# INFORMATION FOR PROSPECTIVE FRANCHISEES REQUIRED BY FEDERAL TRADE COMMISSION

**SMARTBOX PORTABLE SELF-STORAGE, LLC**
a Virginia limited liability company
2100 Dabney Road
Richmond, VA 23230
Phone: 804-282-9944
www.smartboxusa.com

**TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.**

**THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.**

FEDERAL TRADE COMMISSION

Washington, D.C. 20580

**DATE OF ISSUANCE: MARCH 30, 2007**

Certain states require franchisors to make additional disclosures related to the information contained in this Offering Circular. If applicable, these additional disclosures will be furnished to you in an addendum, effective as of the date shown in Exhibit A.

**FRANCHISE OFFERING CIRCULAR**

**SMARTBOX PORTABLE SELF-STORAGE, LLC**
a Virginia limited liability company
2100 Dabney Road
Richmond, VA 23230
Phone: 804-282-9944
www.smartboxusa.com

You will operate a business specializing in the operation of a self-storage facility featuring the use of portable, modular storage units.

You will be required to pay us an initial franchise fee of $40,000 for a Territory of approximately 200,000 people. The initial franchise fee will be increased by $10,000 for each additional 100,000 people in the Territory. (For example, a person purchasing a 1,000,000 population territory would have an initial franchise fee of $120,000.) The estimated initial investment ranges from $374,900 to $975,800 for one Territory if you follow the plan outlined in the Franchise Agreement. See Items 5 through 7 for more details.

Risk Factors:

1. THE FRANCHISE AGREEMENT PERMITS YOU TO ARBITRATE DISPUTES WITH US (AND IN SOME CASES SUE OR BE SUED) ONLY IN THE STATE IN WHICH WE HAVE OUR THEN-CURRENT PRINCIPAL OFFICE, WHICH IS CURRENTLY VIRGINIA. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN VIRGINIA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT VIRGINIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

The states listed in Exhibit C may require registration or filing of this franchise offering. If this franchise offering is registered in any of these states, the effective date of the registration is disclosed in Exhibit A. Some of these states may require different or additional disclosures (see Exhibit G) or revisions to the franchise agreement (see Exhibit H).

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission or your state authority.

**Date of Issuance: March 30, 2007**. If this Offering Circular has been registered in any of the states listed in Exhibit A, the Effective Date of that authorization is listed in Exhibit A.

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**EXHIBITS:**

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

**The Franchisor**

The franchisor is SMARTBOX Portable Self-Storage, LLC. To simplify the language in this offering circular (the "**Offering Circular**"), the franchisor will be referred to as "**we**," "**our**" or "**us**." We are a Virginia limited liability company formed on September 24, 2003. We conduct business under the name "**SMARTBOX,**" "**SMARTBOX Portable Self Storage,**" and "**SMARTBOX Moving & Storage.**" Our principal business address is 2100 Dabney Road, Richmond, Virginia 23230 (804-282-9944).

We offer franchises for self-storage businesses that feature portable, modular storage units which will be operated under the name SMARTBOX. We first offered franchises for these "Smartbox Businesses" (described below) in February 2004. We have not operated businesses of the type described in this Offering Circular, although one of our affiliates operates a Smartbox Business. We do not offer franchises in any other line of business. Our agents for service of process are listed in Exhibit D.

**Our Predecessors and Affiliates**

We do not have any predecessors.

We have several affiliates. One affiliate is SMARTBOX Moving and Storage, LLC ("**SBMS**"). SBMS was formed on March 5, 2003, and is a Virginia limited liability company. SBMS is the owner of all rights, title and interests in and to the Marks (defined below). Its principal business address is 2100 Dabney Road, Richmond, Virginia 23230. As described in Item 13 below, SBMS has licensed to us the right to use and license others to use the Marks. SBMS has never offered franchises in this or any other lines of business.

We have one affiliate, Portable Storage of Richmond, LLC ("**PSR**"), that operates a Smartbox business. From May 2003, until July 1, 2004, a former affiliate of ours, West End Self Storage LLC ("**WESS**"), operated a Smartbox Business similar to the business described in this Offering Circular in Richmond, Virginia under the name "SMARTBOX." On July 1, 2004, PSR, which is owned by our affiliate, Spanish Moss Holdings, Inc., purchased the Smartbox operating assets from WESS, signed a franchise agreement with us, and became our franchisee in Richmond, Virginia. PSR's principal business addresses are 2100 Dabney Road, Richmond, Virginia 23230 and 2600 Durham St., Richmond, Virginia 23230.

**The Franchise Offered**

We have developed and own a comprehensive system relating to the franchising and operation of portable self-storage businesses that operate under the Marks (defined below). The system includes the use of specially designed portable, modular storage units ("**Containers**"), specialized equipment specifically designed for lifting and transporting the Containers ("**Forklifts**"), accounting methods, computer software, advertising, sales and promotional techniques, personnel training, the Marks and signage, equipment, and specifications for authorized equipment, methods of inventory and operations control and certain business practices and policies, all of which we may improve, further develop or otherwise modify from time to time (the "**System**"). Our portable self-storage businesses feature the use of our specialized Containers, truck transport system, Forklifts, and a centralized customer order center (the "**Customer Order Center**"). The business operates under the proprietary marks "SMARTBOX," SMARTBOX Design," "SMARTBOX MOVING AND STORAGE & Design" and "SMARTBOX

PORTABLE STORAGE & Design." We may adopt, use and license additional or substitute trade names, trademarks and service marks and trade dress in connection with the operation of these businesses. The existing proprietary marks "SMARTBOX" and "SMARTBOX & DESIGN" and all additional or substituted names and marks are collectively referred to as the "**Marks.**" The portable self-storage businesses that operate using our System and our Marks are referred to as "**Smartbox Businesses,**" or individually, a "**Smartbox Business.**"

We may offer a franchise agreement (the "**Franchise Agreement**") to qualified entities and persons that wish to establish and operate a Smartbox Business. We grant franchises to operate a Smartbox Business within a designated geographical area (the "**Territory**"). The Territory, which is described further in Item 12, is defined in the Franchise Agreement. The Smartbox Business will be operated from physical facilities that you own or lease and operate (the "**Smartbox Facilities**" or "**Facilities**"). The Facilities include a storage facility or warehouse(s), office(s), and the equipment you need to operate the Smartbox Business. The Franchise Agreement will govern the operation of the Smartbox Business. We have prepared, and we will provide to franchisees, on loan, our confidential manual, which consists of mandatory and suggested standards, specifications, and operating procedures relating to the development and operation of Smartbox Businesses, and other information relating to your obligations under the Franchise Agreement (the "**Manual**"). See Item 11, Item 14, and Exhibit E for more information regarding the Manual.

The person (or persons) who signs a Franchise Agreement with us will be referred to in this Offering Circular as "**you**," and "**your**." Certain provisions of the Franchise Agreement will also apply to your partners (if you are a partnership), to your shareholders (if you are a corporation), to your members (if you are a limited liability company), and to certain other parties involved in, or related to, the Smartbox Business, like guarantors, managers and operators. You will be required to operate your Smartbox Business in accordance with the Franchise Agreement and our standards and specifications. Our current form of Franchise Agreement is attached to this Offering Circular as Exhibit B.

**<u>The Smartbox Business</u>**

The Smartbox Business is a portable self-storage concept in which an individually rented Container that is used for storage space is delivered to the customer. Unlike traditional self-storage businesses, Smartbox Businesses deliver weather-resistant storage Containers directly to the customer's door. Customers are able to keep the Containers at their home or business as long as necessary (subject to any local regulations), allowing them to pack the Containers at their leisure. Containers can also be moved to any location in any state where we or our franchisees or approved companies have operations. If storage is desired, Smartbox Businesses will pick up the Container and deliver it to a central storage facility for storage until directed by the customer to re-deliver it to the same or a new location.

We have designed, built and tested prototype Containers and Forklifts that are utilized to move the Containers onto and off of trucks. The Forklift enables the Containers to be placed on a truck while keeping the contents level. In May 2003, our affiliate, SBMS, began full-scale operation of a Smartbox Business serving the Richmond, Virginia area. This business was later transferred to WESS, and then to PRS, who became our franchisee on July 1, 2004.

Smartbox Businesses may provide services to both individual consumers and businesses in need of storage facilities. The services provided attract customers who are seeking traditional self-storage, full-service moving and storage, self-movers, and rental truck users. A Smartbox Business provides a method to accomplish moving, storing, or any combination of moving and storage without the need to rent a truck, and with more flexibility of time, cost, and safety. The business is not a completely new concept, but rather an evolution of the traditional self-storage and moving and storage industries, driven by customer convenience, service, and economics. As the network of Smartbox Businesses expands, we expect to be able to offer additional "moving" services to permit Smartbox Containers to be picked up a customer's home or office in your Territory, and delivered to another location, or a Smartbox Business, located in another Territory. In 2005, we developed a service that we call SMARTCARE™ which is a coordinated storage and moving service that permits customers to use Smartbox services for moving goods in our Smartbox Containers to areas outside of a Smartbox Business's territory. Customers may store Containers with their goods in our storage centers or utilize monthly on-site storage rental for storage of special-event materials, contractor material storage at construction sites, and for a variety of other reasons. In some cases, Smartbox Businesses offer customers the ability to contract for point-to-point moving services, both within a metropolitan area and between metropolitan areas.

**The Market and Competition**

As noted above, a Smartbox customer is one who needs storage, is moving, or is looking for a combination of both moving and storage. Previously, potential customers would have utilized traditional self-storage facilities, moving and storage companies, rental trucks, or performed self-moves. We service both residential and commercial customers. In our limited experience, residential customers typically represent 75% of the business.

The self-storage industry has been built to a level of significant market penetration in many areas throughout the country. Based on the 2002 Self-Storage Almanac published by Minico, Inc., there are more than 35,000 self-storage facilities in the United States, containing more than a billion square feet of space. The top 10 companies within this industry control a combined market-share of approximately 19% of the total square footage in the industry, and the top 50 companies control less than 27%. Numerous small local operators characterize the remainder of the industry. The market for climate-controlled storage facilities has also grown over the years. The self-storage industry is a very fragmented market, however, characterized by a trend toward consolidation, continuing increase in demand, relatively slow growth in supply, and a targeted market of primarily residential customers. The market territory for a self-storage facility is generally small, with an approximate radius of 2 to 5 miles.

The self-storage industry has experienced relatively slow growth in supply in recent years for the same reasons that the industry is consolidating. Also contributing to slow growth are restrictive zoning and other regulations required through local governmental agencies, and substantial start-up costs associated with the construction and lease of new facilities. However, demand for self-storage services has increased significantly as indicated by an average increase in industry-wide rents and in industry-average occupancy.

The moving and storage industry is generally divided into three tiers: long distance moves handled by approximately a dozen large companies, shorter intrastate movers, and local movers. There are approximately 13,000 moving and storage companies, most being small, family run businesses. They generally offer numerous other services. The typical local mover has approximately 10 to 15 employees and two to three trucks. We expect a certain degree of seasonability in the moving and storage business, with increased levels of moving, and therefore increased use of moving and storage businesses and facilities, during the warmer weather months, particularly from May through August. Demand for moving and storage services continues to grow. The United States is a very mobile society, and industry figures suggest that approximately 20% of people who move will use moving and storage companies, while 80% will transport their own belongings.

There is a market of approximately 13 million self-movers every year. This group typically rents or borrows trucks or vans, solicits help from friends and family, obtains temporary self storage space and transports their own goods. According to the U.S. Census Bureau, 2001, 32.5% of renters and 9.1% of homeowners moved to a different residence in the previous year. According to a Mayflower Transit report in 2002, the typical moving customer is a married couple between the ages of 25 and 44 with one or two children.

Smartbox Businesses compete with other self-storage facilities and moving and storage companies on the basis of the service, price, convenience, availability, and brand recognition. There are a handful of companies currently offering similar portable self-storage facilities to the consumer. It is possible that some of the large self-storage facilities will also enter the portable storage business. Other than the capital requirements, there are relatively low entry barriers to the local portable self-storage industry. Obtaining appropriate licensing and proof of financial responsibility are also barriers to entry. Competitors to your Smartbox Business will include transportation companies, moving and trucking companies, fixed-based self-storage facilities and other portable storage facilities, all of which include independent operators and large chains. The market for the storage and moving business is highly developed and competitive.

Smartbox Businesses are not seasonal in nature and are made available to a broad customer base. However, the moving portion of the customer base can be seasonal depending on the climate and geography. The storage of containers is not seasonal in nature, and cold climates can extend the length of stay similar to traditional self-storage.

**Regulation**

Smartbox Businesses may be subject to state laws that regulate the self-storage and self-contained storage unit industries. For example, Virginia regulates this industry through the Virginia Statute 55-416. These laws typically: (a) govern the relative rights between a Smartbox Business and its customers when the customer has not timely paid rent; (b) enable the placement of liens and set forth procedures to provide notice to customers that the property within the storage unit may be sold in order to collect the unpaid storage fees; and (c) specify notice procedures, timing requirements and specify the means by which goods in a storage unit may be sold to satisfy obligations for unpaid storage fees.

Moving companies which transport goods intrastate may be under the jurisdiction of the state public utility commissions or other state agencies. If goods are transported interstate, they are regulated by the Interstate Commerce Commission. Smartbox Businesses may also be subject to state laws that regulate "public movers," "movers" or storage units industries. For example, New Jersey regulates "movers" or "public movers" and storage services providers under the New Jersey Public Movers and Warehousement Licensing Act, N.J. Stat. §45:D-1, *et seq.* (2000). These laws typically regulate the rights and business activities of Smartbox Businesses and their customers by requiring licensure of "public movers" and "storage" businesses, mandating that certain types and amounts of insurance be carried by Smartbox Businesses, granting rights and remedies to customers of Smartbox Businesses, and may also require that Smartbox Businesses be bonded.

You should consider that certain aspects of a Smartbox Business are also regulated by federal, state and local laws, rules, environmental laws, building codes, land use and zoning ordinances, in addition to the laws and regulations applicable to businesses generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws, the Occupational, Health and Safety Act, and various laws, rules and regulations regulating intrastate and interstate transportation.

It will be your responsibility to investigate any applicable laws as they relate to operating a Smartbox Business. It will also be your responsibility to investigate the requirements of any transportation authority as they relate to both interstate and intrastate transportation. For example certain states are deregulated; however, other states may require an application be processed with the proper state authorities in order to move household goods within that particular state. The application process varies from state to state. Additionally the federal government requires that an application be processed if you intend to move household goods from one state to another. These laws typically regulate movement of these types of goods, and certain Smartbox Businesses must seek the appropriate approval in order to operate. You are also required to comply with all requisition levels of these requirements, pay the applicable fees, and acquire the appropriate insurance. We may review your records to ensure that you are in complete compliance with any transportation authority requirements.

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## ITEM 2
## BUSINESS EXPERIENCE

The following is a list of directors, principal officers, and other executives who have management responsibility for the operation of our business concerning the franchises described in this Offering Circular. The principal occupation and business experience of each during the last five years, including the names and locations of prior employers, are indicated in the table below. Unless otherwise indicated, the location of the employer is Richmond, Virginia.

**Chairman of the Board:** **Bryan Bostic**

Bryan Bostic has been our Chairman of the Board since July 1, 2004. Since April 2004, Mr. Bostic has also been Managing Director of Spanish Moss Holdings, LLC, an investment company that invests in privately held companies and real estate. It is the owner of PSR. Mr. Bostic also is, and has been since December 1999, the Managing Director of Live Oak Holdings, LLC. From October 1985 until December 2000, Mr. Bostic was Chief Executive Officer of the museum ticketing company, 2b Technology, Inc., in Glen Allen, Virginia, until it was sold to Ticketmaster in 2000.

**President & CEO:** **Michael L. Lowe**

Michael Lowe has been our President since September 2003, and President of SBMS since April 2003. He became our CEO effective July 1, 2004. From March 2000 to November 14, 2003, Mr. Lowe was Senior Vice President of Proudfoot Consulting, an international consulting firm specializing in operational improvement and financial return on investment, located in Richmond, Virginia. Prior to that, Mr. Lowe co-founded Imtek Office Solutions, Inc. in Richmond, Virginia and served as President and Chief Operating Officer from August 1995 to February 2000. From March 1991 to July 1995 Mr. Lowe spent over four years in executive management as a Vice President with Danka Business Systems, in St. Petersburg, FL, during which he had direct P&L and operational management responsibilities, including acquisition negotiation and integration. Mr. Lowe previously was an owner of Modern Office Systems, which he sold to Danka in March 1991. Previously, Mr. Lowe held a number of senior management positions with national insurance carriers responsible for various marketing and field operations.

**Director, Business Development:** **James "Dusty" Rhodes**

James ("Dusty") Rhodes has been our Director of Business Development since July 2005. From March 2003 to July 2005, Mr. Rhodes was Senior Product Manager of Capital One Financial, a Fortune 200 financial services company located in Richmond, Virginia. In this role, Mr. Rhodes managed the growth of the Capital One insurance business by developing partnerships with Fortune 500 insurance companies and evaluating potential acquisitions. From July 2002 until March 2003, Mr. Rhodes was a student at the Kenan-Flagler Business School at the University of North Carolina-Chapel Hill, where he received his MBA. From February 1995 until July 2002, Mr. Rhodes was Director of Ticketing Services for the museum ticketing company, 2b Technology, a wholly-owned subsidiary of Ticketmaster Corporation.

**Director, Operations:** **James H. Flore**

James Flore has been our Director of Operations since February 2006. From November 2004 to February 2006, Mr. Flore served as the General Manager of our Richmond Franchise affiliate PSR. From June 2005 to February, Mr. Flore served in several different SPSS operational roles. Previously, Mr. Flore owned Oftek Supply Line, Inc. in Chester, Virginia, which he sold to the Supply Room Company for whom he served as the Director, Retail Stores. Prior to that, Mr. Flore held various middle and senior management positions in the office equipment industry including Regional Service Manager with Danka in Richmond, Virginia, National Service Manager with Sharp Electronics in Mahwah, New Jersey and Vice President of Operations for Imtek Office Solutions in Richmond, Virginia.

**Director, Accounting & Finance:** **Robin L. Dance, CPA**

Ms. Dance, CPA joined us in January 2007 as Director of Accounting & Finance. Previously, she held the positions of Assistant Controller, Accounting Manager and Controller for ColorTree, Inc. in Richmond, Virginia, ClearPoint Financial Solutions, Inc. in Richmond, Virginia and Realty Management Services, Inc. in Bethesda, Maryland from July 2003 through January 2007. From December 1995 to July 2003 she was Assistant V.P. and Controller of CAPREIT in Rockville, Maryland. She has also held various positions of Internal Auditor, Auditor In-Charge and Property Accountant.

**Director, Franchise Development & Support:** **Charles N. Lovelace**

Mr. Lovelace has served as our Director of Franchise Development & Support since July 2006. Prior to joining us he was Vice President of Marketing of Apex Technologies in Chesapeake, Virginia from September 2005 to July 2006. From March 2005 to August 2005, Mr. Lovelace was President and owner of Creative Management Systems in Virginia Beach, Virginia. Mr. Lovelace was President and COO of Instant Tax Service in Dayton, Ohio from January 2004 to February 2005 and Vice President of Franchise Development at Liberty Tax Service in Virginia Beach, Virginia from April 1999 to December 2005. He also served as President of several non-profit entities for over 14 years.

**Franchise Brokers**

We utilize the services of two groups of franchise referral brokers: Sunbelt Referral Program Development Co., LLC d/b/a Sunbelt Business Brokers ("**Sunbelt**") and TES Franchising, LLC, which operates under the trade name The Entrepreneur's Source® ("**TES**"). Each broker group solicits prospective franchisees for franchise companies, and will assist us in identifying prospective Smartbox franchisees. Once a prospect is referred to us, we conduct all further sales activities. No Sunbelt or TES broker or independent contractor has the authority to negotiate the sale of, or sell, Smartbox franchises. We will pay a fee to a franchise broker in the event that a prospect referred by it to us signs a Franchise Agreement. Information regarding Sunbelt, TES, and their brokers, is described below and in Exhibit L.

Sunbelt

Sunbelt is a limited liability company formed in Delaware in April 2006 and located at 3210 Rice St., St. Paul, Minnesota 55126. Sunbelt has a relationship with independently owned business broker offices that operate as either Sunbelt Business Brokers or Sunbelt Business Advisors (collectively, "**Sunbelt Brokers**"). Sunbelt offices and the individual Sunbelt brokers are identified on Exhibit L. The principal officers and directors of Sunbelt are identified below.

***President and Chairman: Edward T. Pendarvis***

Mr. Pendarvis has been President and Chairman of Sunbelt since its formation in October, 2002. He also was President and Chairman of Sunbelt Business Brokers Network, Inc. from 1982 to 2002.

***1st Vice Chairman: Carl E. Grimes***

Mr. Grimes has been 1st Vice Chairman of Sunbelt since our formation. He has been President of Sunbelt Business Advisors of the Ozarks located in Fayetteville, Arkansas since 1995.

***2nd Vice Chair: R. Stephen Thompson***

Mr. Thompson has been 2nd Vice Chairman since July, 2005. He has been President of Sunbelt Business Advisors, Santa Ana, California since 2000.

*__Member at Large: Daniel Elliott__*

Mr. Elliott has been 2nd Vice Chairman of Sunbelt since our formation. He has been Member at Large since July, 2005. He has been President of The Elliott Group, Inc., in Houston, Texas since 1997, and Managing Director of Sunbelt Corporate Advisors in Houston, Texas since 1993.

*__Member at Large: Scott Evert__*

Mr. Evert has been a Member at Large of Sunbelt since our formation. He also has been Region Manager and President of Sunbelt of Minnesota with offices in Minnesota, Chicago, Illinois since 2000. He was Senior Vice President of Major Video Concepts in Indianapolis, Indiana from 1991 to 2000.

*__Secretary: Dave Ball__*

Mr. Ball has been Secretary since July, 2005. He has been President of Sunbelt Business Brokers Network of Pittsburgh Inc. since 1998.

*__Treasurer: Satish Patel__*

Mr. Patel has been Treasurer since July, 2005. He has been President of Sunbelt Financial Group LLC. Located in New England since February, 2003. He was previously CFO. Of a privately held company named Smart Storage Inc. from 1994 through 2002.

*__Assistant Treasurer: Dan Pedersen__*

Mr. Pedersen has been Assistant Treasurer of Sunbelt since our formation. He has been President of Sunbelt Kansas City in Kansas City, Missouri since 1998

__TES__

TES is a limited liability company, organized in September 1997 under the laws of Connecticut, and is located at 900 Main Street South, Building #2, Southbury, Connecticut 06488. TES offers franchises for businesses that provide consulting and referral services relating to franchise and business opportunities. TES's franchisees are independent consultants (**"TES Consultants"**) that operate under the The Entrepreneur's Source® trade name. TES provides its consulting and brokerage services through the TES Consultants. TES's CEO and Managing Member is identified below. TES's officers and directors, and the TES Consultants, are identified in Exhibit L of this Offering Circular.

*__Terry Powell: CEO and Managing Member__*

Mr. Powell has been a Managing Member and CEO of TES since September 1997. From January 1984 to the present, he is also CEO and President of The Entrepreneur's Source, Inc., Southbury, Connecticut. The Entrepreneur's Source, Inc. provides consultation to persons desiring to purchase franchises and places them with various franchise companies, who pay it a placement fee for this service.

## ITEM 3
## LITIGATION

Other than the 8 actions involving TES disclosed in Exhibit L, no litigation is required to be disclosed in this Offering Circular.

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## ITEM 4
## BANKRUPTCY

On February 11, 2004, Mr. Flore, our Director of Operations, filed a petition under Chapter 13 of the U.S. Bankruptcy Code (In re James H. Flore, U.S. Bankruptcy Court for the Eastern District of Virginia, Richmond Division, Case No 04-31217-DOT). On April 15, 2004, the bankruptcy court entered a judgment to accept the repayment plan as filed, and on February 5, 2007, the court issued a directive that the matter is completed.

Other than the action described above, no person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceeding under the U.S. Bankruptcy Code required to be disclosed in this Item.

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## ITEM 5
## INITIAL FRANCHISE FEE

You must pay us an initial franchise fee (the "**Initial Franchise Fee**") of $40,000 for a Territory containing up to 200,000 people. The Territory is further described in Item 12 below. The Initial Franchise Fee will be increased by $10,000 for each additional 100,000 people in the Territory at the time the Franchise Agreement is signed. For example, for a 1,000,000 person Territory, the Initial Franchise Fee would be $120,000. The Initial Franchise Fee is due on signing the Franchise Agreement and is not refundable, in whole or in part, after the Franchise Agreement has been signed.

The Initial Franchise Fee is uniformly assessed according to the formula above. However, in 2005, to facilitate the opening of our New Orleans franchised business in the aftermath of Hurricane Katrina, we agreed to defer $75,000 of the $150,000 Initial Franchise Fee. All deferred payments are expected to be paid back plus interest within 18 months of opening. We do not anticipate agreeing to payment terms of this kind in the future.

If we grant you an additional franchise with a territory that adjoins or abuts your existing Territory, the Initial Franchisee Fee for the new franchise will be offered at a discount of 10% from the then-current Initial Franchise Fee.

The Initial Franchise Fee will go into our general operating funds, and will, in part, compensate us for the lost or deferred opportunity to franchise others and, in part, to defray some of the costs we may incur as a result of: (1) screening and approving prospective franchisees; (2) providing advice and assistance to franchisees; (3) incurring legal fees, accounting fees, and other costs to comply with the federal and state laws governing this offering; (4) developing, registering, and protecting the Marks; (5) prior research and development for the System; (6) prior development of our training programs; (7) new Smartbox Business training, or on-going training; and (8) marketing and general administrative expenses.

You are not required to purchase any products or services from us prior to opening your Smartbox Business.

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## ITEM 6
## OTHER FEES

| NAME OF FEE[1] | AMOUNT | DATE DUE | REMARKS |
|---|---|---|---|
| Royalty Fees | 7% of "Net Sales" per "Accounting Period;" subject to a monthly "Minimum Royalty" after the first 6 months of operation, as adjusted annually by the "Index." | The 3rd business day following each Accounting Period. | See Notes 2, 3 and 4. |
| Customer Order Center Fee | 2% of Net Sales for each Accounting Period; subject to a minimum monthly minimum of $1,000, as adjusted annually by the "Index." | The 3rd business day following each Accounting Period. | See Notes 2, 3 and 4. |
| Marketing and Advertising Program Contribution | 2% of Net Sales for each Accounting Period. | The 3rd business day following each Accounting Period. | See Notes 2, 3 and 5. |
| Local Advertising and Promotion | The greater of (a) 3% of Net Sales per year, or (b) $50,000 per year. However, if the territory exceeds 1,000,000 population, then the $50,000 minimum is increased, pro rata, on the basis of an additional $30,000 for every additional 1,000,000 people. | As incurred. | This amount includes money you spend on Local Advertising and Promotion, not including your Grand Opening Program. See Notes 3 and 5. |
| Cooperative Advertising Contribution | If a cooperative is established, up to 3% of Net Sales; or more, as determined by your local or regional cooperative. | The 3rd business day following each Accounting Period, or as directed by the Cooperative. | Payments to local or regional advertising cooperatives are credited against your minimum Local Advertising and Promotion expenditure requirement. See Notes 2, 3 and 5. |

| NAME OF FEE[1] | AMOUNT | DATE DUE | REMARKS |
| --- | --- | --- | --- |
| Grand Opening Program (advertising and marketing) | Varies under circumstances. | As incurred, but generally before opening or during the 360 days after opening. | See Note 6 below, and Item 7 and Item 11. |
| Training or Assistance | Will vary under circumstances. Current fee is $250 per day, per person. | As incurred. | See Note 8. |
| Indemnification | Will vary under circumstances. | As incurred. | You will indemnify us against any costs (including attorneys' fees) arising out of your use of the System. |
| Interest and Late Fee; Insufficient Funds | $100, and the lesser of 1.5% per month or the highest legal rate. | As incurred. | If money is not paid or reports are not submitted when due, then you must pay us $100 for each late payment or late report, plus interest from the date that the money was last due for payment until the date that the money is received. Interest will not be imposed unless your payment is 30 business days late or you have been late 2 or more times during the preceding 12 calendar months. In addition, if your check is returned, or if there are insufficient funds to make an EFT payment, we may charge you a $100 fee for each returned check and/or instance of insufficient funds. See also Notes 2 and 7. |
| Audit | Cost of audit plus interest on underpayment. | Within 30 days of your receipt of our audit report (or 10 days, for subsequent audits). | Cost of audit is payable only if an audit shows an understatement of more than 2% of Net Sales. |

| NAME OF FEE[1] | AMOUNT | DATE DUE | REMARKS |
|---|---|---|---|
| Insurance | Will vary under circumstances. | As incurred. | If you fail to obtain the required insurance coverage, we may obtain such coverage at your expense. We may designate certain insurers as mandatory. If we do so, you must procure such insurance from the designated insurers on the terms and conditions we have established with them. In these cases, we may pay the associated premiums. If we do so, you must reimburse us for the premiums attributable to your Smartbox Business within 30 days of our invoice. |
| Fees to Evaluate and Approve Suppliers | Will vary under circumstances. | Upon receipt of our bill. | We may impose reasonable inspections and supervision fees (including travel costs) to cover our costs in evaluating alternative approved brands or suppliers you suggest. |
| Transfer Fee | The greater of 25% of our then-current standard Initial Franchise Fee or our costs incurred in connection with the transfer. | The greater of 50% of the transfer fee or $10,000 is due when submitting to us the request for review and approval of a proposed transfer; the balance at closing. | The initial portion of the fee is non-refundable. The balance is payable only if you make a transfer (as defined in the Franchise Agreement), which includes the sale of your Smartbox Business, your company, or a controlling interest in your company. |

| NAME OF FEE[1] | AMOUNT | DATE DUE | REMARKS |
|---|---|---|---|
| Costs of Enforcement of Franchise Agreement | Will vary under circumstances. | As incurred. | Only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the agreement. |

Notes:

1. Except as otherwise noted, all fees noted in this Item 6 are imposed by and payable to us. All fees referred to in this Item 6 are non-refundable.

2. When we request, you must establish an arrangement for an electronic funds transfer ("**EFT**") or deposit payments directly to our bank. If we make that request, you must sign an agreement that authorizes this EFT or direct debt. This arrangement will apply to royalty fees, COC fees, MAP contributions (described below), and similar payments. See Franchise Agreement Sections 6 and 12.

3. As used in this Offering Circular, "**Net Sales**" means the aggregate amount of sales, revenues, fees, charges and other consideration received for services and products sold in connection with operations conducted by the Smartbox Business including income derived from sales at or away from the Smartbox Business, whether for cash, check or credit, and regardless of collection in the case of check or credit, but excluding: (a) all federal, state or municipal sales or service taxes collected from customers and paid to the appropriate authority; (b) all insurance premiums (excluding administrative fees and expenses) that are billed to and collected from customers and paid to the appropriate insurance company; (c) the amount of all customer refunds and adjustments and pre-approved, in writing, promotional discounts; (d) any amounts written off as bad debt expense; (e) revenue from the sale of Containers as a part of a long distance move program, if and when we might establish, organize, and manage such a program; and (f) any other sale of Containers, Forklifts or other assets that we have approved in advance between you and other franchisees or us. Net Sales will not include any revenues earned or other consideration received by you in connection with: (i) your sale to third parties, not in the ordinary course of business, of the equipment or assets of the Smartbox Business (such as trucks, forklifts, and other assets of the Smartbox Business), which do not bear the Marks; or (ii) any transfer that is subject to Section 15 of the Franchise Agreement. (See also Item 17 of this Offering Circular.) Generally, and subject to more detailed policies in the Manual, the sale of Containers on a regular or occasional basis will be considered a sale in the ordinary course of business, and will be included in Net Sales, but the sale must be approved in advance by us. However, the sale of Containers for the purpose of disposing of or replacing depreciated or old equipment is not considered a sale in the ordinary course of business and would therefore not be included in Net Sales, but these sales must also be approved in advance by us.

The royalties ("**Royalty Fees**"), customer order center fee ("**Customer Order Center Fee**"), Marketing and Advertising Program ("**MAP**") contributions, contribution to any local or regional cooperative ("**Cooperative Advertising Contribution**"), and local advertising ("**Local Advertising and Promotion**") expenditures will be calculated on Net Sales. Net Sales must be accurately and truthfully recorded on our designated sales reporting forms, excluding sales tax and insurance as explained above, less discounts, credit memos or adjustments and bad debt expense, plus monies received as part of any cross-country move program, which are distributed separately on a monthly basis. Our Manual contains detailed reporting requirements.

As used in this Offering Circular and as defined in the Franchise Agreement, "**Minimum Royalty**" means the minimum monthly payment that you must pay to us. There is no Minimum Royalty during the first 6 partial or full calendar months of operation. The Minimum Royalty will be $1,000 per month for months 7 through 24, and $2,000 per month for months 25 through 36. The Minimum Royalty for months 37 through the end of the term of the Franchise Agreement will be $3,500 per month, as adjusted by the Index.

As used in this Offering Circular and as defined in the Franchise Agreement, "**Accounting Period**" means the semi-monthly periods for reporting and for paying Royalty Fees and other payments. We may specify, in the Manual or otherwise in writing, that an Accounting Period will be a period of one week, two weeks, four weeks, or one calendar month, and you must comply with our rules and policies including, among other things, the payments and reports that must be paid or submitted during or following the end of such Accounting Period. As of the date of this Offering Circular, the semi-monthly Accounting Periods will be days 1 through 15 of a month, and days 16 through the last day of the month.

4. As used in this Offering Circular and as defined in the Franchise Agreement, "**Index**" means The Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor (or such equivalent index as may be adopted in the future) between January 1, 1995 and January of the then-current year. Except as described above, all fixed dollar amounts used in the Franchise Agreement (e.g., the Minimum Royalty, the minimum Customer Order Center Fee, the minimum required expenditure for Local Advertising and Promotion, etc.) will be adjusted on January 1 of each year in proportion to the changes in the Index. Each adjustment will be made effective on January 1 based on the January Index, but the first adjustment will not be made until the second January following the Agreement Date (i.e., for an Agreement Date of July 1, 2006, the first adjustment would be effective as of January 1, 2008).

5. You must contribute 2% of Net Sales to the MAP. You must also spend money each year on Local Advertising and Promotion. The expenditure requirement is the greater of (a) 3% of Net Sales, or (b) $50,000, although this amount may be higher if your territory has more than 1,000,000 in population. In that event, you must increase your expenditure by an amount equal to $30,000 for every additional 1,000,000 people (over the initial 1,000,000) adjusted pro rata. For example, if your territory has 1,500,000 people, your local advertising expenditure requirement would be the greater of 3% of Net Sales or $65,000. The $65,000 is based on $50,000, plus 500,000/1,000,000 in population, times $30,000. If a local or regional cooperative is formed in your area, you may be required to join, and your Cooperative Contribution may be up to 3% of Net Sales (or higher, if a majority of the members of your Cooperative vote to increase the Cooperative Contribution above 3%). However, your Cooperative Contribution will be credited against your obligation to conduct Local Advertising and Promotion, so that you will not be expending the maximum contribution for both local and cooperative advertising. See Item 11 for more information on required advertising expenditures.

6. While you may pay the required amounts to third-party providers of advertising and marketing services, we may require that you deposit the funds with us, and we will distribute the monies as necessary in accordance with the Grand Opening Program.

7. Interest begins from the date of the underpayment.

8. We will pay for the costs of instruction and required materials for the initial training of three highly trained personnel. You must pay the cost of initial training for any additional personnel and highly trained personnel, as well as all expenses incurred in connection with the additional initial replacement or

continuing training, which will include our costs and any fees. In addition, you will bear the expense for transportation, lodging, meals, wages and workers' compensation insurance for you and your personnel at all training. Currently, our per diem training fees are $250 per person.

9. We do not currently have any advertising cooperatives.

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## ITEM 7
## YOUR ESTIMATED INITIAL INVESTMENT

The following is our estimate for the initial investment to develop a Smartbox Business in a Territory of approximately 200,000 to 1,000,000 people, with one storage facility, one truck, two Forklifts, and an initial supply of Containers as described in this chart and the notes that follow.

We also estimate that the initial start-up period will include a 3-month pre-opening phase, followed by an 18-month start-up phase. The chart reflects the initial investment during the pre-opening phase and the beginning of the start-up phase. Please see the notes that follow for our estimate of additional investments (primarily in additional storage facility space, Containers, trucks, and Forklifts) that may be required during the 18-month start-up phase or subsequent to that time period.

| ITEM | AMOUNT | WHEN PAYABLE | METHOD OF PAYMENT | TO WHOM PAID |
|---|---|---|---|---|
| Initial Franchise Fee[1] | $40,000 to $120,000 | Upon signing Franchise Agreement | Lump Sum | Us |
| Storage Facility Lease Deposit[2] | $4,000 to $20,000 | As specified in Lease | As arranged | Landlord |
| Real Estate Lease Payments[2] | $40,000 to $100,000 | | | |
| Utilities, Licenses, and Prepaid Expenses[3] | $4,000 to $25,000 | As arranged | As arranged | Utility companies and suppliers |
| Leasehold Improvements[4] | $5,000 to $10,000 | As arranged | As arranged | Contractor or landlord |
| Smartbox Containers[5] | $150,000 to $250,000 | As arranged | As arranged | Approved suppliers |
| Trucks, Forklifts and Equipment[5] | $3,000 to $169,000 | As arranged | As arranged | Approved suppliers |
| Initial Inventory of Packaging Supplies | $2,500 to $4,000 | As arranged | As arranged | Approved suppliers |
| Insurance[6] | $12,000 to $40,000 | As arranged | As arranged | Suppliers |
| Signage[7] | $0 to $5,000 | As arranged | As arranged | Approved suppliers (including us) and lessors |
| Uniforms & Miscellaneous Supplies | $1,400 to $2,800 | As incurred | As incurred | Approved suppliers |

| ITEM | AMOUNT | WHEN PAYABLE | METHOD OF PAYMENT | TO WHOM PAID |
|---|---|---|---|---|
| Professional Fees | $0 to $10,000 | As incurred | As incurred | Attorneys, accountants, and other professionals |
| Office Equipment and Supply[8] | $5,000 to $10,000 | As incurred | As incurred | Approved suppliers |
| Grand Opening Advertising | $25,000 to $125,000 | As incurred | As incurred | Approved suppliers |
| Travel and Initial Training[9] | $3,000 to $10,000 | As arranged | As arranged | Suppliers |
| Minimum Royalty[10] | $12,000 | Monthly | EFT or check | Us |
| Call Center Fee[10] | $18,000 | Monthly | EFT or check | Us |
| Additional Funds[11] | $50,000 to $75,000 | As incurred | As incurred | Us, suppliers and employees, other creditors |
| **TOTAL** | **$374,900 to $975,800** | | | |

Notes:

1. The Initial Franchise Fee is non-refundable. The Initial Franchise Fee may be increased by $10,000 for each additional 100,000 people in the Territory. See Item 5. Other expenses may be refundable depending on the terms of the supplier.

2. Lease costs will vary with real estate costs in each market. Storage facility or warehouse space is leased on an as-needed basis at an approximate cost of $4.00 per sq. ft. Based on information we have from our franchisees, their initial lease costs have ranged between $2.00 and $6.00 per square foot, but we expect that in certain markets the lease costs may be higher. We estimate that 300 to 350 Containers stacked two high will require 10,000 sq. ft. of storage facility or warehouse space. This is dependent on space layout, poles, beams, etc. We expect that a franchisee initially will lease a climate-controlled facility that will be 10,000-20,000 sq. ft., and that the franchisee will ultimately require 40,000-60,000 sq. ft. (based on 200,000 population territory). The property must also have parking facilities for customer and employee vehicles, storage facilities for a truck, additional Containers, and other equipment and supplies, as well as office space and a customer waiting area. See also Note 11, below.

These costs depend on the market, supply and demand, and other variables typically associated with real estate markets. For instance, currently some markets, including some major markets, have excess supply of storage facility space with rental rates as low as $2.00 per sq. ft. We believe that rental costs in higher-priced markets or those with less supply or greater demand, such as Los Angeles, New York or South Florida, may be in the $6.00 per sq. ft. to $8.00 per sq. ft. range. We expect that most if not all new franchisees will lease space at the outset. Neither we, our affiliates, nor any of our franchisees have purchased new or existing storage facility or warehouse space. Therefore, we do not have any estimates of the cost to acquire and build a new storage facility, or acquire and renovate an existing storage facility. The cost to build a new facility or to purchase a previously built facility will vary widely depending on market supply and demand. Consequently, we are not able to provide an estimate for purchasing real estate and a storage facility. The chart reflects estimated leasing costs.

Some owners or landlords of storage facilities may require a lease deposit of one to three months rent, although some may not require any deposit. Also, we expect that you may need to lease storage facility space before you open for business, and that might be from one to three months. The low-end figure in the chart for Storage Facility Lease Deposit represents a situation in which there is no required lease deposit, and only one month rent (rounded up to $4,000) during the pre-opening phase. The high-end figure in the chart reflects a lease deposit of three months rent, plus rent for a three-month pre-opening phase.

The figures in the chart for Real Estate Lease Payments reflect estimated rent for storage facility space of 10,000 to 20,000 sq. ft. for 18 months. While we expect that you will have revenues to pay for certain expenses during the start-up phase, we cannot estimate those revenues. Also, please see the discussion of "additional funds" at Note 11 below.

3. This item estimates your miscellaneous opening costs and expenses such as installation of telephone, deposits for gas, electricity and other services, business licenses, vehicular registrations, legal and accounting expenses for your startup period.

4. Leasehold Improvements will vary with the initial storage facility space. All storage facilities will be required to have a designated retail customer space that will include customer service counters and various retail fixtures. We estimate that these required items, which may be purchased or financed, will cost approximately $5,000.

5. Forklifts and Containers are required for all franchise operations. You must purchase at least 120 Containers, at least 2 new Forklifts (including at least 1 moffett lift and 1 storage facility forklift), and 1 new truck and trailer from us or from approved suppliers. The low range estimate in the chart assumes that you will lease or finance the equipment, and that you will purchase the Containers. The high range assumes that the equipment and Containers will be purchased.

You must purchase an initial inventory of Smartbox Containers from an approved vendor, plus Smartbox covers. (We estimate that each Smartbox Container with an appropriate percentage of covers will cost $550, including assembly). In addition, you will need to purchase a compressor and a specific set of assembly tools. This investment should take a typical franchisee through the first year of operation. Although we do not provide leases on our trucks, Containers, and Forklifts, third-party companies have expressed interest in providing leases to qualified franchisees.

The estimate assumes that you lease or purchase/finance a new truck or truck/trailer for approximately $96,000, with a $30,000 residual value after 60 months (i.e., an approximate depreciation expense cost of $1,100 per month). The initial truck or truck/trailer must be new. Additional trucks or truck/trailers may be new or used (though all must still meet our branding and approval criteria), and they may be leased or purchased.

We estimate that you will need one truck to provide moving services for each 400 to 600 Smartbox Containers, depending on many factors such as percentage of boxes in long term storage, territory, size, dispatch methodologies, drivers, etc. The estimate also assumes that you purchase a new moffett lift for each truck for approximately $40,000, with a $14,000 residual value after 60 months (i.e., an approximate cost of $433 per month). The initial moffett lift must be new. Additional lifts may be new or used, and they may be leased or purchased. See also Note 12, below.

We may become an approved supplier of these items, but as of the date of this Offering Circular, neither we nor our affiliates are suppliers of these items, and you must purchase or lease them from approved third parties. Currently, we have a list of approved third party vendors, some of whom we have negotiated contracts to supply these products to our system. Your payments for Containers, Trucks, Forklifts, and other equipment will be determined by the supplier(s) of these items. You may be able to negotiate monthly payments with suppliers, or monthly payments to companies that may finance your purchases or leases of these items.

6. This item estimates your insurance costs for the pre-opening period and first 18 months of operations. Insurance rates and coverage availability will vary by geographic area as well as size of territory. Generally, you should be able to arrange for the payment of monthly or quarterly installments of the total premium instead of prepaying the entire lump sum. Certain states may have laws or regulations that could effectively require that you procure additional types of insurance. From time to time we review insurance coverages and we reserve the right to require new coverages and terms.

7. You will need to install indoor and outdoor signage and provide signage on any vehicles used in connection with the operation of a Smartbox Business. The cost of signage on trucks and Containers is included in the cost. Currently, neither we nor our affiliates are suppliers of signage. You may be able to negotiate with the lessor to have the lessor cover the cost of signage. The low end of the estimates for this line item reflects landlord/lessor contributions for signage. All signage and artwork must be approved by us.

8. As discussed in Item 11, you must purchase or lease certain computer hardware and software for the operation of the business, including the "Site Link" software. This estimate includes the expected purchase and/or leasing costs, as well as the initial license fee, set-up cost, and any ongoing maintenance for your computer and the "Site Link" software. A high-speed Internet connection is also required.

9. You will incur salary, travel and lodging expenses for your employees to attend training. The costs will depend on the distance you must travel and the type of accommodations you choose. The low estimate assumes that you live in driving range of Richmond, Virginia; the high estimate assumes that you will incur costs for lodging, food and travel for two weeks.

10. As noted in Item 6, and in the Franchise Agreement at Sections 1 and 6, you must pay a minimum monthly royalty of $1,000 per month beginning in the 7th month of operation, and you must pay a minimum monthly Customer Order Center Fee of $1,000 per month beginning with the first month that your Smartbox Business opens for business. The figures in the chart represent these payments for the 18-month start-up phase.

11. You will need additional capital to support ongoing expenses such as payroll and utilities, insurance, licenses, inventory, supplies, security, repairs and maintenance, and miscellaneous expenses. New businesses often generate negative cash flow. Your additional costs and indefinable expenditures will depend on factors such as your management skill, experience and business acumen, economic conditions, the local market for your business, competition and the performance of a Smartbox Business. Further, this item estimates your additional expenses <u>before</u> operations begin and ordinary recurring business expenses for an 18-month period, which are in addition to the other expenditures listed. The estimated amounts assume that none of your expenses are offset by any sales generated during this period.

We estimate that the start-up period will include a 3-4 month pre-opening period, and an 18-month start-up phase. During this period you will be generating revenue to at least partially offset the costs shown in the "Total," and such offsetting revenues are not shown in the table. If your business grows faster or slower, then your cost will be higher or lower respectively. We do not offer direct or indirect financing to franchisees for any items, however, we have worked with several vendors who have interest in providing leases or other financing for Containers, trucks and Forklifts, and storage facilities.

12. While we cannot estimate or predict sales, sales growth, or development of business at your Smartbox Business, or any other Smartbox Business, we believe that you may need to make the following investments, either during the 18-month start-up phase, or within a 12-month period thereafter:

| | During 18-Month Period | 12 Months After Start-Up Phase |
|---|---|---|
| Additional storage facility space | $ 40,000 | $ 80,000 |
| Containers | $320,000 | $240,000 |
| Trucks | $ 0 | $ 96,000 |
| Moffett (forklift) | $ 0 | $ 40,000 |
| Total | $360,000 | $456,000 |

These additional investments are only required if the growth of the business dictates additional purchases of storage facility space, Containers, forklifts, and trucks.

13. We relied upon the experience of our affiliates, SBMS, PSR, or our former affiliates, WESS and Fortress, to compile these estimates, but as noted in Item 1, this is very limited experience. We also relied on data that we obtained from other businesses, or from industry sources. The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; real estate, construction and leasing costs; the local market for self-storage services generally and for the Smartbox Business services specifically; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

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

**Purchase Restrictions**

The Franchise Agreement restricts the sources of products and services you utilize in establishing and operating a Smartbox Business. Currently, we do not supply or sell any products to you; however, we may do so in the future. Some items can be purchased only from suppliers we have approved, and others only in accordance with our specifications and standards. We estimate that your required purchases from approved suppliers (including us, if applicable) or according to our specifications will represent approximately 80% of your total estimated initial investment to establish the Smartbox Business and approximately 50% to operate a Smartbox Business on an annual basis.

You must operate your Smartbox Business in accordance with our System standards. We may regulate, among other things, the types, models and brands of required equipment, signs, computer hardware and software (further described in Item 11), materials and supplies to be used in operating a Smartbox Business, required or authorized products and the approved suppliers for each product. We do not provide you with any material benefit based on, or as a result of, your use of designated or approved suppliers.

Currently, neither we, nor any affiliate, is an approved supplier of any product. In 2005, neither we nor our affiliates have received any revenues due to sales of products to franchisees. However, in the future, we or our affiliates may be approved suppliers for various required products, including Containers and Forklifts.

**Specifications and Standards; Approved Suppliers**

Our reputation and goodwill is based on, and can be maintained only by, the sale of distinctive high quality products and services, and the use of equipment and supplies we feel are appropriate. Therefore, the Smartbox Business must use and/or offer for sale only products and services that either conform to our specifications and quality standards and/or are purchased from suppliers we approve (which may include us and/or any of our affiliates). We may modify the list of approved brands and/or suppliers. After notice of such modification, you may not reorder any brand or from any supplier which is no longer approved. You must sell all items that are approved for sale at your Smartbox Business.

If you propose to use any brand and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such brand and/or supplier so that we can decide whether such brand complies with our specifications and standards and/or such supplier meets our approved supplier criteria. We have the right to charge reasonable fees to cover our costs; which may include travel and lodging costs to inspect facilities, interview suppliers, etc. We will notify you of our decision within a reasonable period of time, it being understood that because of the nature and durability of the products comprising the System, testing and scientific verification may be required. For relatively standard products, such as shipping and packing materials, we expect that we will notify you within 60 days, and possibly within 30 days. For more sophisticated, complicated, or specialty products, such as Containers constructed with new or different materials, and/or for supplies that may not be in the United States, we expect to notify you in 6 months. If we are unable to approve your request within these time frames, we will notify you of that fact, and will provide an estimate of our expected notification date. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We may impose limits on the number of suppliers and/or brands for any of the products, supplies, equipment, and/or other items noted above. We may withhold our consent to the approval of a particular brand and/or supplier, in our sole discretion.

Our standards, specifications, and procedures for purchasing from approved suppliers and/or requesting modifications to these standards and procedures will be included in the Manual or on our system intranet; or will be provided to you upon request.

You must maintain at all times and at your expense an inventory of approved products and equipment sufficient in quantity, quality and variety to realize the Franchised Business's full potential. You must maintain, upgrade, and implement any changes to the Containers as we specify from time to time as may be applicable to Containers that we offer and sell. A condition for obtaining authorization to supply Containers to you will be an agreement from the supplier enabling us to inspect its facilities and the Containers that they manufacture at any time during normal business hours but without prior notice. Suppliers unwilling to meet these conditions and other conditions we establish for supplying Containers will result in the loss of their authorization to supply Containers to you and other franchisees. If you obtain Containers from sources that are unauthorized, you will be in material violation of the Franchise Agreement.

We may conduct market research to determine customer trends and salability of new products and services. You agree to cooperate by participating in our market research programs by test marketing new products and services and providing us timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of these test products and make a reasonable effort to sell them.

**Site, Storage Facility and Facilities**

You are responsible for developing the Facilities and for all expenses associated with it. You must submit a site plan depicting the location and type of improvements to be situated upon the Facilities as well as parking, access and signage specifications to us for our approval before starting to develop the Facilities. All development must be in accordance with the plans and specifications we have approved and comply with all applicable laws, ordinance and local rules and regulations. We will furnish such guidance to you in developing the Facilities as we deem appropriate. We do not, by approving your plans or specifications or inspecting the Facilities, assume any liability or responsibility to you or to any third parties.

You may lease or acquire the storage facility or facilities from which you will operate, and you may acquire or lease your other Facilities. We may permit you to lease, acquire, and/or develop a temporary storage facility for your operations, but you may do so only if we provide you with prior written approval, and only if the temporary, and the permanent, storage facilities are developed according to our standards and specifications. Our approval may be based on, among other things, the size and location of the temporary storage facility and your commitment and promise to lease, acquire, and/or develop a larger permanent storage facility within a required or specified time period. Your failure to develop a subsequent storage facility in accordance with our specifications and the timetable you agree to is a default under the Franchise Agreement for which we may terminate the Franchise Agreement.

We have the right to approve the terms of any lease, sublease or purchase contract for the Facilities, and you agree to deliver a copy to us for our approval before you sign it. Any lease or sublease for the Facilities must, in form and substance satisfactory to us, include certain provisions that we designate. These are described in Section 3.3(h) and Exhibit C of the Franchise Agreement. You may not execute a lease, sublease or purchase contract or any modification without our approval. We do not, by virtue of approving the lease, sublease or purchase contract assume any liability or responsibility to you or to any third parties nor will our approval constitute a warranty or representation as to that document's fairness or suitability or as to your ability to comply with its terms. You must deliver a copy of the fully signed lease, sublease or purchase contract to us within 5 days after its execution. If you or one of your Affiliates at any time owns the Facilities, you must immediately notify us and we may require that you or such Affiliate enter into a lease with us at commercially reasonable rates for a term co-terminant with the Term and we will sublease the Facilities to you on the same terms as the prime lease.

**Insurance**

You must obtain and maintain, at your own expense, the insurance coverage that we require from carriers we have approved. You must maintain in force: (a) comprehensive, commercial general and product liability insurance, including premises and operations; (b) general casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of the Facility, and Containers; (c) Motor Cargo Insurance, if applicable and (d) such other insurance policies, (including, among other things, business interruption, vehicle, worker's compensation and unemployment insurance), as we may determine from time to time as described in the Manual. All insurance policies must: (i) be issued by carriers approved by us; (ii) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe; (iii) name us and our affiliates as additional insureds; (iv) provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of the policy; and (v) include such other provisions as we may require from time to time.

We have established current coverages, minimum amounts, and maximum deductibles. These coverages and amounts are subject to change at our discretion, and those changes will be included in the Manual. Currently, our minimum requirements are as follows: All insurance policies must be issued by carriers rated at least A- by A.M. Best & Company or otherwise acceptable and approved by us. The minimum amounts of coverage to be provided are:

| | |
|---|---|
| Comprehensive General Liability | $1,000,000 each occurrence<br>$2,000,000 general aggregate |
| Customer Goods | Value appropriate to the number of boxes/exposure<br>$50,000 minimum at opening |
| Motor Truck Cargo | $20,000 minimum/$50,000 recommended |
| Umbrella Liability | $3,000,000 |
| Automobile Liability | $1,000,000 each accident, including non-owned/hired car |
| Workers' Compensation | Statutory -- per state of domicile |
| Property Insurance | Depends on facility size, value, etc. |

You must also offer customers content insurance on the Containers. We have established a minimum criteria for content insurance that must be adhered to by all franchisees. This criteria is as follows:

(1) Coverages must be available for a minimum of $10,000 and at least up to $20,000;

(2) Coverages must be available to all customers for Containers stored in, and on your property at, your storage facility; and

(3) Types of coverages must be submitted to us for review and approval.

We have negotiated an insurance policy program available to all franchisees that meets these criteria. However, given the volatility of the insurance industry, we cannot guarantee or assure you that the program will continue. Also, the insurance carrier may discontinue offering insurance coverage in specified geographic areas at any time, and/or rates may also be increased.

**Smartcare**

As discussed in Item 1, in 2005 we implemented a program that we call "Smartcare™," which is designed to facilitate long distance moves, or moves between territories operated by our franchisees and/or us or our affiliates. As part of "Smartcare," we coordinate all aspects of a customer's long distance or inter-territorial move, including contacting the long distance or long haul carrier, obtaining or negotiating rates with the freight company, arranging for insurance and regulatory compliance, coordinating origination and destination pick-ups and deliveries, interfacing with the customer regarding logistics, prices, billing and scheduling of the move, and providing the long distance containers for the move. We will also handle customer billing, payment and collections, and remittance of fees and revenues to the participating franchisees.

We do not charge the franchisees a fee for this service. However, the prices charged to customers will include (in addition to the fees that get remitted to franchisees and third-party vendors such as the long distance freight carriers) an administrative charge to compensate us for our personnel, billing, box usage, collections, and other products and services utilized to support Smartcare.

Smartcare was implemented in 2005, and our total fees collected in 2006, including amounts paid to third-party vendors and to participating franchisees, was $175,279.

Smartcare is not a mandatory service, as franchisees are not required to use, or recommend to their customers that they use, Smartcare to provide long distance or out-of-territory moves. However, as of December 31, 2005, Smartcare is the only approved service to provide inter-territory moves. If you want to provide long distance moves, you must comply with our standards and procedures for this type of service. Approved standards and procedures are included in our Manuals.

**Miscellaneous**

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Smartbox Businesses in our system. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that refusal would be in the best interests of the System or the franchised network of Smartbox Businesses.

We may negotiate purchase arrangements, including price terms, with suppliers. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor. Currently, there are arrangements for trucks, trailers, lifts, containers, covers, uniforms, insurance, printed materials, etc. If you purchase from these suppliers, you may be able receive a volume discount, or other discount, previously negotiated for the entire System. There are currently no franchisee purchasing distribution cooperatives.

We may collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, "**Allowances**") offered to us or to our affiliates by manufacturers, suppliers and distributors based upon your purchases of products and other goods and services. These Allowances are based on System-wide purchases of equipment, supplies, merchandise and other items. In 2006, we received $2,550 from International Harvester Trucks and applied that amount to MAP. It is our present intention to contribute all or a portion of any Allowances to the MAP or use these monies in a manner that we believe will be in the interest of promoting or enhancing the Smartbox brand.

Our total revenues in 2006 were $1,314,025 (see financial statements in Item 21 below). Our revenues (including any revenues received by our affiliates) from, or as a result of, required purchases or leases by franchisees, from us, or from designated or approved suppliers, was less than ¼ of 1% in 2006.

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## ITEM 9
## FRANCHISEE'S OBLIGATIONS

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

| OBLIGATION | SECTION OF FRANCHISE AGREEMENT | ITEM IN OFFERING CIRCULAR |
|---|---|---|
| A. Site Selection and Acquisition/Lease | 2.1, 3 | 7, 8, 11, 12 |
| B. Pre-Opening Purchases/Leases | §§ 3, 4, 8.1, 10.4, 10.5 | 6, 7, 11 |
| C. Site Development and Other Pre-Opening Requirements | §§ 2, 3, 4, 8, 10 | 6, 7, 11 |
| D. Initial and Ongoing Training | §§ 3.3, 4, 10, 15.2 | 5, 6, 7, 11 |
| E. Opening | §§ 3, 10 | 6, 7, 11 |
| F. Fees | §§ 6, 10.4, 10.8, 12.1, 14.2, 15.2 | 5, 6, 7 |
| G. Compliance with Standards and Policies/Operating Manual | §§ 1, 3, 7, 10 | 8, 11, 12 |
| H. Trademarks and Proprietary Information | §§ 5, 7.1, 7.5, 18.2 | 13, 14 |
| I. Restrictions on Products/Services Offered | §§ 2, 3, 10.4, 10.5 | 6, 7, 8, 12, 16 |
| J. Warranty and Customer Service Requirements | §§ 2, 10 | 11 |
| K. Territorial Development and Sales Quotas | §§ 2, 3 | 11, 12, 15, 16 |
| L. On Going Product/Service Purchases | §§ 3.3, 8.2, 10, 13.2 | 8, 11, 16 |
| M. Maintenance, Appearance and Remodeling Requirements | §§ 3.3, 5.2, 10, 17.1 | 7, 11 |
| N. Insurance | § 10.8 | 6, 7, 8 |
| O. Advertising | §§ 3.3, 12 | 6, 7, 8, 11, 16 |
| P. Indemnification | §§ 5.2, 19.4 | 13, 14 |
| Q. Owners Participation / Management / Staffing | §§ 4, 7, 9, 10 | 15 |
| R. Records and Reports | §§ 6.5, 9.2, 10.8, 13, 14 | 11 |
| S. Inspections and Audits | §§ 3.3, 14, 18.4 | 6, 11 |
| T. Transfer | § 15 | 17 |

| OBLIGATION | SECTION OF FRANCHISE AGREEMENT | ITEM IN OFFERING CIRCULAR |
|---|---|---|
| U. Renewal | § 17 | 17 |
| V. Post-Termination Obligations | §§ 7.3, 15, 18 | 17 |
| W. Non-Competition Covenants | §§ 7, 15.2, 16 | 15, 17 |
| X. Dispute Resolution | § 26 | 17 |

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