

ITEM 10 FINANCING

We do not currently offer direct or indirect financing. We will not guaranty your note, lease, or other obligations.

Under the Franchise Agreement, if we sell products to you (and we currently do not sell items to franchisees) we may require that you grant us a first priority security interest in the products or equipment that you might purchase from us. See Section 10.2 of the Franchise Agreement and Item 17. To enable us to perfect our security interest, you must sign and deliver to us our standard form of UCC-1 Financing Statement, a copy of the form of which is attached as Exhibit J.

The security interest will be a first-priority lien on the products or equipment you purchase. However, if you finance or lease equipment, and we have not provided financing for your purchases from us, we will allow a first-security position to be taken by the lender or lessor, and our position will be second. In those situations, if any, the lender must agree in writing to release its security interest on the equipment for the lesser of the original purchase price or the outstanding debt.

Since we currently do not offer financing, there is no standard form note or similar contract. If we offer financing, we expect that it will contain waivers of defenses and similar provisions typically found in notes and other security instruments. We do not have any practice or intent to sell, assign, or discount to a third party all or part of any financing arrangement.

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ITEM 11
FRANCHISOR'S OBLIGATIONS

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

Pre-Opening Obligations

We will provide the following pre-opening assistance:

1. We will grant you a Territory within which you will operate your Franchised Business (Sections 1, 2.1, 2.2, and Exhibit D to the Franchise Agreement).
2. We will provide you general guidance in selecting sites (Franchise Agreement, Section 3 and Exhibit D).
3. We will review, and approve or disapprove, the custom development plan you submit for a Smartbox Business (Franchise Agreement, Section 3.1 and Exhibit D).
4. We will furnish you with guidance in developing the Facilities as we deem appropriate (Franchise Agreement, Section 3.3(a) and Exhibit D).
5. We will provide you with a list of approved suppliers and/or approved types, brands, or models of equipment and fixtures (Franchise Agreement, Section 3.3(e) and Exhibit D).
6. We will review your grand opening advertising and promotional program, which you will not implement without approval (Franchise Agreement, Section 3.3(f) and Exhibit D).
7. We will review the terms of any lease or purchase contract for the site of your Smartbox Business (Franchise Agreement, Section 3.3(g); Section 3.3(h)). You may not lease a site or develop Facilities without our approval.
8. If you request our assistance 30 days prior to opening your Smartbox Business, we will provide you with opening assistance, in the form of one or more of our personnel familiar with the operation of a Smartbox Business, for up to 3 business days and with such other opening assistance as we deem appropriate (Franchise Agreement, Section 3.3(j) and Exhibit D).
9. We will provide initial training to for up to three individuals. You or your Operating Partner (as described in Item 15) may assume and fulfill one of these positions. This training is described in detail later in this Item 11 (Franchise Agreement, Section 4.1).
10. We will provide you with specifications for the Computer System (Franchise Agreement, Sections 8.1 and 8.2).
11. We will provide you, on loan, our Manual (or make it accessible to you via electronic format, like Internet, Intranet or CD-ROM), containing detailed information on the operation of a Smartbox business and the specific tasks that should be performed by various members of your staff (Franchise Agreement, Sections 4.5 and 8.3 and Exhibit D).

12. We will provide you with project management services that will include a list of tasks and a timeline for establishing your Franchised Business (Exhibit D to the Franchise Agreement).

13. We will assist you in setting up your relationship with approved suppliers (Exhibit D to the Franchise Agreement).

14. We will provide you with standard television, radio, print, Yellow Page advertisements, and a local website that you can use for grand opening and continuing advertisement purposes (Exhibit D to the Franchise Agreement).

Continuing Obligations

We will provide the following assistance during the operation of your Smartbox Business:

1. We will provide periodic guidance to you with regard to the System, including improvements and changes (Franchise Agreement, Section 3).

2. We will provide initial training for certain replacement personnel (Franchise Agreement, Section 4.2).

3. We will provide refresher courses and additional training (Franchise Agreement, Section 4.3).

4. We will periodically modify the Manual to reflect changes in standards, specifications and operating procedures (Franchise Agreement, Section 4.5).

5. Our Customer Order Center will initially be designed as a primary contact point for incoming orders from new or prospective customers. Our current expectations for the Customer Order Center include: Our customer service coordinators will answer inquiries and attempt to obtain customer orders from prospects calling from your Territory or any Open Area we approve at your request; orders will be entered and transmitted to you as they are entered in our system. We expect that transmission of orders to you and other franchisees and operators will be via an intranet or internal website, using software that we specify. We may modify the nature, scope, and functions of the Customer Order Center over time, and the Customer Order Center may be owned and operated by us or an affiliate, or we may designate a third party to operate the Customer Order Center for us. Continuing provision of the Customer Order Center service is contingent on your prompt and regular payment of all amounts you owe us.

6. We may, at our discretion, administer the MAP for the development of advertising and related programs and materials (Franchise Agreement, Section 12.3).

7. We may, at our discretion, establish local or regional cooperatives for the development and placement of advertising (Franchise Agreement, Section 12.4).

8. We may conduct, as we deem advisable, periodic inspections of the Smartbox Business, and may evaluate the products sold and services rendered by your Smartbox Business (Franchise Agreement, Section 14).

9. We may establish policies and practices regarding cross-border or long-distance moves, and may allocate revenues between franchisees and participating Smartbox Businesses (Franchise Agreement, Section 2.3). See discussion of Smartcare in Item 8 above.

10. We may develop a National Accounts program (Franchise Agreement, Section 2.5). See discussion of National Accounts in Item 12 below.

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of your Smartbox Business.

Development Plan

Within the first 20 days following the Contract Date, you may submit to us a custom development plan for the Smartbox Business (the "**Custom Plan**"). Within 20 days following your submittal we will either approve or disapprove your Custom Plan. Should we disapprove your Custom Plan we will provide you with written reasons for our disapproval, and you will have up to 15 additional days to resubmit your Custom Plan with changes that address or correct the reasons for our disapproval. We will review and approve or disapprove any such resubmittals within 10 days of receipt. Our decision will be final. However, we agree that we will not unreasonably withhold acceptance of your Custom Plan. The Custom Plan you submit must be in the form of a timeline and must address your proposed financing sources and terms for the temporary and permanent Premises and Facilities, the trucks, Forklifts, and Containers. Additionally, the Custom Plan must address all of the items contained in the standard plan (described below). If you do not submit, or if we do not approve, the Custom Plan, you must implement the standard plan and meet all of the time schedules within the standard plan. If we accept the Custom Plan you agree to meet all of the time schedules as approved for that Custom Plan.

The Manual contains a list of activities and objectives for developing the Facilities and commencing operations of the Franchised Business, along with a proposed or suggested timeline (the "**Standard Plan**"). The items in the Standard Plan are summarized in the following paragraph, and are intended to describe some of the critical elements of the Standard Plan. The items should not be taken to be a complete list of activities and objectives.

Your Standard Plan or Custom Plan may not be implemented unless approved by us, and either Plan should include proposed time frames to accomplish the following suggested activities: analyzing and understanding the size, scope, and character of the Territory; creation of a business entity; signing the Franchise Agreement and paying the initial fees; purchasing or leasing equipment such as a truck and Forklift; locating and securing, by purchase or lease, a site for the Facility; securing insurance; developing pricing strategies; arranging for start-up, pre-opening, and grand opening advertising; placing "Yellow Pages" advertising; training; hiring personnel, including a driver; and conducting a grand opening and grand opening advertising.

Site Selection

You select the sites for the operation of a Smartbox Business, subject to our acceptance, which we will base in part on our standard site selection criteria, including demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses, the nature of other businesses in proximity to the site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed site. 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. We will review each site report and determine whether to accept or reject each site after considering the factors we deem appropriate, including general location, access, visibility, size and configuration, and other physical characteristics of the site (Franchise Agreement, Sections 3.3(a), (b), and (g)). If you do not secure a site approved by us, and open the Smartbox Business within 150 days of signing the Franchise Agreement, we may terminate the Franchise Agreement (unless we agree to an extension).

Neither our acceptance of a site nor any information communicated to you regarding our standard site selection criteria will constitute a warranty or representation of any kind, express or implied, as to the suitability of a site for operation of a Smartbox Business. Our acceptance of a proposed site merely signifies that we are willing to grant a franchise at the site. A Smartbox Business may not be relocated from one site to another without first obtaining our written consent (Franchise Agreement, Sections 2.1 and 3.3(g)).

Time to Opening

The requirement to complete construction of the Facility(s) includes obtaining all required construction and occupancy licenses and permits, developing the Facility(s) (including all outdoor features and landscaping), installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required under the Franchise Agreement, the Manual, or by practical necessity to have the Facility ready to open for business. The Facility may not be opened for business until we have notified you that the Facility meets our requirements for opening. We may, in our sole discretion, conditionally approve opening of the Facility for business prior to satisfaction of all of our requirements, if that you subsequently satisfy, on a timely basis, all conditions which we may establish. Time is of the essence.

We estimate the time from the date you sign the Franchise Agreement to the date you open a Smartbox Business from 90 to 150 days. However, this time estimate may vary depending upon numerous factors including location, availability of equipment, construction schedules, any required approvals, completion of the training program, timely completion of the Custom Plan or Standard Plan, ability to project manage the timeline, financing, and whether or not you elect to operate a Smartbox Business out of a temporary facility until a permanent facility becomes available. Your Smartbox Business must be open and operating within 150 days after you sign the Franchise Agreement.

Training

Before opening of your Smartbox Business, we will train three individuals that you designate. The three individuals will be you, or if "you" are an entity (such as a corporation or a limited liability company), your Operating Partner, and two other individuals. We sometimes refer to them as the "**Highly Trained Personnel**." The three trainees must attend and successfully complete, to our satisfaction, the initial training program that we offer. Two of the three individuals must have designated full-time roles, and the three individuals will be responsible for: (a) day-to-day management of the Smartbox Business (this person is referred to as the "**Manager**"); (b) administration and customer service (this person is referred to as the "**Administrator**"); and (c) storage facility operations and driver operations. You may allocate functions, roles, and responsibilities among the three trainees, subject to our prior approval. Each of the two full-time personnel must be capable of training, and must train, additional or new employees. The person responsible for storage facility and driving operations must be

fully qualified and certified to drive and operate the required Smartbox trucks. You or your Operating Partner may assume the duties of one such person (Franchise Agreement, Section 4.1.)

If you (or your Operating Partner), any other owner who has completed our initial training program, the Manager, or others who completed our initial training program cease active management of, or employment at, the Smartbox Business, you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program. This must be done not more than 30 days after the former person's full-time employment and/or management responsibilities terminate. The replacement must attend and successfully complete the basic training program, to our reasonable satisfaction, as soon as it is practical to do so.

We will bear the cost of initial training (which will include only instruction and required materials) for up to three Highly Trained Personnel. You must pay for the cost of initial training for any additional personnel and additional Highly Trained Personnel, as well as all other expenses incurred in connection with initial, replacement, and/or continuing training, including, for example, the costs of transportation, lodging, meals, wages, and worker's compensation insurance.

Our training programs are conducted on an as-needed basis and consist of both classroom and hands-on training covering all phases of a Smartbox Business including the use and installation of products used in connection with a Smartbox Business. Training will be conducted at locations in the United States which we determine to be appropriate. Currently, all training is conducted at our corporate office located in Richmond, Virginia. The amount of training will range from 5 to 10 days depending upon the background and experience of the person being trained. The training will be conducted after you sign the Franchise Agreement and before you open a Smartbox Business.

The subjects covered in the initial training program are described as follows:

SMARTBOX INITIAL TRAINING PROGRAM

Subject	Instructional Materials	Hours of Classroom Training	In-Field Hours	Instructor
Intro to Self-Storage and Portable Storage	Handouts	30 min.	None	Administrator
Franchisor/Franchise Relations	Handouts	1	None	Administrator
Franchise Reports	Handouts	1.25	None	Administrator
Knowing the Portable Competition	Handouts	1	None	Sales
Competitive Analysis	Handouts	2	6	Sales
Knowing the Lease	Handouts, Computer	1	None	Legal
The Collection Process	Handouts, Computer	1	None	Legal
Liens and Auctions	Handouts, Computer	1	2	Legal
SMARTBOX Forms	Handouts, Computer	1	None	Operations

Subject	Instructional Materials	Hours of Classroom Training	In-Field Hours	Instructor
SMARTBOX Computer	Manual, Computer	10	None	IT Dept.
QuickBooks for SB	Computer, Handouts	2	None	IT Dept.
Scheduling and Dispatch	Handouts, Maps	2	None	Operations
Website	Computer	2	None	IT Dept.
Intranet (SMARTZONE)	Computer	1.5	None	IT Dept.
Equipment Safety	Video, Handouts	1	2	Transportation
Marketing and Advertising	Video, Audio, Handouts	6	None	Marketing
Storage Center Design, Setup, Layout	Video, Handouts	1.5	None	Facility
Smartbox Assembly	Video, Handouts	1	4	Facility
Transport Tech	Video, Handouts	1	16	Transportation
Forklift and Moffett	Video, Handouts	1	4	Transportation
Truck and Trailer	Video, Handouts	1	4	Transportation
DOT	Video, Handouts	5	None	Transportation
"How Much Will Smartbox Hold"?	Video, Handouts	1.5	None	Sales
SMARTCARE	Handouts, Intranet	1	None	Sales
ACT!	Computer	2	None	IT Dept., Sales
Personnel Management	Handouts	1	None	Human Resources
COC (Call Center)	Computer, Telephone	1	None	Operations

We expect that all training conducted in 2006 will be conducted by Charles Lovelace, Jim Flore, Mike Lowe, James Rhodes, Robin Dance, and Bryan Bostic. Their experience is described in Item 2. Whether conducted by our principal officers, or other trainers or employees, the SMARTBOX Training Department is comprised of experienced and highly skilled instructors, with minimum experience as follows:

- a. Sales 20 years
- b. IT Dept. 5 years
- c. Human Resources 3 years
- d. Operations 20 years
- e. Administration 20 years
- f. Legal 5 years

- | | |
|-------------------|----------|
| g. Transportation | 5 years |
| h. Marketing | 10 years |
| i. Facility | 10 years |

The training is integrated and there are no set starting and stopping times.

You and/or your Operating Partner, the Highly Trained Personnel, and other employees may also be required to attend refresher courses, seminars, and other training programs that we may reasonably specify from time to time. Currently, we expect that the refresher courses and other programs will be up to 5 days per person per year, and may include up to 3 days per person per year for attendance at an annual or national business meeting or convention of Smartbox franchisees and operators.

Operating Manual

The table of contents of the Manual is attached to this Offering Circular as Exhibit E.

Computer System

We have the right to specify and/or require that certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware are to be used by Smartbox Businesses and us, including, among other things: (a) our designated point-of-sale management, order tracking, and marketing system, data storage and retrieval systems, and transmission systems, that must be used at your Smartbox Business, between or among Smartbox Businesses, and between and among your Smartbox Business and us; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; and (e) high-speed Internet access (collectively, the “**Computer System**”). We may change, modify, alter, upgrade and enhance the Computer System and even designate new or replacement software programs and hardware (“**Computer Software Changes**”), at any time in our discretion (Franchise Agreement, Section 8.1). We also require that you purchase and use computer software that we require each Smartbox Business to use from time to time (the “**Software**”). We may in the future designate proprietary computer software as the Software.

Currently, the designated and recommended minimum Computer System hardware includes a Dell Dimension E520; Windows XP Professional operating system; 2.8 GHz processor, 80 GB hard drive; 1 GB RAM, 48X CD/RW DVD Combo Drive; 17-inch flat panel monitor; and wireless network router. Additional minimum equipment requirements include a multifunction printer/fax combination. These products are generally available from retailers or directly from the manufacturer.

The required software is SiteLink.Net, which has an initial setup fee and a base monthly charge for the initial 1000 Smartbox rental units and an additional monthly fee for 1000 – 3000 units. A credit card billing module is required and has an initial setup fee. Other options which may be available and which may be required are an annual tech service contract and a credit card reader for POS Sales. The software is available only from SMD Software, 3000 Highwood Boulevard, Leatherwood Building, Suite 120, Raleigh, North Carolina 27604; telephone: 919-865-0789, www.smdsoftware.com. Credit Card processing software is provided by SMD Software as well and administered by Payment Processing Inc, 8200 Central Ave. Newark, CA 94560, telephone: 800-774-6462.

We also require the most current version of the following applications: Microsoft Office (including Outlook, Word, PowerPoint and Excel), Microsoft MapPoint which works with Sitelink, QuickBooks (for business set-up and accounting), and high-speed Internet connections (for receiving orders from the Customer Order Center and accessing our proprietary Intranet system – SMARTZONE).

At our request, you must purchase or lease, and thereafter maintain, the Computer System. We will have the right at any time to retrieve and use the data and information on your Computer System that we deem necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, you must strictly comply with our standards and specifications for all item(s) associated with your Computer System, and you must operate your Computer System in accordance with our standards and specifications. To ensure full operational efficiency and optimum communications capability between and among equipment and computer systems installed by you, us, and other franchisees, you must keep, at your own expense, your Computer System in good maintenance and repair. We may require, and you will promptly install, any Computer System Changes that we direct in writing (Franchise Agreement, Section 8.2)

We have the right at all times to access the Computer System and to retrieve, analyze, and use all data in your files for the Computer System at any time. You must not in any way bar, restrict or limit our access to your files in the Computer System. If you deny us access, it will constitute a material breach of this Agreement (Franchise Agreement, Section 8.5).

We have no obligation to upgrade, maintain, report or update the Computer System or the Software.

Advertising

Marketing and Advertising Fund

We intend to establish and administer the MAP for the creation and development of marketing, advertising and related programs and materials. You must contribute 2% of Net Sales to the MAP (the "Marketing Contribution"), payable once per Accounting Period (currently, semi-monthly).

We or our designee will maintain and administer the MAP as described in the Franchise Agreement and as summarized below.

We or our designee will have the right to direct all marketing and advertising programs, as well as all aspects of the programs, including without limitation, the concepts, materials, and media used in such programs and the placement and allocation of them. The MAP is intended to maximize general public recognition, acceptance, and use of the System. We and our designee are not obligated, in administering the MAP, to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the MAP. We established the MAP and began collecting the MAP program fees in 2004. The funds collected in MAP in 2006 were used as follows: 41.5% on development, production and creative items and materials; 33.5% on media placement and purchases; and 25.0% on promotional items.

The MAP, all contributions to the MAP, and any earnings on funds in the MAP, must be used exclusively (except as otherwise provided in the Franchise Agreement) to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including, without limitation, the costs of preparing and conducting media advertising campaigns, direct mail advertising, marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; purchasing or developing promotional items; conducting and administering visual merchandising, point-of-sale, and other merchandising programs; creating and placing advertising and other promotional materials to create brand awareness and develop the brand; and providing promotional and other marketing materials and services to the Smartbox Businesses operated under the System. The MAP may also be used to provide

rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we will have the right to determine will promote general public awareness and favorable support for the System. The MAP has not been used for advertising that is principally a solicitation for the sale of franchises.

You must contribute to the MAP in the manner specified in Section 6.3 of the Franchise Agreement. (See Item 6 above for a summary.) All sums paid by franchisees to the MAP will be maintained in an account separate from our other monies. We will have the right to charge the MAP for such reasonable administrative costs and overhead as we may incur in activities reasonably related to the direction and implementation of the MAP and advertising programs for franchisees and the System, including, for example, costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs. The MAP and its earnings will not otherwise inure to our benefit. We or our designee shall maintain separate bookkeeping accounts for the MAP.

Smartbox Facilities owned by us and our affiliates will contribute to the MAP on the same basis as franchisees.

The MAP is not and will not be our asset, nor a trust, and we do not assume any fiduciary obligation to you for maintaining, directing or administering the MAP or for any other reason. We will prepare a statement of the operations of the MAP as shown on our books annually by us, and it will be made available to you.

If amounts are unspent in the MAP at fiscal year-end, we may carry over those amounts for expenditure in the following year(s). Although the MAP is intended to be of perpetual duration, we maintain the right to terminate the MAP. The MAP will not be terminated, however, until all monies in the MAP have been expended for marketing, advertising and/or promotional purposes.

We may seek advice informally from franchisees regarding the MAP, but we do not have any current plans to create a formal advertising committee, or advertising advisory committee.

Marketing Cooperatives

We will have the right, in our discretion, to designate any geographical area for purposes of establishing one or more regional advertising and marketing cooperatives (a "Cooperative"), and you must take appropriate steps to establish and participate, including making the required contributions, in a Cooperative if required to do so by us. If a Cooperative for the geographic area or market in which the Facility is located has been established at the time you begin operations hereunder, you will immediately be bound by the obligation to become a member of the Cooperative under the terms of the then-existing Cooperative agreement. If a Cooperative for the geographic area or market in which the Smartbox Facility is located is established during the term of the Franchise Agreement, you must immediately become a member of the Cooperative, and take all steps necessary to become a member. You will not be required to be a member of more than one Cooperative as to the Smartbox Business.

Each Cooperative will be organized and governed in a form and manner approved by us in writing, and will begin operations on a date specified by us. Any disputes arising among or between you, other franchisees in the Cooperative, and/or the Cooperative, will be resolved in accordance with the rules and procedures in the Cooperative's governing documents. If a Cooperative is created, we intend to establish initial rules and procedures that provide that each Smartbox Business that participates in the Cooperative will have a vote.

Each Cooperative will be organized for the exclusive purpose of administering regional marketing and advertising programs, and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing, advertising and promotion.

No marketing, advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval, under the procedures and terms in the Franchise Agreement.

In addition to, but not in lieu of the Marketing Contribution, we may require you to contribute up to 3% of Net Sales to the Cooperative. If you are required to contribute to a Cooperative, then your contribution to the Cooperative will be credited toward your required expenditures for local advertising and promotion (as described below). The specific amount of your contribution to the Cooperative will be determined solely by the Cooperative, and the Cooperative may vote, by agreement of the majority of its members, to raise the required contribution (including your contribution) to the Cooperative, and that amount may be more than 3% of Net Sales. You must submit to the Cooperative the amount required at the times determined by the Cooperative, but no later than the 3rd day of each Accounting Period for the preceding Accounting Period, together with other statements or reports as we may require, or the Cooperative with our prior written approval.

We, in our sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, or from the requirement to pay all or a portion of the contribution to the Cooperative upon written request of a franchisee stating reasons supporting such exemption. Our decision concerning such request for exemption shall be final.

Local Advertising and Promotion

You must also obtain and maintain directory listings in the classified and other directories that we designate from time to time, including the primary Yellow Pages covering the Territory. The listings must be placed in the categories that we specify from time to time.

In addition to, but not in lieu of, the Marketing Contribution, you must expend annually a minimum of (a) 3% of Net Sales, or (b) \$50,000 on local advertising and promotion. However, if the territory exceeds 1,000,000 population, then the minimum is increased pro rata based on \$30,000 for every additional 1,000,000 people. See Item 6 and the notes. However, if you belong to and are required to contribute to a Cooperative, all of your Cooperative contributions will be considered local advertising and promotion, and the amounts paid to the Cooperative will be credited toward your required local advertising expenditures. All of your local advertising and promotion must be in such media, and of such type and format as we may approve; must be conducted in a dignified manner; and must conform to such standards and requirements as we may specify. You may not use any advertising or promotional plans or materials unless and until you have received written approval from us, in accordance with the procedures and terms in the Franchise Agreement. The minimum local advertising and promotional expenditure may be increased annually according to the Index. (See Franchise Agreement, Section 12.6, and Item 6 above).

The term "local advertising and promotion" will consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying. However, advertising and sales promotion will not include costs or expenses incurred by or on your behalf in connection with any of the following:

- (a) Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;
- (b) Charitable, political, or other contributions or donations;
- (c) The value of discounts provided to customers; or
- (d) Yellow Pages advertising.

For all proposed advertising, marketing, and promotional plans, you must submit samples of such plans and materials to us for our review and prior written approval (except for prices to be charged by you). If written approval is not received by you from us within 15 days of the date of receipt by us of such samples or materials, we will be deemed to have approved them. Any and all copyright in and to marketing, advertising and promotional materials developed by or on your behalf will be our sole property, and you must execute whatever documents (and, if necessary, require your independent contractors to execute such documents) as we may deem reasonably necessary to give effect to this provision.

Grand Opening Program

In addition to and not in lieu of the Marketing Contribution and any expenditures for local advertising and promotion, you must spend an amount designated by us for grand opening advertising and promotional programs in conjunction with the Smartbox Business's initial grand opening, in accordance with a grand opening advertising and marketing plan developed by us or developed by you and approved in writing by us (the "Grand Opening Program"). The amount you will be required to spend for the Grand Opening Program will be specified in the Franchise Agreement. The Grand Opening Program must be commenced within 1 day of the date your Smartbox Business first opens, and must be executed and completed within 360 days after the opening date unless extended by us in writing. We recommend that you start the Grand Opening Program 1 to 2 weeks prior to opening the Smartbox Business. You must submit to us, for our prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by us. For the purpose of the Franchise Agreement, the expenditures for the Grand Opening Advertising Program are not considered as part of the required expenditures for local advertising and promotion, as described above. We reserve the right to require you to deposit with us the funds required for the Grand Opening Program to distribute as may be necessary to conduct the Grand Opening Program.

Websites

You specifically acknowledge and agree you will not establish a Website (as defined below), nor offer, promote, or sell any products or services, or make any use of the Mark, through the Internet without our prior written approval. As a condition to granting any such consent, we will have the right to establish such requirements as we deem appropriate, including but not limited to the requirement that your only presence on the Internet shall be through a webpage established by us on our website. Any Website shall be deemed "advertising" under the Franchise Agreement, and will be subject to (among other things) our prior approval. (As used in this Offering Circular and the Franchise Agreement, the term "Website" means an interactive electronic document, contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages.) We will be providing each franchisee with a website, or webpage, through our intranet. The website or webpage can be created from preapproved designs and materials.

ITEM 12 TERRITORY

The Territory

The Franchise Agreement grants you the right, and you assume the obligation, to operate a Smartbox Business solely within a specific geographic area (the "Territory") approved by us. A Territory is an area containing a minimum population of approximately 200,000 people. The Territory will be further described by a list of Zip Codes developed by us. We will designate the precise boundaries of the Territory before you sign the Franchise Agreement. An "Open Area" means an area that we designate, which may be comprised of one or more zip codes, immediately bordering on your Territory, that is not the territory of another franchisee, of one of our company operations, or of one of our affiliates, and which is not reserved by us.

During the Term of the Franchise Agreement and subject to the terms of the Franchise Agreement, we will not operate, nor grant a franchise to anyone else to operate, another Smartbox Business within your Territory, as long as you pay Royalty Fees equal to or greater than the associated Minimum Royalty (as described in Item 6) and otherwise comply with the Franchise Agreement.

In addition to the Territory, the Franchise Agreement will specify the location for your Facilities, including the storage facility(s), office(s) and equipment of the Smartbox Business, one of which will be designated your principal place of business, or "Premises." Like the Territory, the precise location of the Premises and other Facilities must be approved by us. You may not relocate any of your Smartbox Facilities without our consent or provide products or services outside the Territory except as provided by the Franchise Agreement. Except for certain limited rights of first refusal, if we acquire, or we are acquired by, a company that owns or operates a similar business, as described in this Item 12 below, under "Other Territorial Issues," the Franchise Agreement does not provide you with any options, rights of first refusal, or similar rights to acquire additional franchises.

Operations, by You and Others, Within and Outside of the Territory

You must operate the Smartbox Business solely in your Territory, but you may conduct limited activities outside of the Territory as described in the Franchise Agreement and summarized in this Item 12. You must use your best efforts to market, advertise, and promote the System and optimize the Smartbox Business in the Territory. As long as you are in full compliance with the Franchise Agreement and you continue to pay us all amounts owed when due:

- (a) You will have the right to operate the Smartbox Business within the Territory and to market and sell the services offered by Smartbox Businesses in conformance with the Manual, including use of the Marks. This right includes providing moving services for a customer originating in your Territory to a location in an adjoining franchise territory regardless of whether this other territory is an Open Area or is the territory of another franchisee. In return for the right to provide moving services from your Territory into an adjoining territory, you agree that other franchisees, ourselves, or our affiliates, in adjoining territories to yours, may provide moving services into your Territory for their customers who originate the move from within that franchisees' territory. The provision of services and the delivery of Containers to your Territory, or from your Territory to another territory, will be coordinated through the SMARTCARE process and procedures. You may not deliver Containers into another Territory unless you have received written approval from us and SMARTCARE.

- (b) You will have the non-exclusive right to market and sell services offered by the Smartbox Business to individuals and organizations located outside of the Territory, in an immediately adjacent Open Area.

Your marketing, operations and performance of services are restricted to your Territory, except for adjacent Open Areas and as otherwise provided in the Franchise Agreement or by us in writing. You must not market, promote or solicit customers for your Smartbox Business within, or solicit customers who are located within, a geographic area awarded to another franchisee, or one of our affiliates or reserved for us, without our prior consent. We may grant a franchise to anyone in any geographic area other than the Territory with no obligation or compensation to you whatsoever, and if we do, you must cease all operations, including selling services and marketing, in that area within the time period that we specify. We may do so at any time. Therefore, your operations outside of your Territory (i.e., in an Open Area) are undertaken at your own risk.

Transactions with customers may transcend the borders of your Territory and the territory of others, and these areas may not be immediately adjacent to your Territory. When that occurs, we reserve the right to allocate among you, other franchisees and ourselves revenues received from transactions with customers that are either initiated or completed outside of the Territory.

We reserve the right to: (a) operate and grant to others the right to operate Smartbox Businesses at locations on such terms and conditions as we deem appropriate; (b) sell any products, equipment and services under the Marks or under any other trademarks, services marks or trade dress, through other channels of distribution (within or outside of the Territory); (c) operate, and grant others the right to operate businesses identified by trademarks, service marks or trade dress, other than the Marks (within or without the Territory) under terms and conditions that we determine; and (d) sell equipment and related services to National Accounts (within or without the Territory).

National Accounts

A National Account is a customer or a group of customers that operate under common ownership or control, under the same trademarks or service marks, through independent franchises or some other association, that we have arranged to provide services to at multiple locations. National Accounts may include a variety of different organizations. The locations of some of the National Accounts may be in your Territory and they may also have locations in other geographic areas. We intend to develop and expand a National Account program, but we do not promise or guarantee that will happen. For National Accounts:

- (a) We may solicit customers located in your Territory, whether or not you currently provide services to them, in order to develop them as National Accounts. We may do so without violating any of your territorial rights as described in the Franchise Agreement.
- (b) You must use your best efforts to perform services to National Accounts located in your Territory on the terms and conditions specified in the program for such National Accounts. These terms may vary from National Account to National Account depending on the situations and circumstances. We may set price structures including maximum charges for services to National Accounts:
- (c) At your option, you may decide not to perform services for any one or more of the National Accounts operating in your Territory. In addition, some National Accounts, for whatever reason, may decide that they do not want to do business with you. If that happens, we will cooperate with you to the fullest extent practicable to resolve the

National Account's concerns. However, if, after we exercise what we believe to be reasonable efforts to rectify the problem, the National Account continues to refuse to do business with you, then you agree that we or any other franchisee we designate may provide services for such National Account in your Territory. You also agree that we or any franchisee we designate may perform services for any National Account located in your Territory for whom you have declined to provide services. Neither we nor any of our franchisees will be liable or obligated to pay you any compensation for doing so, and neither we nor any franchisee will be considered in breach of any provision of this Agreement or any other agreement between you and us..

- (d) For purposes of coordinating efforts and results of National Account programs, you must timely provide us with copies of all reports, forms and notices relating to performing services for National Accounts that we may specify from time to time.
- (e) Due to the need to assure adherence to our standards in performing services for National Accounts, you will not be eligible for assignment of National Accounts unless you are in compliance with the Franchise Agreement.

Other Territorial Issues

If we are, or a substantial portion of our assets is, acquired by a third party that owns, operates, franchises, or is involved in a business similar to Smartbox Businesses, or that we acquire a third party or the assets of a third party that owns, operates, franchises, or is involved in a business similar to a Smartbox Business, we may own, establish, acquire or operate, or license others to establish and operate, businesses under other systems or other proprietary marks. These businesses may offer or sell products or services that are the same as, similar to, or different from the products and services offered from the Franchised Business. These businesses may be located within or outside your Territory, despite such businesses' proximity to your Facilities or their actual or threatened impact on sales at your Franchised Business. If we acquire another business or chain, you will be given the first right of refusal to purchase any corporately acquired similarly situated businesses at the same price, plus costs, we paid for it to the extent we have the legal right to do so. You will have 15 days following notice of availability of such option to exercise said right. Otherwise, we reserve the right to operate or assign that right within your Territory. If such an event does occur, we will not operate using the Marks.

We do not currently operate or franchise the operation of any business selling under different trademarks any products or services similar to the products and services offered by a Smartbox Business and we presently do not have any plans to do so. As noted in Item 1, however, our affiliate PSR operates a Smartbox business as a franchisee.

The Franchise Agreement does not contain any provisions under which you might receive any options, rights of first refusal or similar rights to acquire additional franchises within the Territory.

Your Territory, and continuation of the protections described in this Offering Circular and the Franchise Agreement, does not depend on your achieving a certain sales volume, market penetration, or other contingency. However, if you do not pay Royalty Fees equal to or greater than the Minimum Royalty, we have the right to operate or grant a franchise to anyone else to operate another Smartbox Business within your Territory.

**ITEM 13
TRADEMARKS**

We grant you the right to use certain Marks under the Franchise Agreement. Our affiliate SBMS has registered the following Mark with the U.S. Patent and Trademark Office (the "USPTO") on its Principal Register:

Name or Mark	Serial Number or Registration Number	Application Date or Registration Date
SMARTBOX & Design	2,864,385	July 20, 2004

We or SBMS have timely filed, or intend to timely file, with the USPTO all required affidavits of use and an affidavit of incontestability, when due, for the above Mark and registration.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Marks.

As described in Item 1, our affiliate, SBMS, owns the rights to the Marks and System. Our right to use and license others to use the Marks and the System is exercised under a trademark and intellectual property license agreement (the "TM Agreement") with SBMS. Under the TM Agreement, we are granted the right to use and to permit others to use the Marks and the System. The TM Agreement is perpetual, but it may be terminated by either party on 30 days notice. If we were ever to lose our rights to the Marks, SBMS is required under the TM Agreement to allow our franchisees to maintain their rights to use the Marks in accordance with their franchise agreements, and the franchise agreements will be assigned to SBMS. Other than the TM Agreement, there is no agreement in effect which significantly limits our rights to use or license the Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must promptly notify us of any suspected infringement of, or any suspected unauthorized use of, the Marks, any known challenge to the validity or ownership of the Marks, or any known challenge to SBMS's ownership of, or our or your right to use, the Marks that are licensed to you. We and/or SBMS have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We and/or SBMS also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks.

If you have used the Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third-party claim, suit, or demand involving the Marks arising out of your use of the Marks. If you have not used the Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against such third-party claims, suits, or demands. If we and/or SBMS undertake the defense or prosecution of any litigation relating to the Marks, you must execute any and all documents and do such acts and things as may, in the opinion of our counsel, be necessary to carry out such defense or prosecution, including, for example, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket litigation costs in doing such acts and things, except that you must bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that such litigation is the result of your use of the Marks in a

manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation (or, upon our written request, pay our legal fees directly), including attorney's fees, as well as the cost of any judgment or settlement.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Mark or for you and the Smartbox Business to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

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ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

Currently, we do not have any patents that are material to the operation of your Smartbox Business. However, we own certain intellectual property rights in the Containers, and we may, in the future, file for patent protection.

Copyrights

We claim copyright protection for our Manual, website, printed and promotional materials, and any software that we may develop. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No provision in the Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Confidential Information

Our proprietary and confidential information relating to the development and operation of Smartbox Businesses includes: (a) licenses, processes, trade secrets and procedures for the development or marketing of products or services delivered in connection with the operation of the Franchised Business; (b) our technical information, methods, the Manual, drawings, data, formulae and inventions which relate to the System; (c) improvements to the System including any addition or modification to, or any development, invention or improvement relating to, the System, including intellectual property rights relating to any such addition, modification, development, invention or improvement which has been or is made, discovered or developed or comes to be in your possession prior to termination of the Term; (d) sales, marketing and advertising programs and techniques pertaining to the System; (e) identity of suppliers and customers and knowledge of specifications and pricing for services; (f) knowledge of operating results and financial performance of Smartbox Businesses, other than the Franchised Business or other Smartbox Businesses you own; (g) methods of inventory control, storage, product handling, training and management relating to Smartbox Businesses; (h) computer systems and software programs; and (i) any information on the design, construction and operation of the Smartbox Facilities. Publicly known information is not considered confidential

We will disclose parts of our Confidential Information to you solely for your use in the operation of the Franchised Business. The Confidential Information is proprietary and includes our trade secrets. During the term of the Franchise Agreement and thereafter: (a) you may not use the Confidential Information in any other business or capacity (such use is an unfair method of competition); (b) you must exert your best efforts to maintain the confidentiality of the Confidential Information; (c) you may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic

or other form; and (d) you must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements (in a form specified or approved by us) with your officers, directors, managers and assistant managers and the delivery of such agreements to us. Information will not be deemed confidential or proprietary if generally known to the public.

Confidential Manuals

Our confidential manual, as we may amend it from time to time, may consist of one or more manuals, containing our 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 this Agreement. The term "**Manual**" also includes alternative or supplemental means of communicating such information to you, including bulletins, electronic mail, Internet communications, videotapes, audio tapes, compact discs, DVDs, training materials, and computer diskettes.

We will loan you 1 copy of the Manual (or make the Manual accessible to you, or loan, via electronic format, such as the Internet, an Intranet, CD ROM or DVD). You will comply fully with all mandatory standards, specifications and operating procedures and other obligations contained in the Manual. We may modify the Manual from time to time to reflect changes in standards, specifications and operating procedures, but no addition or modification will alter your fundamental status and rights under the Franchise Agreement. Mandatory specifications, standards and operating procedures and other obligations that we prescribe from time to time in the Manual, or otherwise communicate to you in writing, constitute provisions of this Agreement as if fully set forth in the Franchise Agreement. You must keep your copy of the Manual current. You must adhere to updated changes within 30 days notice that a modification has been made regarding our policies and procedures. However, you may not alter or amend the electronic format Manual. If a dispute develops relating to the contents of the Manual, our master copy will be controlling. The Manual contains Confidential Information, and you agree neither to copy any part of the Manual nor to make any portion of or all of the electronic format Manual accessible to others, or disclose its contents without our express written consent.

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

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity (a “**Business Entity**”), you must designate one of your owners as the “**Operating Partner**” in Exhibit A to the Franchise Agreement. The Operating Partner must be approved by us and must complete our training program to our satisfaction. If the franchisee is an individual, you will be the Operating Partner. An “owner” is a person that has at least a 10% direct or indirect legal or beneficial ownership interest in the Smartbox Business.

The Smartbox Business must at all times be operated under the direct, on-premises supervision of: (i) a Manager who has completed our training program to our satisfaction; or (ii) a qualified and trained supervisor who has been appropriately trained (in accordance with the Manual). In addition, the Smartbox Business must be staffed by a sufficient number of competent and properly trained employees. You, your Operating Partner, or your Manager at all times must remain active in overseeing the operations of the Smartbox Business (including being available “on call” if the Franchised Business is being supervised by a manager or employee other than your Operating Partner or Manager). While your Smartbox Business must be operated under the active full-time management of the Manager, either you or the Operating Partner must supervise the overall operation of the Smartbox Business. Active supervision need not be full-time, on-premises management, unless you are, or the Operating Partner is, the Manager.

If the relationship with your Operating Partner or Manager terminates, you must promptly hire or appoint a successor. Any successor Operating Partner or Manager must meet our approval and must successfully complete our training program. You are responsible for hiring all employees of the Smartbox Business and are responsible exclusively for the terms of their employment, including compensation, and for their proper training in the operation of the Franchised Business. You must establish at the Smartbox Business an employee training program (regarding the operation of a Smartbox Business) meeting our standards.

If you are a Business Entity, each owner must undertake to be personally bound, jointly and severally, by your obligations under the Franchise Agreement. Under no circumstances will a Franchise Agreement be entered into without the execution of personal guaranty. Copies of the current form of guaranty is attached to the Franchise Agreement as Exhibit E. In addition, we require that you, your Operating Partner, your Manager, and any other Highly Trained Personnel sign confidentiality and non-competition covenants. Our current form of such covenant is attached to the Franchise Agreement as Exhibit G.

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ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Unless approved by us in writing in advance: (a) the Smartbox Business will offer for sale all of the products and services that we determine from time to time to be appropriate for the Smartbox Business; (b) the Smartbox Business will not offer any products or services (including promotional items) not then authorized by us; and (c) the Facility will not be used for any purpose other than the operation of the Smartbox Business in compliance with the Franchise Agreement, that either:

- i) materially detracts from its efficient operation;
- ii) displays trademarks, service marks or commercial symbols that overshadow the Marks;
- iii) competes with the Franchised Business; or
- iv) we determine may materially detract from the desirable image of the Smartbox Businesses.

Therefore, the Smartbox Business must use and 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 or any of our affiliates). (See Item 8 for description of approved suppliers and approved products.) In particular, you must offer storage services using only our specially designated Containers. We may modify the list of approved brands and/or suppliers at any time. After notice of any modification, you may not reorder any brand or from any supplier which is no longer approved.

You must maintain at all times and at your expense an inventory of approved products (such as Containers) and equipment sufficient in quantity, quality and variety as we specify. See Item 8 for more information.

Except as provided by the Franchise Agreement and as described in Item 12, you may not sell or provide goods or services outside the Territory. Except as described in Item 12, there are no other limitations on the customers you may serve at your business. See Item 12 for more information.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Offering Circular.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
(a) Length of the Term of the Franchise	1 and 2.1	10 years from the date of the Franchise Agreement.
(b) Renewal or Extension of the Term	17	If you are in good standing and have been so for 12 months prior to the expiration of your Franchise Agreement and comply with renewal conditions you can extend your Franchise Agreement for up to 4 successor terms of 5 years each.
(c) Requirements for you to Renew or Extend	17	Written notice; compliance with Franchise Agreement and all other agreements with us or our affiliates; we have not notified you that any federal or state law, regulation or rule may have an adverse effect on our franchising activities; you maintain the right to possess your Premises for the successor term; you agree to remodel, modify or update your Facility to meet our then current standards and specifications; delivery of general release; and execute current form of franchise agreement.
(d) Termination by you	None	None
(e) Termination by us without Cause	None	
(f) Termination by us with Cause	16	We can terminate only for specified causes.
(g) "Cause" Defined – Curable Defaults	16.3	Your first notice will constitute a warning in which you will be given up to 30 days to cure. Failure to cure within the allotted time will result in a second notice at which time you will be assessed a \$5,000 fine for non-compliance (or, for the second breach within a 12 month period, \$10,000), or the Franchise Agreement may be terminated. Failure to pay the fine may also result in an termination of the Franchise Agreement.

PROMISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
(h) "Cause" Defined – Defaults which cannot be cured	16.1 and 16.2	Includes failure to open the Facility and begin operations; abandon or fail to actively operate a Smartbox Business for 3 consecutive days; failure to open a Smartbox Business on 1 or more operational days within a month on 3 or more occasions within a 6-month period; unauthorized surrender or transfer of a Smartbox Business or its assets; material misstatements or omissions in any information given to us; cancellation or termination of your lease or sublease for your Facilities; conviction of or pleading no contest to, a felony or other crime or offense we believe may adversely affect the goodwill associated with the Marks; unauthorized use or disclosure of Confidential Information; failure to comply with mandatory specifications, standards or operating procedures; failure to accurately report Net Sales; payment failures; fail on 3 or more occasions within any 12 consecutive months to submit when due reports or other data, information or supporting records, or pay royalties, contributions to local or regional advertising cooperatives, or other payments us, our affiliates or your suppliers; are in default or suffer termination of or fail to comply with the same provisions of the Franchise Agreement or any other agreement with us or our affiliates.
(i) Your Obligations on Termination / Non-Renewal	18	Cease operation of Smartbox Business; discontinue use of the Marks; return Manual and confidential materials; abide by non-compete and related provisions; pay all amounts owing to us; comply with purchase option provisions; transfer phone listings and number; and others.
(j) Assignment of Contract by us	15.8	No restriction.
(k) "Transfer" by you – defined	1	Includes transfer of Franchise Agreement, material assets or ownership in business entity, death or foreclosure.
(l) Our Approval of Transfer by you	15.1	We have the absolute right to approve all transfers.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
(m) Conditions for our Approval of Transfer	15.2	You are operating your Smartbox Business and are in full compliance under the Franchise Agreement and other agreements with us or our affiliates, new franchisee complies with current qualifications; payment of transfer fee; no outstanding defaults; ratification of current Franchise Agreement or, at our option, delivery of our then-current franchise agreement; delivery of non-compete agreement; delivery of general release by you; complete training program; and if you finance any part of the transfer, you must subordinate your security interest to the Franchise Agreement.
(n) Our Right of First Refusal to Acquire Your Business	15.6	We can match any bona fide offer to purchase a Smartbox Business.
(o) Our Option to Purchase Your Business	18.4, 18.5 and 18.6	At termination or expiration, we have a option to purchase all or portions of your assets at fair market value. We also have the right to acquire any or all of the Forklifts you are using in a Smartbox Business at book value if they are jointly owned by you, or if leased, by assumption of lease. We also have the option to purchase all of the assets of your Smartbox Business at any time after the 60 th month of operation for the fair market value of your Smartbox Business, as defined in the Franchise Agreement.
(p) Death or Disability of you	15.5	In the case of death or permanent disability of you or your Operating Partner, the deceased or disabled's interest in the Franchise Agreement must transfer or arrange to transfer to an approved transferee within 9 months.
(q) Non-Competition Covenants during the Term of the Franchise	7.2	During the term of the franchise, you and each of your owners and the Operating Partner may not enter into a competing business without our written consent.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
(r) Non-Competition Covenants after the Franchise is Terminated or Expires	7.3, 18.3	For 2 years following termination or expiration of the Franchise Agreement, you and any owner may not be involved in any competing business in offering or providing services: (a) at any Facilities owned or operated by you; (b) within the Territory; (c) within a 30 mile radius of any Facilities owned or operated by you; or (d) within a 30 mile radius of any other Smartbox Businesses operating under the System as of the commencement of the post-term period.
(s) Modification of the Agreement	24	No modifications unless mutually agreed to by the parties in writing.
(t) Integration/Merger Clause	24	Only written terms of the Franchise Agreement, its exhibits and riders, the Manual and any personal guaranties are binding. All other promises may not be enforceable.*
(u) Dispute Resolution by Arbitration or Mediation	26.3, 26.4	Except for certain claims, all disputes must be mediated or arbitrated at our headquarters, currently Richmond, Virginia.*
(v) Choice of Forum	26.2	Any state or federal court in the judicial circuit in which we have our principal place of business, currently Richmond, Virginia.*
(w) Choice of Law	26.1	Virginia law applies generally. Local law may apply to service charges and covenants not to compete.*
(x) Grant of Security Interest	10.2	We may require that you grant us a security interest in Containers and Forklifts acquired from us. See Exhibit J.

These states have statutes which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise: Arkansas [Ark. Code Sections 4-72-201 to 4-72-210]; California [Bus. & Prof. Code Sections 20000 to 20043]; Connecticut [Gen. Stat. Sections 42-133e to 42-133h]; Delaware [Code Sections 2551 to 2556]; Hawaii [Rev. Stat. Section 482E-6]; Illinois [815 ILCS 705/1-44]; Indiana [Stat. Sections 23-2.5-1 and 23-2-2.7]; Iowa [Code Sections 523H.1 to 523H.17]; Michigan [Stat. Section 19.854(27)]; Minnesota [Stat. Section 80C.14]; Mississippi [Code Sections 75-24-51 to 75-24-61]; Missouri [Rev. Stat. Sections 407.400 to 407.410]; Nebraska [Rev. Stat. Sections 87-401 to 87-410]; New Jersey [Rev. Stat. Section 56:10-1 to 56:10-12]; South Dakota [Codified Laws Section 37-5A-51]; Virginia [Code 13.1-557 through 13.1-574]; Washington [Code Section 19.100.180]; and Wisconsin [Stat. Section 135.01 to 135.07]. These and other states may have other statutes and court decisions that may supersede the franchise agreement in your relationship with us including the areas of termination and renewal of your franchise.

*Notes

1. If a state law requires any modification to these provisions of the Franchise Agreement (or other provisions described in this Item 17) or requires additional terms, those modifications will be found in the disclosure addenda and contract amendments appended to this Offering Circular.

2. In addition to the provisions noted in the chart above, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Franchise Agreement Section 26. We recommend that you carefully review all of these provisions, and all of the contracts, with a lawyer.

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ITEM 18
ARRANGEMENTS WITH PUBLIC FIGURES

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

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**ITEM 19
EARNINGS CLAIM**

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

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**ITEM 20
LIST OF OUTLETS**

**Franchised Facility Status Summary
For Period Ending 2006/2005/2004^{1,2}**

STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY FRANCHISOR	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR-END
	06/05/04	06/05/04	06/05/04	06/05/04	06/05/04	06/05/04	06/05/04
Virginia	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	4/4/3
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Florida	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Texas ⁴	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Colorado ⁵	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
TOTALS	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	10/6/3

Notes

- (1) All numbers are as of the fiscal year end. Each fiscal year ends on December 31.
- (2) As described in Item 1, we began selling franchises in July 2004.
- (3) States not listed did not have any franchised Smartbox Businesses during the relevant period.
- (4) One additional franchise agreement for San Antonio was signed in 2006, but it did not open until the first quarter of 2007.
- (5) One additional franchise agreement for Denver was signed in 2006, but did not open until the first quarter of 2007.

The names, addresses, and telephone numbers of our franchisees are listed in Exhibit I. No franchisee had an agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our last fiscal year, or has not communicated with us within ten weeks of the date of this Offering Circular. Former franchisees, if any, who were terminated or left the system in the past year are identified in Exhibit I.

Status of Company Owned Smartbox Facilities ²
For Period Ending 2006/2005/2004 ^{1,3}

STATES ³	FACILITIES CLOSED DURING YEAR	FACILITIES OPENED DURING YEAR	FACILITIES OPERATING AT YEAREND ¹
	06/05/04	06/05/04/	06/05/04
Virginia	0/0/0	0/0/0	0/0/0
TOTALS	0/0/0	0/0/0	0/0/0

Notes

- (1) All numbers are as of the fiscal year end. Each fiscal year ends on December 31.
- (2) As described in Item 1, we do not currently own any Smartbox Businesses. However, our former affiliate, WESS, operated one Smartbox Business until June 30, 2004. It was sold to our affiliate PSR and converted to a franchise on July 1, 2004. This Smartbox Business is located in Virginia.
- (3) Our fiscal year end is December 31.
- (4) States not listed had no company-owned or affiliate-owned Smartbox Businesses during the relevant period.

Projected Openings for Fiscal Year Ending
December 31, 2007 ¹

STATE ²	FRANCHISE AGREEMENT SIGNED BUT FACILITY NOT OPENED	PROJECTED FRANCHISED NEW FACILITIES IN THE NEXT FISCAL YEAR ¹	PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR
California	0	1	0
Florida	0	2	0
Maryland	0	1	0
Illinois	0	1	0
Colorado	1	0	0
Texas	1	2	0
South Carolina	0	1	0
North Carolina	0	1	0
Pennsylvania	0	1	0
Tennessee	0	1	0
TOTALS	2	11	0

Notes

- (1) For the fiscal year beginning January 1, 2007.
- (2) States not listed are not expected to have any franchises in the next year.

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ITEM 21
FINANCIAL STATEMENTS

Attached to this Offering Circular as Exhibit F are our audited financial statements for the fiscal years ended December 31, 2006, December 31, 2005 and December 31, 2004.

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**ITEM 22
CONTRACTS**

The following agreements are attached as exhibits to this Offering Circular:

Franchise Agreement
UCC-1 Financing Statement

Exhibit B
Exhibit J

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**ITEM 23
RECEIPT**

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