March 2005. The totals in the chart for 2005 are as of the date of the Acquisition on March 20, 2005. The Predecessor (through its affiliates) first conducted a business of the type offered in this offering circular in 2002, and did not begin selling franchises until 2004.
2. States not listed had no area developers during the relevant period.
3. Exhibit H contains the names, addresses and phone numbers for our area developers, as well as the names, addresses and phone numbers for all area developers who left the System within the last fiscal year or who have not communicated with us within 10 weeks of the application date.

There are no company-owned Stores; however, five franchises in Oregon are owned by affiliates (in particular, Dan White, our President, owns 50% of these franchises).

PROJECTED OPENINGS FOR 2006 FISCAL YEAR

| State | Franchise Agreements Signed But Store Not Open | Projected Franchised New Stores in Next Fiscal Year | Projected Company Owned Openings in Next Fiscal Year |
|------------|--|--|--|
| California | 1 | 2 | 0 |
| Colorado | 0 | 2 | 0 |
| Florida | 2 | 2 | 0 |
| Georgia | 1 | 2 | 0 |
| Idaho | 0 | 1 | 0 |
| Iowa | 3 | 2 | 0 |
| Michigan | 14 | 4 | 0 |
| Oregon | 5 | 1 | 0 |
| Texas | 7 | 3 | 0 |
| Washington | 11 | 3 | 0 |
| TOTALS | 44 | 22 | 0 |

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit "I" are our audited financial statements for our fiscal year ended December 31, 2005, which is the period from March 8, 2005 (date of inception) to December 31, 2005.

ITEM 22
CONTRACTS

Attached to this Offering Circular are the following:

- Franchise Agreement (Exhibit D)
- 3-Pack Agreement (Exhibit E)
- Confidentiality and Nondisclosure Agreement (Exhibit G)

ITEM 23
RECEIPT

The last two pages of this Offering Circular (Exhibit N) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this Offering Circular.