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**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. 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 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**

**Franchisor:**

iSold It, LLC  
155 S. Highway 101, Suite 7  
Solana Beach, CA 92075  
Telephone: (858) 436-2800  
Fax: (858) 436-2805  
Email: [ken@isolditcorp.com](mailto:ken@isolditcorp.com)  
URL: [www.i-soldit.com](http://www.i-soldit.com)

**Offering Circular Dated:**



## **^FRANCHISE OFFERING CIRCULAR**

### **ISOLD IT, LLC**

A California limited liability company

^155 South Highway 101, Suite 7

Solana Beach, CA 92075

Telephone: (858) 436-2800

Fax: (858) 436-2805

Email: info@isolditcorp.com

URL: www.i-soldit.com

The franchisee will operate a consignment ^business for online sales.

When we have completed our pre-opening obligations to you, you will pay us an initial franchise fee of \$22,000. The estimated initial investment ranges from ^\$37,150 to \$196,^200.

### **RISK FACTORS:**

1. **THE FRANCHISE AGREEMENT REQUIRES YOU AND ^US TO RESOLVE ALL DISPUTES THROUGH BINDING ARBITRATION UNDER THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION.**
  
- ^2. **THE ISOLD IT FRANCHISE SYSTEM IS STILL NEW AND UNPROVEN. WE ARE CONCERNED ABOUT FINANCIAL LOSSES INCURRED BY MANY EARLY FRANCHISEES. THE SYSTEM IS SUBJECT TO ONGOING CHANGE AS WE WORK TO LOWER OVERHEAD, INCREASE REVENUE AND GENERALLY IMPROVE PROFITABILITY OF OUR STORES. WE CANNOT AND DO NOT GUARANTEE THAT YOUR STORE WILL BE PROFITABLE, EITHER UNDER THE PRESENT SYSTEM OR UNDER THE SYSTEM AS IT EVOLVES.**
  
3. **WE HAD A NET OPERATING LOSS OF \$5 MILLION FOR 2006 AND HAVE PUT IN PLACE STRICT COST-CUTTING MEASURES, INCLUDING MEASURES AFFECTING FRANCHISEE SUPPORT, TO RESUME SUSTAINABLE OPERATION.**
  
4. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

Registration of this franchise with the 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 state administrator for this state listed in Exhibit A-1.

Information about comparisons of franchisors is available. Call the State administrators listed in Exhibit A-1 or your public library for sources of information.

**^EFFECTIVE DATE:**

**^**

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- 1-B: Mobile Marketing Area (Mobile)
- 2: Release of Claims (Sample)
- 3: Conditional Assignment of URL's, Identifiers, Email Addresses and Telephone Numbers
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Terms that are defined in the franchise agreement or other attached agreements begin with capital letters in this offering circular, except for the word "you," which will begin with a capital "Y" or a lower-case "y" depending on its position in the sentence.

# iSOLD IT®

## FRANCHISE OFFERING CIRCULAR

### ITEM 1. THE FRANCHISOR, ITS PREDECESSOR, AND AFFILIATES

The purpose of this offering circular is to familiarize you with important legal and business aspects of iSold It, LLC, a franchisor, and of the franchise we offer. To simplify the language, we will refer to ourselves as "ISI," "we" or "us." We will call the person or company to which we grant a franchise "you." The word "you" does not include your owners. We will call them "Related Parties."

We were organized as a limited liability company in California on October 2, 2003. We do business under the trade name "iSold It." We do not do business under any other name.

We have no predecessors or affiliates. Our principal business address is <sup>^</sup>155 South Highway 101, <sup>^</sup>Suite 7, Solana Beach, CA <sup>^</sup>92075. The name and address of our agent for service of process in this state is stated in Exhibit A-2 to this offering circular.

<sup>Δ</sup> The business you will operate under the franchise agreement is a retail <sup>^</sup>business ("<sup>^</sup>Business") for accepting merchandise and other property on consignment and selling it over the Internet. <sup>Δ</sup>We have been offering franchises to operate retail storefront outlets within the United States since March 2004. We have never offered any other franchises. With this disclosure document, we are introducing, on a test basis, the option to operate these franchises from mobile outlets or from light commercial locations that are less costly than traditional storefront locations. We also have master franchisees in Australia, Canada and Ireland. We owned and operated a storefront Business of the type being offered by this offering circular from November 2003 to March 2007, when we sold it to a franchisee. We have never operated a mobile Business. We have no other business.

The market served by the <sup>^</sup>Business includes the general public, local businesses and charities. Your competitors will be eBay Trading Assistants and eBay Power Sellers, small chains and sole proprietors operating individual online consignment shops and other franchised online consignment sellers.

If you meet our qualifications, you may enter into an area development agreement under which you will have the exclusive right and obligation to develop and operate multiple <sup>^</sup>storefront Businesses under individual franchise agreements within a specified Development Area. We are not offering area development agreements for mobile Businesses at this time. When you sign an area development agreement, you must pay a nonrefundable development fee equal to the combined initial franchise fees for all <sup>^</sup>Businesses you are obligated to develop within the Development Area under your

Development Schedule. The development fee may be incrementally applied against these initial franchise fees as you sign each franchise agreement.

You may be subject to stringent state and local licensing and reporting laws applicable to consignment sellers or secondhand dealers. In a few states, you may be required to comply with costly training, licensing and escrow provisions applicable to auctioneers. You must refrain from conduct that would violate state and local real estate or automobile sales laws. You should retain counsel to advise you on all these laws in your jurisdiction.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Kenneth Charles Sully, President, Chief Executive Officer and Director**

Kenneth Charles Sully joined us as President, Chief Executive Officer and a Director in July 2004. Before joining the company, he was President and CEO of Postal Connections of America in San Diego, California, from July 2002 to July 2004. Before that, from February 2002 to June 2002, he served as Chief Operations Officer of Retired.com, Inc., in La Jolla, California. During 2001, he was self-employed as a consultant and investor based in Southern California. He was President of WEBcard Technologies, San Diego, from June 2000 to June 2001. From January 2000 to June 2000, he served as Senior Vice President - Business Development for OfficeTool.com in San Diego. Before that, from June 1996 to August 1999, he was President of Your Office International, San Diego. From May 1995 to February 1996, he was Vice President, Franchise Development, of Coverall North America, Inc., San Diego. Earlier, from January 1990 to May 1995, he was Vice President Worldwide Franchise Development of Mail Boxes, Etc., San Diego.

### **David J. Crocker, Senior Vice President of Marketing and Operations**

David J. Crocker became our Senior Vice President of Marketing and Operations in May 2005. Before coming to us, from March 1999 to April 2005, he was Marketing Director of Bristol-Myers Squibb, Plainsboro, New Jersey. Before that, he was Senior Marketing Manager for Pepperidge Farms from October 1997 through February 1999, in Norwalk, Connecticut. Earlier, from July 1991 through October 1997, he was Marketing Manager for Nestle U.S.A., Glendale, California.

### **Richard L. Forry, Chief Financial Officer**

Richard L. Forry became our Chief Financial Officer in December 2004. Before coming to us, he was Director of Business Services, Fix Auto, Anaheim Hills, California, from October 2003 to November 2004. From January 2000 to October 2003, he was the owner of Carma Enterprises in Tustin, California. Earlier, he served as the Director of Finance for SCA Consulting, Los Angeles, California, from July 1990 to January 2000.

### **Marshall Keith Golden, Chief Technology Officer**

Marshall Keith Golden joined us as Director of Project Management in December 2005 and became our Chief Technology Officer in July 2006. Previously, he was a Partner in Sandpiper KPE, LLC, Irvine, California, from July 2004 to December 2005. Before that, he was Vice President and Chief Technology Officer of Versura, Inc., Washington, D.C., from October 1999 to June 2004.

### **Michael Dooling, Director**

Michael Dooling became a member of our Board of Directors in November 2005<sup>A</sup>. He has been the general partner of Jacaranda Partners, Pasadena, California, since 1987. From April, 1999, to April, 2001, he served on the Board of Directors of Rubio's Restaurants, San Diego, California. He was a member of the Board of Directors of U.S. Office Products, Washington, D.C., from November 1997 to May 1998. Before that, he was a member of the Board of Directors of Mail Boxes Etc. USA, in San Diego from August 1987 to November 1997, serving as Vice Chairman from August 1988 to May 1990 and as Chairman from May 1990 to November 1997.

### **William L. Phelps, Director**

William L. Phelps has been a member of our Board of Directors since we were formed. He has also been a founder, chairman and a managing partner of Wetzel's Pretzels, LLC, Pasadena, California, since August 1995.

### **Jeffrey Otto Plank, Director**

Jeffrey Plank has been a member of our Board of Directors since September 2004. He has also been a partner in SeaView Capital, Providence, Rhode Island, since January 2003. In addition, he has been Managing Partner of WGI Holdings, LLC, Weston, Massachusetts, since June 1997. Before that, from June 1997 until December 2002, he was President of Refinity Corporation, Lynn Massachusetts.

### **Don Wells, Director**

Don Wells joined us at formation as a Director. He has also been Chief Financial Officer of Wetzel's Pretzels, LLC, since July 1997.

## **ITEM 3. LITIGATION**

On October 6, 2006, in *South Corona Center, L.P. v. iSold It, LLC*, American Arbitration Association Case No. 72 114 Y 01137 06 BEAH, South Corona Center, L.P. ("South Corona"), an iSold It developer whose area development agreement was terminated by iSold It for non-performance in September 2006, filed a petition alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, violation of state and federal franchise laws and regulations, violation of California Business and Professions Code Sections 17200 and 17500, and declaratory relief. Basis of the claim



is the developer's contention that the "City of Valencia" included in the agreement's description of the development area really meant "City of Santa Clarita." iSold It maintains that South Corona's management knew that Santa Clarita was not available when it entered into the area development agreement and that the area development agreement's written territorial description is dispositive. The matter is set for hearing in September 2007. iSold It intends to<sup>A</sup> defend this proceeding vigorously.

Other than this dispute, there is no litigation to disclose in this offering circular.

#### **ITEM 4. BANKRUPTCY**

As a result of the failure of several dotcom ventures in which he had invested heavily, our President, Ken Sully, filed a petition for relief under Chapter 7 of the U.S. Bankruptcy Code on September 4, 2001. (U.S.D.C. S.D. #0109196). His petition was granted and his debts discharged on December 12, 2001. Otherwise, no person identified in Items 1 or 2 of this offering circular has been involved as a debtor in a bankruptcy proceeding.

#### **ITEM 5. INITIAL FRANCHISE FEES**

##### **Franchise Agreement**

When you sign the Franchise Agreement, you will pay us an initial franchise fee in immediately accessible funds. The initial franchise fee is \$22,000 if this is your first franchise and \$15,000 if this is an additional franchise. The initial franchise fee is not refundable. It is uniform for all franchises currently being granted.

##### **Area Development Agreement**

<sup>A</sup>If you <sup>A</sup>enter into an Area Development Agreement, you must pay us a Development Fee consisting of the total initial franchise fees for the <sup>A</sup>Businesses required to be opened during the Term under the Development Schedule ("Development Fee"). The Development Fee is not refundable, but will be credited against your initial franchise fee for each <sup>A</sup>Business you open under a Franchise Agreement until the full amount of the Development Fee has been credited against your initial franchise fees.

## ITEM 6. OTHER FEES

NAME OF FEE <sup>1</sup>	AMOUNT OR FORMULA	WHEN DUE	TO WHOM PAYABLE
Royalties	<u>As to each transaction, 10% of Adjusted Gross <sup>A</sup>Revenue or 1% of Gross Revenue, whichever is more<sup>-</sup></u>	As earned	Us, by electronic transfer
Advertising Fund	<u>As to each transaction, 3% of Adjusted Gross <sup>A</sup>Revenue or 0.3% of Gross Revenue, whichever is more</u>	As earned	Us, by electronic transfer
Check Processing Expenses <sup>3</sup>	Reimbursement for our out-of-pocket costs for postage, paper and bank clearing fees for processing sellers' checks	<u>Weekly or Monthly</u>	Us, by electronic transfer, <sup>A</sup> for payment to check processing company
Internet Selling Site Fees and Commissions	See Note 4	At time of each transaction	Internet Selling Sites
Credit Card and Payment Service Processing Charges	See Note 5	At time of each transaction	Banks, Paypal, other services
Infopia Auction Management Software License Fees	See Note 6	Monthly	Software manufacturer
Local Advertising Obligation	2% of your gross sales	Quarterly	Advertising Agencies, Media and/or Local Advertising Cooperative
Audit Cost <sup>7</sup>	Our out-of-pocket cost	Upon invoice	Us
Additional Initial Training	\$750 <sup>8</sup> for each trainee over three and replacement managers	Before training begins	Us
Ongoing Training and Annual Convention Costs	Your costs for transportation, lodging, meals, other incidentals	As incurred	Various

NAME OF FEE <sup>1</sup>	AMOUNT OR FORMULA	WHEN DUE	TO WHOM PAYABLE
Annual Convention Registration and Ongoing Training Program Fees	\$750 <sup>8</sup> per attendee	<sup>4</sup> At least 3 weeks before <sup>4</sup> Annual Meeting and before attending other programs	Us
Relocation Fee	\$5,000	Before moving	Us
Transfer <sup>9</sup> Fee	\$5,000	With notice of intent to transfer	Us
Renewal Fee	50% of then-current initial fee	On signing Agreement	Us
Proprietary Software Fee	Reasonable fee, comparable to that charged for similar software by others	Payable <b>only if and when</b> (a) we license software to you and (b) assess a fee	Us
Interest on Late Payments	Lower of 18% per year or highest rate allowed by law	Accrues as of date payment due, payable upon invoice	Us

- 1: Under the Franchise Agreement, failure to pay sellers, service providers and other trade debts in a timely manner is a material breach that may lead to termination of the Franchise Agreement. All revenue is electronically deposited into your seller proceeds bank account ("Proceeds Bank Account") from which we take Authorized Amounts electronically. You may not commingle seller proceeds in the same bank account with your general funds. Our designated vendor will write seller checks to be drawn on your Proceeds Bank Account and mail them to sellers on your behalf. You must maintain a \$10,000 bond to protect your seller checks. Payments to us are not refundable. Some fees imposed by Internet selling sites are refundable while others are not. Whether payments to others are refundable depends on the arrangements you make with them.
- 2: "Adjusted Gross <sup>4</sup>Revenue" means "all money, compensation, commissions, or other consideration you and your Related Parties receive for all goods sold and services rendered by your <sup>4</sup>Business or in association with our Trade Name or Marks, <sup>4</sup>less<sup>4</sup> Sellers' Proceeds, Cost of Goods Sold, sales tax, shipping and handling." "<sup>4</sup>Sellers' Proceeds" means "Money you are obligated by contract to pay to sellers who entrust goods to you for sale." "Cost of Goods Sold" means "the cost to you of shipping, insurance and payment for goods you purchase for resale online."<sup>4</sup>"Gross Revenue" means "all money, compensation, commissions, or other consideration you and your Related Parties receive for all goods sold and services rendered by your Business or in association with our Trade Name or Marks, less sales tax, shipping and handling."
- 3: Payable during periods when we are collecting payment for our vendor from your Proceeds Bank Account to cover the cost of printing and mailing checks. Check processing fee is currently 16¢ per check plus postage, which <sup>4</sup>is currently 41¢ for first class. At this time, no more than ten items may be listed on a check to the same customer.

- 4: Insertion fees, listing upgrade fees and final value fees are imposed by eBay and other Internet Selling Sites. You will customarily pass these along to your sellers. These fees vary by type of item, listing and auction. They may be changed without notice and are outside our control. You should investigate the current listing and closing fees imposed by eBay and any other selling sites that we are currently authorizing you to use. Current eBay fees are described at <http://pages.ebay.com/help/sellerguide/selling-fees.html#BIN>.
- 5: PayPal is currently charging merchants 30¢ plus 2.2% to 2.9%, depending on volume, of the amount processed in each transaction. Fees imposed by banks for credit card processing vary. We will attempt to negotiate group rates to lower these fees when possible, but they are largely outside our control.
- 6: You must license this software from a designated provider. Currently, the base fee is \$250 per month plus a per transaction charge of 75¢ per completed transaction. Our agreement provides that the transaction charge may be reduced to as low as 50¢ per completed transaction based on the volume of completed transactions of all our Businesses worldwide. The software licensor may increase its overall fees, but must always grant you terms at least as favorable as those granted to any other similarly situated licensee.
- 7: This is payable only if the audit discloses that you are conducting transactions outside our system or if we perform the audit because you did not provide required financial statements at the times and in the format specified in the Manual.
- 8: We may increase these fees in the future to meet increases in our costs.
- 9: Under the franchise agreement, a "Transfer" (to which the fee applies) includes any sale, gift, or other change in ownership of all or any part of the rights and obligations: (1) of the franchise agreement, (2) of the Business, including the lease for the Approved Location, or (3) of an ownership interest in you." There is no transfer fee for an assignment to: (a) any Trustee, Guardian, Executor, or Conservator for the account and benefit of a spouse, ancestor, or decedent, (b) any of your employees under any employee stock option plan or stock buy plan, if any share certificate distributed in connection with a plan of this type is marked with a legend describing the restrictions and conditions of Transfer required by the Franchise Agreement, (c) any business entity if the beneficial ownership of the franchisee immediately following the assignment is the same and in the same proportions as the beneficial ownership immediately before the assignment. Also, we will waive the transfer fee if we approve a transfer to your heirs or successors.

**ITEM 7. INITIAL INVESTMENT<sup>A</sup>**  
**STOREFRONT BUSINESS**

EXPENSE <sup>1</sup>	LOW	HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Initial Franchise Fee <sup>2</sup>	<u>\$22,000</u>	\$22,000	<sup>A</sup> lump sum	at signing of franchise agreement	us
<sup>A</sup> Furniture, Fixtures and Equipment and Installation <sup>3</sup>	<u>\$6,600</u>	<u>\$16,900</u>	<u>as arranged</u>	<u>as incurred</u>	
Store Layout and Support Fee <sup>4</sup>	<u>\$<sup>A</sup>3,400</u>	<u>\$<sup>A</sup>3,450</u>	lump sum	<sup>A</sup> <u>before opening</u>	<u>us</u>

EXPENSE <sup>1</sup>	LOW	HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Lease, Internet Access and Utility Deposits <sup>2</sup>	\$3,000	\$8,000	lump sum	before opening	landlord, utilities, insurers
Rent for three months <sup>4</sup>	\$10,500	\$20,000	in monthly increments	in monthly increments	landlord
Computer Equipment	\$8,800	\$10,200	as arranged	as incurred	vendor
Computer Setup Fee <sup>7</sup>	\$1,000	\$1,500	lump sum	before opening	us
Office, Photography, Packing and Shipping Supplies	\$2,800	\$5,850	lump sum	at signing of lease	designated vendor
Permits and Licenses	\$500	\$1,000	as arranged	before opening	government agencies
Additional Attendee at Initial Training	\$0	\$750 per additional attendee over one	lump sum	before training	us
Training Expenses	\$500	\$2,000	varies	as incurred	airlines, hotels, restaurants
Installation of Phone and Data Lines	\$1,000	\$1,500	lump sum	at lease signing	vendor
Professional Fees <sup>4</sup>	\$1,000	\$3,000	as arranged	as arranged	attorney, accountant
Additional Funds <sup>3</sup>	\$40,000	\$ <sup>4</sup> 100,000	varies	varies	employees, landlord, advertising agencies and media, etc.
<b>TOTAL</b>	<b>\$140,4700</b>	<b>\$196,4200</b>			

**ALL FIGURES ARE ESTIMATES ONLY**

- 1: This Item 7 shows estimated expenses from the pre-opening period through the first 90 days of operation. Although the "high" estimate for the "additional funds" category shows the funds required for a somewhat longer period, you may need even more money to operate the Business for the first one to two years. None of these expenses are refundable<sup>A</sup> except for insurance, which may be partially refundable, and deposits.
- 2: The initial franchise fee is \$22,000 for the first franchise and \$15,000 for each subsequently purchased franchise. If you sign an Area Development Agreement, you will pay us a nonrefundable Development Fee equal to the sum of all initial franchise fees for the <sup>A</sup>Businesses you are obligated to open in the Development Area. We will credit your Development Fee against the initial franchise fee of each store you develop in the Area until the entire Development Fee has been credited.
- 3: <sup>A</sup>These expenses range from \$6,600 to \$14,800 for our experimental light industrial model and \$12,400 to \$16,900 for our traditional storefront model. The low figure assumes that you install floor coverings and fixtures yourself, with our telephonic support.
- 4: You will pay us, before opening, from \$3,000 to \$3,500 for store layout drawings, depending on complexity and number of changes, and telephonic support in fixturing your premises.

- 5: This category includes<sup>A</sup> lease deposit, insurance, bond to protect seller checks, sales tax deposit or bonds, construction permit and utility deposits.
- 6:<sup>A</sup> Businesses will probably be located in As retail/industrial park, strip centers and retail corridors anchored by supermarkets or drugstores, with national brands as co-tenants. Your Business will probably need from 900 to 1200 square feet of space. Landlords typically require you to pay a security down payment and first month's rent upon lease signing, which are incorporated into the high column figure.
- 7:<sup>A</sup> You will pay us, before opening, for our telephonic support in setting up accounts and configuring your computer to operate your business. The amount will vary depending on the number of computers you buy.
- 8: This figure may include any attorney review of the franchise agreement, organization of your business or negotiation of the lease for the franchised Business.
- 9:<sup>A</sup> This category includes estimated employee wages for two to three employees who train in the Business for two days, advertising expenses, including at least \$2,500 for a grand opening promotion, insurance premiums, sales tax in some states, and other miscellaneous expenses incurred before opening and during the first three months of operations. Although the high estimate shows the funds needed for a period somewhat longer than 90 days, even more money may be needed to operate your Business for the first one to two years. This category does not include unforeseen construction expenses<sup>A</sup>, such as landlord chargebacks or construction extras made necessary by features of your Business premises. We relied on our experience and the experience of our franchisees in developing Businesses in arriving at these figures. You should review these figures carefully in light of local conditions and the economy, consulting a business advisor if necessary.

We do not offer financing for any of these expenses.

### MOBILE BUSINESS

<u>EXPENSE<sup>1</sup></u>	<u>LOW</u>	<u>HIGH</u>	<u>METHOD OF PAYMENT</u>	<u>WHEN DUE</u>	<u>TO WHOM PAID</u>
<u>Initial Franchise Fee<sup>2</sup></u>	<u>\$22,000</u>	<u>\$22,000</u>	<u>lump sum</u>	<u>at signing of franchise agreement</u>	<u>us</u>
<u>Furniture, Fixtures and Equipment and Installation<sup>3</sup></u>	<u>\$1,200</u>	<u>\$1,500</u>	<u>as arranged</u>	<u>as incurred</u>	<u>vendors</u>
<u>Warehouse Layout and Support Fee<sup>4</sup></u>	<u>\$1,000</u>	<u>\$1,500</u>	<u>lump sum</u>	<u>before opening</u>	<u>us</u>
<u>Internet Access, Phone Installation and Utility Deposits<sup>5</sup></u>	<u>\$500</u>	<u>\$1,000</u>	<u>lump sum</u>	<u>before opening</u>	<u>landlord, utilities, insurers</u>
<u>Work Vehicle<sup>6</sup></u>	<u>\$1,500</u>	<u>\$25,000</u>	<u>as arranged</u>	<u>as arranged</u>	<u>vendor or lessor</u>
<u>Automobile Insurance</u>	<u>\$500</u>	<u>\$2,000</u>	<u>as arranged</u>	<u>monthly</u>	<u>insurer or agent</u>

<u>EXPENSE<sup>1</sup></u>	<u>LOW</u>	<u>HIGH</u>	<u>METHOD OF PAYMENT</u>	<u>WHEN DUE</u>	<u>TO WHOM PAID</u>
<u>Warehouse/ Packing Station Space (deposit and 3 months rent)<sup>6</sup></u>	<u>\$2,000</u>	<u>\$4,000</u>	<u>lump sum and monthly</u>	<u>at lease signing and monthly</u>	<u>landlord</u>
<u>Office, Photography, Packing and Shipping Supplies</u>	<u>\$1,450</u>	<u>\$5,350</u>	<u>lump sum</u>	<u>at signing of lease</u>	<u>designated vendor</u>
<u>Permits and Licenses<sup>7</sup></u>	<u>\$500</u>	<u>\$1,500</u>	<u>as arranged</u>	<u>before opening</u>	<u>government agencies</u>
<u>Additional Attendee at Initial Training</u>	<u>\$0</u>	<u>\$750 per additional attendee over one</u>	<u>lump sum</u>	<u>before training</u>	<u>us</u>
<u>Training Expenses</u>	<u>\$500</u>	<u>\$2,000</u>	<u>varies</u>	<u>as incurred</u>	<u>airlines, hotels, restaurants</u>
<u>Professional Fees<sup>8</sup></u>	<u>\$1,000</u>	<u>\$3,000</u>	<u>as arranged</u>	<u>as arranged</u>	<u>attorney, accountant</u>
<u>Additional Funds<sup>9</sup></u>	<u>\$5,000</u>	<u>\$15,000</u>	<u>varies</u>	<u>varies</u>	<u>employees, landlord, advertising agencies and media, etc.</u>
<b>TOTAL</b>	<b>\$37,150</b>	<b>\$84,600</b>			

**ALL FIGURES ARE ESTIMATES ONLY**

- 1: This Item 7 shows estimated expenses from the pre-opening period through the first 90 days of operation. Although the "high" estimate for the "additional funds" category shows the funds required for a somewhat longer period, you may need even more money to operate the Business for the first one to two years. None of these expenses are refundable except for insurance, which may be partially refundable, and deposits.
- 2: The initial franchise fee is \$22,000 for the first franchise and \$15,000 for each subsequently purchased franchise.
- 3: The equipment you need includes graphics to apply to your work vehicle, storage shelving, mobile photo station, digital camera and accessories, office supplies, packing materials, shipping supplies and computer hardware and software.
- 4: You will pay us, before opening for layout drawings and telephonic support in fixturing your warehouse space. The amount will vary depending on complexity and number of changes, for layout drawings and telephonic support in fixturing your warehouse space.  
Although you may operate this business from your home, you must have a minimum of 500 square feet of secure commercial warehouse space within which to store sellers' goods pending sale and shipment. You may wish to allow space at the same location for packing goods for shipment.
- 5: This category includes insurance, bond to protect seller checks, sales tax deposit or bonds and utility deposits.

- 6: This is a white commercial grade cargo van, extended van or mini-van to which you will apply logotypes bearing our Marks. The low amount assumes you are financing this purchase, allowing for a down payment and three months' payments, while the high end assumes you are paying cash.
- 7: In addition to a local business license, applicable State law may require you to obtain auctioneer or secondhand dealers licenses.
- 8: This figure may include any attorney review of the franchise agreement, organization of your business or negotiation of the lease for the franchised Business.
- 9: This category includes \$2,500 for a grand opening promotion, local advertising, liability and casualty insurance premiums, sales tax in some states, and other miscellaneous expenses incurred before opening and during the first three months of operations. Although the "high" estimate for the "additional funds" category shows the funds required for a somewhat longer period, you may need even more money to operate the Business for the first one to two years. We relied on our research, our experience in operating storefront Businesses and the experience of other franchise systems in developing these figures. You should review these figures carefully in light of local conditions and the economy, consulting a business advisor if necessary.
- We do not offer financing for any of these expenses.

## **ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

^If you decide to operate a storefront Business, you will pay us a store layout and support fee for our telephonic assistance to you in setting up your Business. Whether you decide to set up a mobile business or a storefront Business, you must pay us a computer setup fee for our telephonic assistance in establishing online accounts and configuring your computer system. Otherwise, we are not currently a supplier of any goods or services to you that are not paid for by your initial franchise fee or royalties<sup>A</sup>.

Whether you are developing a storefront Business or a mobile Business, you must buy equipment and supplies that meet written specifications we will provide to you.

You must use and buy any items that bear our Marks, such as marketing materials, packing materials, letterhead and business cards, according to our specifications and, at our option, from approved or designated suppliers.

You must license auction management software from our designated supplier<sup>A</sup>. A sample copy of the <sup>A</sup>current customer agreement that you will sign with our designated supplier is attached as Exhibit C-4. If at any time we advise you that you must license Proprietary Software from us, the iSold It Software License Agreement attached to <sup>A</sup>the franchise agreement will become effective. "Proprietary Software" means "any software that we license to you for use in your <sup>A</sup>Business while <sup>A</sup>the franchise agreement is in effect." You must license any Proprietary Software from us if so instructed and pay a reasonable fee for its use.

Currently, you do not have to buy any goods or services from us.

You must use PayPal and other credit card processing services that we designate.



You must use shipping service providers, such as DHL, FedEx, USPS or UPS, that we have approved or, at our option, designated.

You may sell through eBay, uBid.com and Amazon.com which charge various fees and commissions directly online, and any other Internet Selling Sites that we designate in the future.

You must maintain comprehensive public liability insurance, including products liability coverage and automotive liability coverage for your work vehicle, if any, covering all <sup>A</sup>Business assets, personnel, and activities on an occurrence basis with a combined single limit for bodily injury, death, or property damage of not less than \$2,000,000. Your insurance must cover sellers' goods against theft or damage while they are in your work vehicle. We may increase the minimum coverage requirement annually if necessary to reflect inflation or other changes in circumstances. You must also carry (1) casualty insurance in a minimum amount equal to the replacement value of your interest in the <sup>A</sup>Business premises, including <sup>A</sup>vehicle and equipment, (2) bailee's insurance sufficient to cover total loss or destruction of all seller's items in your possession<sup>A</sup> and (3) a \$10,000 bond to protect your sellers checks<sup>A</sup>. In addition, you must buy and maintain Internet insurance coverage in the minimum amount of \$1,000,000, including coverage for intellectual property, errors and omissions and personal injury. Each insurance policy must contain a provision that the policy cannot be canceled without 30 days' written notice to us. It must be issued by an insurance company of recognized responsibility, designate us as an additional named insured and be satisfactory to us in form, substance, and coverage. You must also maintain policies of workers' compensation insurance and any other types of employment insurance required by applicable law. You must deliver a certificate of the issuer evidencing each policy to us within 10 days after the policy is issued or renewed.

We decide which Internet Selling Sites and shipping companies to approve or designate based on strategic marketing and sales decisions. We decide whether to approve or designate other suppliers based on quality and price considerations and on our ability to negotiate agreements that benefit the Franchise Network with the suppliers. We do not make our criteria for approving or disapproving suppliers known to franchisees. There is no procedure for submitting additional suppliers for our approval.

We formulate and modify our specifications and standards based on market, competitive and economic conditions. We will communicate our standards and specifications to you in writing, usually in the Manual or on our Intranet. We will not make our specifications known to suppliers.

In the past, we received revenue from our franchisees when they bought their Store-in-a-Box package from us. In 2006, our gross sales were \$8,310,860. Of this, \$3,336,611 was received as payment for Store-in-a-Box packages. After deducting costs directly attributable to Store-in-a-Box packages, we had a loss on the<sup>A</sup>se sales of \$152,711.<sup>A</sup> The source of these figures is our audited Statement of Operations for calendar year 2006. We no longer offer Store-in-a-Box packages.

Approximately 90% of your startup expenses and 40% of your ongoing expenses will be for transactions with approved or designated suppliers or according to our specifications.

We negotiate purchase arrangements with suppliers, including advantageous price terms, for the benefit of all members of the ISOLD IT® Network. In some cases, we may require that all <sup>A</sup>Businesses purchase certain items from a designated supplier in return for systemwide benefits, such as a substantial discount or favorable delivery terms or a supplier contribution to the advertising fund.

We will not provide material benefits, such as renewal or granting additional franchises, to you based on your voluntary use of designated or approved sources. Failure to purchase items from approved or designated suppliers or according to specifications when instructed to do so by us is a material event of default that may lead to termination of your franchise.

### ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise, area development agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this offering circular.

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN AREA DEVELOPMENT AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition/lease	7.2.1, 7.2.2, Attachment 1-A	6.1	11
b. Pre-opening purchases/leases	7.2.2, 7.3.3	6.1	5, 7, 8
c. Site development and other pre-opening requirements	7.3.3, Attachment 1-A	6.1	11
d. Initial and ongoing training	5.4 <sup>2</sup> , 7.3.1, 7.3.2, 7.4, 7.5.1	7.3.2 (c)	11, 15, 16
e. Opening	7.3.4	N/A	11
f. Fees	Article 6	Article 5	5, 6, 7
g. Compliance with standards and policies/Operating Manual	7.3.5	6.1, 10.1	8, 11, 16
h. Trademarks and proprietary information	7.3.1A <sup>2</sup> , 7.3.1A <sup>3</sup> , 8.4, Attachment 5 § 3, Attachment 6 § 3	2, 3.14	13, 14, 15

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN AREA DEVELOPMENT AGREEMENT	ITEM IN OFFERING CIRCULAR
i. Restrictions on products/services offered	7.3.12	7.3.1	16
j. Warranty and customer service requirements	7.3.6 - 7.3.10, 7.5.2, 8.2, 8.3	None	N/A
k. Territorial development and sales quotas	None	4.2, 4.3, 4.4.2 - 4.4.5, Attachment 2	12
l. Ongoing product/service purchases	7.3.6, 7.3.12	NA	8
m. Maintenance, appearance and remodeling requirements	4.5.2, 7.3.9, 9.4	NA	17
n. Insurance	7.9	NA	7, 8
o. Advertising	5.8, 6.3, 7.1.3, 7.6	NA	11
p. Indemnification	8.5	9.4	N/A
q. Owner's participation/management/staffing	7.3.1, 7.5.1, 7.5.2	NA	15
r. Records/reports	7.7.1, 7.7.2, 10.3 (e)	NA	N/A
s. Inspections/audits	6.5, 7.3.11	NA	6
t. Transfer	Article 9	Article 7	6, 17
u. Renewal	4.5.2	4.4	6, 17
v. Post-termination obligations	10.3 (b) - (h)	9.3	17
w. Noncompetition covenants	8.6, Attachment 6	8.1, 8.2	17
x. Dispute resolution	11.7 - 11.11	10.7 - 10.11	17

### ITEM 10. FINANCING

We do not offer direct or indirect financing. We will not guarantee your note, lease, or obligation.

## ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as described below, we do not have to give you any assistance:

### **Preopening Services**

#### **Site Approval**

^If you plan to operate a storefront Business, we will ^advise you ^on finding a site for your ^Business, but it is ultimately your responsibility to find a mutually acceptable site in time to open by the Start Date. You must obtain our written approval of the proposed site and proposed lease before you sign the lease. We may not withhold our approval of your location unreasonably. You must secure the site (Franchise Agreement § 7.2).

To seek our approval of a site, you must follow our currently effective site approval process, as described in our Manual, updated on our Intranet. We will base our approval of the site on general guidelines for suitable franchise premises that will be given to you in writing. **By approving a particular site for the premises of an ISOLD ^IT@Business, we do not guarantee that the ^Business operating at that location will be successful.** Success will depend on many factors, many of which are not within our control (Franchise Agreement § 7.2.1).

To seek our approval of the lease for the premises of the ^Business, you must provide a copy of the proposed lease or a lease summary. The terms of the lease must meet our requirements. A lease must grant us an option, without cost or expense to us, to assume or authorize our assignee to assume the lease if the franchise agreement is terminated or if you should fail to cure a material default under the lease within the time allowed by the lease. Your lessor and you may meet this requirement by adding the lease provisions listed in Attachment 4 to the Franchise Agreement to the lease (Franchise Agreement § 7.2.2).

Some of the factors that we consider in approving a site are co-tenants, parking, space configuration, traffic patterns, lease terms, demographics of the area and visibility. We will approve or disapprove your proposed site within ^seven days after you present the information described above to us. If we do not agree with you about a site, you may not use that site for your ^Business. You must cooperate with us fully to develop your ^Business in a timely manner in relationship to the Start Date stated in the Franchise Agreement or any written extension of the Start Date (Franchise Agreement § 7.2.1).

We estimate that the average length of time between signing of a franchise agreement and opening of a ^storefront Business will be between 60 and 90 days. Factors that may affect the length of time it takes to open include attending training, site location, obtaining permits, construction and landlord approvals and applying for any necessary licenses. We do not yet have experience in franchising mobile Businesses, but we anticipate that the time until opening will be somewhat less than for storefront Businesses. Factors that will affect the length of time it takes to open will include attending training,

applying for any necessary licenses, finding warehouse space and obtaining and equipping your work vehicle.

### Training

The initial training program will cover the following:

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	TYPE OF FACILITY
Overview	4	<sup>Δ</sup> <u>1</u>	Classroom
eBay and Other Sites	4	<sup>Δ</sup> <u>7</u>	Classroom
Systems <sup>Δ</sup> , Software and Operations	1 <sup>Δ</sup> <u>6</u>	<sup>Δ</sup> <u>24</u>	Classroom
Marketing	<sup>Δ</sup> <u>3</u>	<sup>Δ</sup> <u>2</u>	Classroom
Sales	<sup>Δ</sup> <u>3</u>	2 <sup>Δ</sup>	Classroom
Accounting and Admin	<sup>Δ</sup> <u>3</u>	<sup>Δ</sup> <u>1</u>	Classroom
<sup>Δ</sup> Business Management	<sup>Δ</sup> <u>2</u>	<sup>Δ</sup> <u>3</u>	Classroom
Compliance	1	0	Classroom
<sup>Δ</sup> TOTAL	<sup>Δ</sup> <u>36</u>	40	

<sup>Δ</sup> The initial training program will take place in a hands-on classroom environment in Solana Beach, California, and in a designated franchised Business in San Diego or, if available, a designated franchised Business closer to your Approved Location. The program takes approximately two weeks to complete.

The primary instructional materials for the initial training program will be the ISOLD IT® Operations Manual and other materials that you may download from our <sup>Δ</sup>Intranet. There will be no additional charge for training material.

The training program will be supervised by <sup>Δ</sup>David Crocker, whose experience is detailed in Item 2 of this offering circular.

You or, if you are a company franchisee, your Designated Manager must faithfully attend all phases of the initial training program and complete it to our satisfaction. Failure to successfully complete any aspect of the training program, as we determine in our sole discretion, constitutes grounds for immediate termination of your franchise, but we have the right to offer you one or more remedial courses of action, such as additional training or employment of supplemental personnel, if we believe the alternative or alternatives may make termination of the franchise unnecessary. If you do not accept the alternative course of action within the time we allow, we may terminate your franchise, effective immediately (Franchise Agreement §§ 7.3.1<sup>Δ</sup>).

We may, at our sole discretion, arrange an annual meeting to provide updates, offer continuing education, and encourage discussion of topics of importance to the Franchise Network. If we designate attendance at the annual meeting as mandatory, you and your Designated Manager must attend at your own expense. We also provide ongoing training at other times and places and we have the right to make these programs mandatory (Franchise Agreement § 7.4).

We will not charge a fee for the initial training program at which we train you or your Designated Manager or both. We will train you and as many as two other people at no additional charge. However, if you send more people to the initial training program or later replace your Designated Manager, we may charge a training fee, not to exceed \$750 per person. We offer supplemental training materials that you may download from our <sup>A</sup>Intranet. We do not charge a fee for this material but you must bear any expense incurred for internet access and printing. For all training we offer, you must pay any costs of travel, lodging, meals, and other incidental expenses that you or your employees incur. We may charge a registration fee of up to \$750 for each person attending our Annual Meeting. Payment is due at least one week before the Meeting begins. Your attendance will be mandatory (Franchise Agreement §§ 6.6, 6.9).

### Operations Manual

We will lend to you or make available to you on our <sup>A</sup>Intranet a Manual containing explicit instructions for use of the Marks, specifications for goods that will be used in or sold by the <sup>A</sup>Business, sample business forms, information on marketing, management, and administrative methods developed by us for use in the <sup>A</sup>Business, names of approved suppliers, and other information that we believe may be necessary or helpful to you in your operation of the <sup>A</sup>Business. We will revise the Manual periodically to conform to the changing needs of the Franchise Network and will post revisions on our <sup>A</sup>Intranet (Franchise Agreement § 5.7).

A copy of the table of contents of our manual is attached to this offering circular as Exhibit C-3.

### Selection and Installation of Computer Equipment and Software

<sup>A</sup>For a storefront Business, the computer system includes at least <sup>A</sup>three CPUs with keyboards and <sup>A</sup>mouses with a minimum 2.4GHz processor and 80 GB hard drive, <sup>A</sup>three or more 17-inch flat-screen monitors, one laser printer<sup>A</sup>, a digital camera and one or more scan guns. <sup>A</sup>You may use a laptop computer if you operate a mobile Business.

You must use the Microsoft operating system and the auction management software we designate. Our <sup>A</sup>current auction management software licensor charges a monthly fee for software that has been customized for our Franchise Network. The base fee is \$250 per month plus a per transaction charge of 75¢ per transaction. Our agreement provides that your transaction charge may be reduced to as low as fifty cents per transaction based on the volume of transactions of all our <sup>A</sup>Businesses worldwide. The

software licensor may increase its overall fees, but must always grant you terms at least as favorable as those granted to any similarly situated licensee. You must also use the money management software, as yet undetermined, that we specify. You must buy any additional software that we specify in the future. You must upgrade the hardware and software when we modify our standards to require an upgrade (Franchise Agreement §§ 7.3.5, 7.3.9). There is no limit in the contract on the frequency at which you may be required to upgrade or on the annual cost of doing so. However, we do not intend to require unnecessary upgrades and will try to minimize cost to you.

You will use the computer system and software to manage your business, record intake of items, register new clients, photograph and list items, respond to buyer questions, receive notification of sale closings and pay sellers' checks.

Although, under the Franchise Agreement, we have an independent right to access your computer data (Franchise Agreement § 7.7.2), access will actually be possible only with your cooperation.

We are not obligated by the Franchise Agreement to assist you to obtain the above items except for our proprietary software, but we expect to do so.

We have an <sup>A</sup>Intranet system for use by all members of the ISOLD IT® Network. You must register and actively use the Intranet for updates to the Manual, downloading marketing materials, posting questions to other franchisees and other purposes, using a web browser and the Internet to access it. There is no additional fee for Intranet access at this time. We have a right to limit or bar postings by franchisees who misuse the <sup>A</sup>Intranet or do not comply with forum policies.

## **Postopening Services**

### **Advertising and Marketing**

We develop advertising <sup>A</sup>materials that <sup>A</sup>use<sup>A</sup> a mix of media, possibly including direct mail, coupons, FSI's (free standing inserts), radio, sponsorships, television and public relations. The materials we provide to you may be designed for local, regional, or national media. We produce some of our advertising materials in-house and some through regional advertising agencies.

All advertising and promotion that you undertake must be completely truthful, conform to the highest standard of ethical advertising, meet our image and identity specifications and comply with any applicable laws and regulations. You and the regional advertising cooperative of which you are a member must submit to us copies of all promotional and advertising materials that you or the cooperative, as the case may be, propose to use at least two weeks before the proof approval deadline. We will review the materials within a reasonable time and will promptly notify you whether we approve them, require you to change them or reject them. We may not withhold our approval unreasonably. Even if we approve specified materials, we may later withdraw our approval

if we reasonably believe it necessary to make the advertising conform to changes in the System or to correct unacceptable features of the advertising (Franchise Agreement § 7.1.3).

We reserve the exclusive right to control Internet promotion and online marketing of Business services (Franchise Agreement § 4.3). We have the right to restrict or prohibit franchisee web sites.

There is no franchisee advisory council to advise us on advertising.

We administer the advertising fund that pays for the advertising program (Franchise Agreement § 5.7.1).<sup>A</sup> We may use the Fund to pay for market research, advertising materials, media space and time, sponsorships, our toll-free telephone number and supporting services. The fund may also be used for advertising grants to franchisees, individually or collectively. In addition, the Fund may be used to pay for point-of-buy materials, promotional web site development or public relations projects. Upon request, we will distribute to our franchisees, once a year, an advertising fund report that will set out the total amounts of money collected and spent by the Fund during the past year and list, by general category, the manner in which we spent the money.

Franchisees contribute to the advertising fund according to a formula described in Item 6<sup>A</sup> of this offering circular. During 2006, we made an additional contribution of approximately \$2,294,864 to the fund. We do not expect to contribute additional funds in the future.

During 2006, we spent \$2,782,225 on Business advertising and marketing to support Business sales. About 93% of the fund's money was spent on media, 5% on production of advertising materials and 2% on public relations agencies. We did not reimburse ourselves for any of our administrative costs in operating the fund during 2006.

We do not have to spend a specified amount of advertising fund money on advertising in your geographic area (Franchise Agreement § 5.7.2).

We will prepare an annual accounting for the fund. You may review it upon request once a year. The report will not be audited. Most of the money in the advertising fund will be spent during the year in which it is contributed. Any unspent money will be retained in the account for use during the following year.

We have the right to compensate ourselves for overhead and other expenses incurred in administering the fund in an amount not exceeding 20% of the cost of the goods or services (Franchise Agreement § 5.7.1).<sup>A</sup>

Within 30 days after opening, you must spend at least \$2,500 on a grand opening advertising program conducted according to the general guidelines in the Manual for an initial advertising program (Franchise Agreement § 7.6.1).



You must spend at least two percent of your Adjusted Gross Revenue per year on local advertising, marketing and promotion in a manner that conforms with the Manual (Franchise Agreement § 7.6.2).

When three or more company-owned or franchised <sup>^</sup>Businesses have been established in your Standard Metropolitan Statistical Area (SMSA), whether the <sup>^</sup>Businesses are owned by one or by several owners, you must join a regional advertising cooperative for the region. For all cooperative decisions, representatives will be entitled to one vote for each <sup>^</sup>Business they operate within the region. A regional advertising cooperative will be established upon a two-thirds majority vote. The cooperative will elect a chairperson for a one-year term and will decide, by simple majority vote, such matters as how often it will meet, what financial contribution it will assess from each member, and what advertising programs it will undertake. Regional advertising cooperative programs must be reasonably related to the general promotion of the Trade Name and Marks within the region. The cooperative must prepare written governing documents that are satisfactory to us in form and substance and must administer the cooperative according to the governing documents. You may offset your required contribution to a regional advertising cooperative against your local advertising obligation for the period. A cooperative must prepare annual financial statements for us and for its members. We have the power to require cooperatives to be formed, changed, merged or dissolved only as necessary to make them conform to the franchise agreement (Franchise Agreement § 7.6.3).

Cooperative advertising payments from vendors will be added to the advertising fund or used in another manner that benefits all members of the ISOLD IT® Network.

We will not use money from the advertising fund to pay for advertising that primarily promotes franchise sales.

#### <sup>^</sup>Coordination

The software and services we provide or designate will coordinate the tracking, monitoring and closing of Internet sales that you originate, facilitate collecting sales revenue from buyers, determine how long to hold funds <sup>^</sup>before paying sellers and print and mail seller checks<sup>^</sup>. (Franchise Agreement § 5.<sup>^</sup>3).

#### Consultation

We will use our best efforts to make our personnel available to you for telephone, fax, email or <sup>^</sup>Intranet consultation on all aspects of your business in a timely manner for no additional charge (Franchise Agreement § 5.<sup>^</sup>5). We conduct, at no additional charge, online training and conference calls, but you may incur telephone long distance charges and Internet access charges to take advantage of these services.

## Forms and Templates

We will provide you with downloadable business forms, art work for stationery and business cards, templates for professionally designed marketing materials and ad slicks for reproduction (Franchise Agreement § 5.<sup>A8</sup>).

## Approved or Designated Suppliers

We will give you, in the Manual or otherwise in writing, names and addresses of approved or designated suppliers of specified goods, software, and services, and names of internet sites that you may or must respectively, use or sell in your <sup>A</sup>Business. In approving or designating a particular supplier, **specifically including our designated suppliers of auction management software and check printing services, we expressly disclaim any warranties or representations as to the condition or functionality of the goods, services or software provided, sold or licensed by the suppliers, including, without limitation, expressed or implied warranties as to merchantability or fitness for any intended purpose.** You agree to look solely to the manufacturer, licensor or supplier for the remedy for any defect in the goods or services (Franchise Agreement § 5.<sup>A9</sup>).

## ITEM 12. TERRITORY

### Franchise Agreement

<sup>A</sup>If you <sup>A</sup>are going to operate a storefront Business, we will designate your<sup>A</sup> Approved Location <sup>A</sup>and assign a Protected Area when we approve your proposed site in writing. **We do not grant you a Protected Area or any territorial rights under the franchise agreement until you find a site that we find satisfactory and we designate your Approved Location <sup>A</sup>in writing<sup>A</sup>.** A sample of the form we currently use for this purpose is attached to the franchise agreement as Attachment 1-A. Your Protected Area may not extend into any pre-existing franchisee's Protected Area<sup>A</sup>, Mobile Marketing Area <sup>A</sup>or Development Area. <sup>A</sup>We will not authorize any other franchisee to base a <sup>A</sup>Business within your Protected Area, base any company-owned <sup>A</sup>Business within your Protected Area, or allow any other franchisee or company-owned <sup>A</sup>Business to relocate to a site within your Protected Area. We will not authorize a mobile Business to operate within your Protected Area.

If you are going to operate a mobile Business, we will designate your Mobile Marketing Area on Attachment 1-B to the franchise agreement. Your Mobile Marketing Area may not extend into any pre-existing franchisee's Protected Area or Mobile Marketing Area or into any pre-existing area developer's Development Area. You may not serve sellers at locations outside your Mobile Marketing Area. We will not authorize any other franchisee to base a Business within your Mobile Marketing Area, base any company-owned Business within your Mobile Marketing Area, or allow any other franchisee or company-owned

Business to relocate to a site within your Mobile Marketing Area. We will not authorize a mobile Business to operate within your Mobile Marketing Area.

If you operate a mobile Business, you may conduct business outside your Mobile Marketing Area only with our prior written consent. We will grant our consent only upon the following conditions:

- (a) The area in which you wish to provide service is not included in another franchisee's Protected Area, Mobile Marketing Area or Development Area or in a region currently served by a company-owned Business.
- (b) You may not explicitly direct any advertising to sellers outside your Mobile Marketing Area unless you can completely discontinue the advertising on 14 days' notice or less.
- (c) When the area is granted to another franchisee, you agree to immediately stop providing service and turn over your list of prospects and sellers in the external area to the franchisee to which the area has been granted without seeking or accepting any compensation for doing so. You must immediately discontinue any advertising you have directed to sellers in the area.
- (d) We believe, in our sole discretion, that you are providing full and adequate service to sellers within your Mobile Marketing Area.
- (e) You agree to immediately stop serving sellers in the external area if we withdraw our consent to your operating there. We may withdraw our consent for any reason or for no reason at all.

A Protected Area or Mobile Marketing Area will be defined by zip codes. It will normally include at least 50,000 businesses or households or a combination of both at the time that the Protected Area or Mobile Marketing Area is established. Once the defining zip codes are specified, they will not change even if the population or number of businesses within the Protected Area or Mobile Marketing Area decreases or increases over time unless this would cause them to encroach upon the Protected Area or Development Area of a franchise that has previously been granted.

We reserve the exclusive right to control Internet promotion and online marketing of <sup>A</sup>SOLD IT<sup>®</sup> Business services. We and any <sup>I</sup>SOLD IT<sup>®</sup> franchisee may solicit business and advertise within your Protected Area. We reserve all other rights not expressly granted in the <sup>A</sup>franchise <sup>A</sup>greement, including the right to establish <sup>A</sup>Businesses anywhere until you have an Approved Location or Mobile Marketing Area, as the case may be, and, once you have an Approved Location or Mobile Marketing Area, anywhere outside your Protected Area or Mobile Marketing Area, despite how close they are to your <sup>A</sup>Business.

<sup>A</sup>If you operate a storefront Business, you may relocate the <sup>A</sup>Business within <sup>A</sup>your Protected Area only with our prior written consent, which we will grant only if the following conditions are fulfilled:

- (a) You and your Related Parties are in Good Standing under the Franchise Agreement, any other Agreement between us or our Related Party and you, and the Manual,
- (b) You and any Related Parties that have signed the original Franchise Agreement have signed a copy of the Franchise Agreement that is currently effective at the time of relocation,
- (c) You agree to plan, construct, equip, and furnish your new <sup>A</sup>Business so that the premises meet the standards of appearance and function applicable to the premises of new <sup>A</sup>Businesses at the time of relocation,
- (d) You and any Related Parties that are parties to the Franchise Agreement have signed a release of claims in a form satisfactory to us with respect to past dealings with us and our Related Parties,
- (e) You have paid us the relocation fee described in Article 6 of the Franchise Agreement to defray the cost to us of site inspection and construction design review, and
- (f) We have given our prior written approval to the new site and the provisions of the lease for the new premises.

You will not have the right to relocate your Mobile Marketing Area if you have a mobile Business.

We do not compete or intend to compete with you through a competitive business<sup>A</sup>. In the future, we may experiment with other bases or modes of <sup>A</sup>operation. We do not compete or intend to compete with you under another trade name or marks unless we acquire or merge with another online consignment chain. We have no plans to acquire or merge with another chain at this time.

You will not have an option, right of first refusal or similar right to acquire additional franchises within your Protected Area or contiguous areas.

You are not required to meet a sales quota or other condition to maintain the exclusivity of your Protected Area.

### **Area Development Agreement**

Under the Area Development Agreement, we grant to you and you accept the exclusive right, during the term of the Area Development Agreement, to develop <sup>A</sup>storefront Businesses in a specified Development Area. The Development Area is defined in Attachment 1 to the Area Development Agreement by means of a map or a written description. The Development Area will be, in the judgment of the parties, demographically adequate to support at least the number of <sup>A</sup>storefront Businesses that you have agreed to open under the Development Schedule. It will probably have a population of between 50,000 to 100,000 people per <sup>A</sup>Business in your Development Schedule, adjusted upward

or downward because of demographic factors. Except as described below, as long as the Area Development Agreement is in effect, we may not operate or grant a franchise to any other person to operate a competitive Business within your Development Area.

We have the right to terminate your Area Development Agreement if you do not open and operate the number of storefront Businesses specified in your Development Schedule (Attachment 2 to the Area Development Agreement) in a timely manner. If we have the right to terminate your Area Development Agreement because you did not meet the Development Schedule but do not want to terminate the Agreement, we may, alternatively and at our sole option, modify your Development Area or terminate your exclusive rights in the Development Area while allowing you to apply any unapplied Development Fees against future initial franchise fees. There are no other circumstances that would permit us to modify your Development Area while the Area Development Agreement is in effect.

There are no circumstances under which we would permit more than one Area Developer to operate under an Area Development Agreement in a single Development Area. However, if you fail to meet your Development Schedule, we may terminate the Area Development Agreement while allowing you to continue operation of any franchised Businesses you own that are in Good Standing.

You will not have an option, right of first refusal or similar right to acquire additional areas.

### ITEM 13. TRADEMARKS

We registered our principal Mark, iSOLD IT®, on the principal register of the United States Patent and Trademark Office ("Patent Office") on November 30, 2004, in class 35 for use in connection with on-line retail consignment services featuring a wide variety of consumer goods. The registration number is 2906614. Since then, we have obtained additional registrations, both within the United States (the word mark "ISOLD IT ONLINE" on December 13, 2005, registration number 3028886, in classes 35 and 36, and the word mark "ISOLD IT" and design on May 30, 2006, registration number 3097571, in classes 35 and 36) and in other countries.

On May 10, 2007, David Ellzey, doing business as "Mr. Sold It," filed a petition for declaratory relief in the District Court of Harris, Texas, Cause No 2007-28929, alleging that we are infringing his rights in a registered trademark by franchising iSold It stores in Texas. The suit has not yet been served. We have retained counsel and will defend this matter vigorously, on the grounds, among others, that there is no likelihood of confusion between the two marks and that the plaintiff is not the owner of the mark.

Otherwise, there is no currently effective determination of the Patent Office, the trademark administrator of this state or any court, or any pending interference, opposition or cancellation proceeding, or any pending material litigation involving the Marks.

No agreement limits our right to use or license the use of our trademarks or trade name.

We must indemnify and hold you harmless from all expenses and liabilities of any kind arising from or in any way connected to any third party claim that your use of the Marks infringes its intellectual property rights. If you are made a party to a legal proceeding in connection with a claim of this type, we will hire counsel to protect our interests and will defend you at our own expense. Any settlement we negotiate will bind you, but we will reimburse you for your direct cost of compliance with the settlement agreement.

You must notify us immediately in writing if you become aware of any unauthorized use of our Trade Name, Marks, or System. You will promptly notify us in writing of any claim, demand, or suit against you or against your principals in connection with your use of the Trade Name, Marks, or System. In any action or proceeding arising from or in connection with any such claim, demand, or suit, you agree that we may select legal counsel and have the right to control the proceedings.

We have invested time, energy, and money in the promotion and protection of our Trade Name and other Marks. We do not intend to change them. However, rights in intangible property such as the Trade Name and Marks are often difficult to establish and defend. Changes in the cultural and economic environment within which the System operates or third party challenges to our rights in the Marks may make it desirable or necessary to change the Trade Name and Marks. We therefore have the right to change our Trade Name and Marks and the specifications for each when we believe, in our reasonable discretion, that the changes will benefit the Franchise Network. You must promptly conform, at your own expense, to any such changes.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Marks in this state or the state where your <sup>A</sup>Business is to be operated. From time to time, infringing uses come to our attention. Internet meta-tag and domain name abuses are particularly prevalent. We have thus far been successful in halting them when we advise infringers that we will take all necessary action to defend our Marks.

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

We have not registered any patents or copyrights. We claim common law copyrights for our advertising materials, proprietary software and Manual. We consider much of the information contained in the Manual to be confidential. Therefore, the Franchise Agreement contains noncompetition and confidentiality provisions. You must

sign our Software License. In addition, Related Parties (general partners or limited partners owning an interest in you, shareholders owning an interest in you, corporations in which you have an interest, corporations in which any person or company owning an interest in you also has an interest or your officers, directors or limited liability company members) and each of your employees must sign Nondisclosure and Noncompetition Agreements regarding the Manual's contents, in the form of Attachment 6 to the Franchise Agreement.

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

You or your Designated Manager must devote all his or her productive time and effort to the management and operation of the ^Business. The Designated Manager must have successfully completed our initial training program or must be directly supervised by someone who has successfully completed our initial training program.

There is no requirement that your Designated Manager have an equity interest in the ^Business.

Your Designated Manager must sign the Nondisclosure and Noncompetition Agreement, in the form of Attachment 6 to the Franchise Agreement, and you must forward a copy of it to us within ten days of his or her employment. If we determine that a Designated Manager is not properly performing his or her duties, we will advise you and you must immediately take steps to correct the situation. Failure to comply with this provision is grounds for Termination of your Franchise Agreement.

You may not solicit the employment of any manager or other employee who is employed by us or by another ISOLD IT® franchisee.

#### **ITEM 16. RESTRICTIONS ON WHAT YOU MAY SELL**

You must offer and sell all the products and services and only the products and services that we have authorized you to provide. You must use the computer systems and software that we prescribe and may use only the computer systems and software that we prescribe in operating your ^Business and conducting your business.

You must operate the ^Business in total compliance with the systems and procedures stated in the Manual. We may make changes in our systems and procedures, when, in our reasonable discretion, change is needed for the continued success and development of the Franchise Network. Such changes may require the purchase of equipment, software, supplies, furnishings or other goods, completion of additional training by your employees, or other cost to you. You must promptly conform to the modified systems and procedures at your own expense.

You may sell items only on the Internet Selling Site or Sites we specify in the Manual.

You must participate in our National Charities Program. You must follow the procedures and commission structure prescribed in the Manual from time to time in all your dealings with actual or prospective Charity <sup>^</sup>sellers. You must participate in any national account or gift card programs that we institute.

<sup>^</sup>If you operate a storefront Business, there is no restriction on the people or companies to which you may <sup>^</sup>provide service. If you operate a mobile Business, you may solicit business or accept merchandise from sellers outside your Mobile Marketing Area only upon the conditions described in Item 12 and never from sellers within another franchisee's Protected Area, Mobile Marketing Area or Development Area.

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

The tables below briefly summarize certain important provisions of the Franchise and Area Development Agreements. You should read the complete provisions in the documents attached to this offering circular.

#### FRANCHISE AGREEMENT

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Term of franchise	4.5.1	<sup>^</sup> Storefront term is 10 years or length of the lease and renewals, whichever is shorter. <u>Mobile term is 10 years.</u>
b. Renewal or extension of the term	4.5.2	If you meet conditions described in 17c, you can add consecutive <sup>^</sup> 10-year terms.
c. Requirements for you to renew or extend	4.5.2	Sign new agreement, be in good standing, give timely notice, pay fee and sign release
d. Termination by you	None	None
e. Termination by ISI without cause	None	None
f. Termination by ISI with cause	10.2.1	We can terminate only upon uncured or noncurable material event of default
g. "Cause" defined - defaults which can be cured	10.2.1(a) - (d)	You have 5 days to cure non-payment defaults <sup>^</sup> and 30 days to cure other curable defaults



PROVISION	SECTION IN AGREEMENT	SUMMARY
h. "Cause" defined - defaults which cannot be cured	10.2.2(e) - (p)	Noncurable defaults include failure to successfully complete initial training, misuse of marks, misrepresentation in securing franchise, abandonment, repeated defaults, unapproved transfer, insolvency, and competition with Franchise Network
i. Your obligation on termination/ nonrenewal	10.3	Complete deidentification, payment of amounts due, honoring option to purchase or lease, assigning phone numbers and more
j. Assignment of contract by ISI	9.7	May assign to company that we reasonably believe can perform obligations and that promises in writing to perform obligations
k. "Transfer" by you - definition	3.2 <sup>A6</sup>	Includes lien or transfer of agreement or sale of assets or ownership change
l. ISI's approval of your Transfer	9.4	We have the right to approve all Transfers but will not unreasonably withhold approval
m. Conditions for ISI's approval of Transfer	9.3 - 9.5	New franchisee qualifies, transfer fee paid, purchase agreement approved, training completed, release signed, and new franchisee signs current agreement.
n. ISI's right of first refusal to buy your business	9.4	We have the right to match any offer to buy your business
o. ISI's option to buy your business	10.3(f)	We have an option to buy any of the assets of your business upon termination
p. Your death or disability	9.6	Heirs must qualify or have six months to sell
q. Noncompetition covenants during term of franchise	8.6, Attachment 6	No involvement in any competing business
r. Noncompetition covenants after franchise is terminated or expires	8.6, Attachment 6	No involvement in online consignment business for two years

<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
s. Modification of the agreement	11.4	Modification of agreement only by written agreement of parties; Manual may change from time to time
t. Integration/merger clause	11.6	Agreement is what is written in Franchise Agreement; inconsistent promises are not enforceable
u. Dispute resolution by arbitration or mediation	11.7 - 11.8	Mediation and/or arbitration will be conducted by AAA in California
v. Choice of forum	None	None, except in arbitration clause
w. Choice of law	11.2	California law, with specified exceptions

### **AREA DEVELOPMENT AGREEMENT**

<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
a. Term of the franchise	4.4.1	Term is length of the Development Schedule
b. Renewal or extension of the term	4.4.3	You have no right to renew, but we may negotiate new agreement upon expiration.
c. Requirements for you to renew or extend	None	None
d. Termination by you	None	None
e. Termination by ISI without cause	None	None
f. Termination by ISI with cause	9.2	ISI can terminate only if you materially breach an agreement
g. "Cause" defined - defaults which can be cured	9.1	Attempt to transfer without consent, failure to meet Development Schedule, failure to pay after 5 day notice

PROVISION	SECTION IN AGREEMENT	SUMMARY
h. "Cause" defined - defaults which cannot be cured	9.2	Material breach of Area Development Agreement other than failure to meet Development Schedule or termination of another Agreement between you or your Related Party and us or our Related Party because of your material default
i. Your obligations on termination/ nonrenewal	9.3	Indemnify us and Related Parties against your act or omission other than lawful performance of Agreement
j. Assignment of contract by ISI	7.1	May assign to company that is financially responsible, reasonably appears capable of performing and assumes obligations
k. "Assignment" by you - definition	7.3	Includes assignment of contract or assets or ownership change
l. ISI's approval of your assignment	7.3.1	ISI has the right to approve all assignments but will not unreasonably withhold approval
m. Conditions for ISI's approval of assignment	7.3.2	New franchisee qualifies, assignee assumes obligations, assignee completes training, assignor is not in default, assignee is not in default
n. IS's right of first refusal to buy your business	7.4	ISI has the right to match any offer to buy your business
o. ISI's option to buy your business	None	None
p. Your death or disability	7.3.3	Transfer on death or disability constitutes an assignment, subject to same conditions as other assignments
q. Noncompetition covenants during term of franchise	8.1	No involvement in any competing business
r. Noncompetition covenants after franchise is terminated or expires	8.2	No involvement in competing business for two years

PROVISION	SECTION IN AGREEMENT	SUMMARY
s. Modification of the agreement	10.4	Modification only by agreement of parties or if we have the right to Terminate but choose to modify instead
t. Integration/merger clause	10.6	Agreement is only what is written in franchise agreement; other promises are unenforceable
u. Dispute resolution by arbitration or mediation	10.7 - 10.8	Mediation and/or arbitration will be conducted by AAA in <sup>^</sup> San Diego County, California
v. Choice of forum	None	None, except in arbitration clause
w. Choice of law	10.2	California law, with specified exceptions

**Note: Please see "Specific State Disclosures" attached to this Offering Circular for important information concerning your rights under certain laws of various states, including your rights in connection with choice of law, choice of forum, termination and renewal.**

#### ITEM 18. PUBLIC FIGURES

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

#### ITEM 19. EARNINGS CLAIMS

We do not furnish nor authorize our salespeople to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a ^Business. Actual results vary from ^Business to ^Business and we cannot predict the results of any particular ^Business. If anyone connected with us gives you any information about sales, income or profits, you should regard it as completely unreliable and unauthorized and should report it immediately to Kenneth Sully, our President and Chief Executive Officer.

## ITEM 20. LIST OF OUTLETS

The following table gives the status of ISOLD IT® franchised Businesses in each state where we had Businesses at the end of our last three fiscal years:

### FRANCHISED STORE STATUS SUMMARY ON DECEMBER 31, 2006, 2005 AND 2004

STATE	TRANSFERRED	CANCELLED	NOT RENEWED	REACQUIRED BY FRANCHISOR	OTHERWISE LEFT SYSTEM	TOTAL FROM LEFT	OPERATING AT DATE SPECIFIED
Alabama	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Arizona	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	7/5/1
California	5/3/0	0/0/0	0/0/0	0/0/0	8/1/0	13/4/0	42/34/14
Colorado	0/2/0	0/0/0	0/0/0	0/0/0	3/3/0	3/5/0	4/4/5
Connecticut	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	2/2/1
Florida	1/0/0	0/0/0	0/0/0	0/0/0	1/0/0	2/0/0	11/8/1
Georgia	0/1/0	0/0/0	0/0/0	0/0/0	3/1/0	3/2/0	6/8/2
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Illinois	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0	7/4/2
Indiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	6/5/3
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	2/1/0
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0	2/0/0	1/2/0
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Maine	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	1/2/1
Massachusetts	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/2/0
Michigan	0/0/0	0/0/0	0/0/0	0/0/0	5/0/0	5/0/0	6/9/4
Minnesota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/0
Missouri	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0	2/1/0	1/3/0
Nebraska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Nevada	1/0/0	0/0/0	0/0/0	0/0/0	0/1/0	1/1/0	1/1/0
New Hampshire	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
New Jersey	1/0/0	0/0/0	0/0/0	0/0/0	3/0/0	4/0/0	9/10/1
New York	1/0/0	0/0/0	0/0/0	0/0/0	3/0/0	4/0/0	7/5/2
North Carolina	1/0/0	0/0/0	0/0/0	0/0/0	2/0/0	3/0/0	3/4/1

STATE	TRANSFERRED	CANCELLED	NOT RENEWED	REACQUIRED BY FRANCHISOR	OTHERWISE LEFT SYSTEM	TOTAL FROM LEFT	OPERATING AT DATE SPECIFIED
North Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
Ohio	1/0/0	0/0/0	0/0/0	0/0/0	1/0/0	2/0/0	5/3/1
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	4/5/1
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	8/5/0
Rhode Island	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	0/1/0	0/0/0
South Carolina	1/0/0	0/0/0	0/0/0	0/0/0	1/0/0	2/0/0	1/2/0
Tennessee	0/1/0	0/0/0	0/0/0	0/0/0	1/0/0	1/1/0	4/3/1
Texas	1/4/0	0/0/0	0/0/0	0/0/0	3/2/0	4/6/0	12/9/6
Utah	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0
Virginia	0/1/0	0/0/0	0/0/0	0/0/0	2/0/0	2/1/0	6/4/1
Washington	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	5/5/3
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	5/6/1
<b>TOTAL</b>	<b>15/12/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>48/10/0</b>	<b>63/22/0</b>	<b>182/159/53</b>

The following table gives the status of company-owned <sup>A</sup>Businesses in each state where we had <sup>A</sup>Businesses at the end of our last three fiscal years:

**COMPANY-OWNED STORE<sup>A</sup> STATUS SUMMARY  
ON DECEMBER 31, 2006, 2005 AND 2004\***

STATE	OPENED	CLOSED	COMPANY STORES OPERATING AT DATE SPECIFIED
California	0/0/0	0/0/0	1/1/1
<b>TOTAL</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>1/1/1</b>

*\*We sold this company store to a franchisee in 2007.*

Attached to this Offering Circular as Exhibit D-1 is a list of the names of all franchisees under franchise agreements with us with the addresses and phone numbers of each of their <sup>A</sup>Businesses.

Attached to this Offering Circular as Exhibit D-2 is a list of the addresses of all company-owned <sup>A</sup>Businesses.

Attached to this Offering Circular as Exhibit D-3 is the name and last known home address and telephone number of each franchisee whose franchise has, during the most recently completed fiscal year been terminated, canceled, or not renewed, or who has

otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or who has not communicated with us during the past ten weeks.

The following table gives our estimate of openings, by state, for the coming year:

**ESTIMATED OPENINGS IN 2007**

STATE	FRANCHISE AGREEMENTS SIGNED BUT BUSINESS NOT YET OPEN	ESTIMATED NEW FRANCHISED STORES OPENING IN 2007	ESTIMATED NEW COMPANY STORES OPENING IN 2007
Arizona	<u>1</u>	1	0
California	<u>4</u>	4	40
Connecticut	1	1	0
<u>Delaware</u>	1	1	0
Florida	<u>1</u>	1 <sup>A</sup>	0
Idaho	<u>1</u>	1	0
Illinois	<u>1</u>	1	40
Kentucky	1	1	0
Maryland	1	1	0
Massachusetts	1	1	0
Nevada	1	1	0
New Hampshire	1	1	0
New Jersey	<u>1</u>	1	0
Ohio	<u>1</u>	1	0
Pennsylvania	1	2	0
South <u>Dakota</u>	<u>1</u>	1	0
Tennessee	<u>1</u>	1	0
Texas	1	<u>3</u>	40
Washington	1	1 <sup>A</sup>	0
<b>TOTAL</b>	<b><u>14</u></b>	<b><u>24</u></b>	<b>0</b>

**ITEM 21. FINANCIAL STATEMENTS**

Attached to this Offering Circular as Exhibit B are our unaudited interim financial statements dated March 31, 2007, and our audited financial statements as of December 31, 2006, December 31, 2005 and December 31, 2004.

## ITEM 22. CONTRACTS

The following agreements are proposed for use in this <sup>A</sup>State in connection with an ISOLD IT® franchise:

- Franchise Agreement<sup>A</sup> (Exhibit C-1)
- Release of Claims<sup>A</sup> (Attachment 2)
- Conditional Assignment of URL's, Identifiers, Email Addresses and Telephone Numbers<sup>A</sup> (Attachment 3)
- Franchise Software License Agreement<sup>A</sup> (Attachment 5)
- Nondisclosure and Noncompetition Agreement (Attachment 6)
- Personal Guaranty and Subordination Agreement (Franchise Agreement)<sup>A</sup> (Attachment 7)
- Area Development Agreement<sup>A</sup> (Exhibit C-2)
- Personal Guaranty and Subordination Agreement (Area Development Agreement) <sup>A</sup>(Schedule 3)
- Infopia Customer Agreement.<sup>A</sup> (Exhibit C-4)

## ITEM 23. RECEIPT

Attached, as the last page of this Offering Circular (Exhibit E-2), is a receipt. Please sign it, date it as of the date you receive the offering circular, and return it to us. A duplicate of the receipt is also attached for your records.



**ADDENDUM ^TO  
OFFERING CIRCULAR:  
^SPECIFIC STATE DISCLOSURES**

## California

Amendments to Item 5 of the UFOC:

### Franchise Agreement

The first sentence is amended to read as follows: "You must pay us an initial franchise fee when you open your first Business."

### Area Development Agreement

The first sentence is amended to read as follows: "If you sign an area development agreement, you must pay us a development fee when you open your first Business."

Neither the franchisor, nor any person or franchise broker identified in Item 2 of this offering circular is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

California Business and Professions Code §§ 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The franchise agreement contains a covenant not to compete that continues after the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement contains a provision for liquidated damages. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a franchise agreement that requires you to waive your rights under either or both of these laws is void. Our release of claims specifically excludes claims under applicable franchise laws.

Unless the transaction is exempt under the statute, Section 31125 of the California Corporations Code requires the franchisor to give the franchisee a disclosure document that has been approved as to form by the Commissioner of Corporations before soliciting a proposed material modification of an existing franchise.

The franchise agreement requires binding arbitration. The arbitration will occur in San Diego, California, with the costs being determined according to the rules of the American Arbitration Association.

OUR WEBSITE IS HTTP://WWW.I-SOLDIT.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT HTTP://WWW.CORP.CALIFORNIA.GOV.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

### **Illinois**

Many states have statutes concerning the relationship between franchisor and franchisee. These statutes deal with such matters as renewal and termination of franchises. Provisions of this sort will prevail over inconsistent terms in a franchise agreement. Illinois has such a statute. (815 ILCS 705/19 and 705/20).

The franchise agreement provides for termination upon bankruptcy. A provision in a franchise agreement that terminates the franchise upon bankruptcy of the franchisee may not be enforceable under Title 11, U.S. Code § 101.

The franchise agreement includes a choice of law clause designating another state's law as the governing law. Under Illinois law, a franchise agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item 17 w<sup>A</sup> is amended to state "none" under the heading for "§ in Franchise Agreement" and "none" under the heading for "Summary." The franchise agreement is amended to omit § 11.2. Regardless of which state's law is selected as governing law, the provisions of the Illinois franchise law will still protect you if you live in Illinois or locate your <sup>A</sup>Business there.

The franchise agreement requires you to sign a general release of claims as a condition of relocation, Transfer, or renewal of the franchise. Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void. Our release of claims specifically excludes claims that may not be waived in advance under applicable law.

### **Maryland**

Amendments to Item 5 of the offering circular:

When you open your iSold It® <sup>A</sup>Business, you will pay us an initial franchise fee in immediately accessible funds. The initial franchise fee is \$22,000 if this is your first franchise and \$15,000 if this is an additional franchise. The initial franchise fee is not refundable. It is uniform for all franchises currently being granted.

Under the Area Development Agreement, you must pay us a Development Fee in the amount of the total initial franchise fees for all Businesses required to be opened

under the Development Schedule. We will not collect the Development Fee until your first iSold It® Business is open. The Development Fee is not refundable.

Amendments to Item 17 of the offering circular:

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

The Franchise Agreement says that we may require you to sign a release of claims as a condition of renewal or Transfer of your franchise. Under Maryland law, this condition may not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Our release of claims specifically excludes claims under applicable franchise laws.

Under the Franchise and Area Development Agreements, you are required to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland franchise law. These agreements are amended to state that the representations are not intended to nor do they act as a release<sup>A</sup> or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within three years after the franchise is granted.

#### <sup>A</sup>Minnesota

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

The Franchise Agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement.

The Franchise Agreement requires you to sign a release as a condition of renewing or transferring a franchise. Minn. Rule 2860.4400J prohibits us from requiring you to sign a release of claims arising under the Minnesota Franchise Law. Our release of claims specifically excludes claims under applicable franchise laws.

The Agreements provide that we may be entitled to a temporary injunction or decree of specific performance without bond if we can demonstrate to a court of competent jurisdiction that there is substantial likelihood of your breach or threatened breach of any of the terms of the Agreements. The Agreements are amended to provide that we are entitled to seek a temporary injunction or decree of specific performance under these circumstances, not that we are necessarily entitled to obtain this relief.

The Agreements provide for shortened statutes of limitations. Under Minnesota law, any claims arising under § 80C may be brought within three (3) years after the cause of action accrues. Therefore, in Minnesota the agreements are amended to provide for a three- (3-) year period within which to bring any Minnesota claims.

### **New York**

Except as stated in Item 3 of this prospectus, neither the franchisor, its predecessor or predecessors nor any person or sales agent identified in Item 2 of this prospectus: (i) has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a felony, violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (ii) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgement or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restrain of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (iii) is subject to any injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

Neither the franchisor, its affiliate, its predecessor, officers, nor general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership, except as disclosed in Item 4 of this Offering Circular.

The introduction to Item 17 is amended to read as follows:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS OFFERING CIRCULAR.

The Summary column of Item 17d is amended to read: "You may terminate upon any grounds permitted by law."

The Summary column of Item 17j is amended to read: " ISI may assign only to a financially responsible assignee that ISI reasonably believes capable of performing its obligations under the franchise agreement and which expressly assumes these obligations in writing."

The Summary column of Item 17s is amended to add the following: "Revisions to the Manual will not unreasonably affect your obligations, including your economic obligations, under the Franchise Agreement."

The Summary column of Item 17w is amended to add the following: The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33."

### **North Dakota**

In North Dakota, the offering circular is amended as follows to conform to North Dakota law:

Item 17c is revised to omit any requirement that a general release be signed as a condition of renewal.

Item 17r is amended to add the following: "To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota."

Item 17u is amended to omit any reference to the location of mediation or arbitration.

Item 17w is amended to state "None."

### **Rhode Island**

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the Offering Circular, any litigation or arbitration arising under the Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by § 19-28.1-14 of the Rhode Island Franchise Investment Act, the Agreements will be governed by the laws of the State of Rhode Island.

## **South Dakota**

The Franchise Agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. The Franchise Agreement provides for arbitration in California. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with § 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The Franchise Agreement designates California law as the governing law, except that the arbitration clause is to be construed under the Federal Arbitration Act and trademark issues are to be construed under the Lanham Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, but contractual and all other matters will be subject to application, construction, enforcement, and interpretation under the governing law of California.

Under South Dakota law, any provision in a franchise agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the franchise agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the offering circular and franchise agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default <sup>^</sup>before termination. Under SDL 37-5A-86, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void.

Any acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

## **Washington**

The State of Washington has a statute, RCW 19.100.180, that may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of the franchise.

In Washington, provisions of the Franchise Agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable.

The Franchise Agreement requires application of the laws of a state other than Washington. If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap. 19.100 RCW, will prevail.

The Franchise Agreement requires you to sign a release of claims as a condition of renewing or transferring the franchise. A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act. Our release of claims specifically excludes claims under applicable franchise laws.

Under Washington law, transfer fees may be collected only to the extent that they reflect the franchisor's reasonable estimated or actual costs in connection with the Transfer.<sup>A</sup>