

FRANCHISE DISCLOSURE DOCUMENT

BOX GALAXY, LLC

a California limited liability company

7465 Mission Gorge Rd.

San Diego, California 92120

Telephone: (858) 717-5448

www.boxgalaxy.com

BOX GALAXY

This franchise is for the operation of a retail facility under the Box Galaxy name that sells moving and shipping supplies and services to consumers and small businesses.

The initial franchise fee is \$39,000. The estimated initial investment required ranges from \$75,000 to \$95,000. This includes \$39,000 that must be paid to the franchisor. Please see Items 5 and 7 for additional details.

We may offer to enter into area representative agreements with qualified Regional Developers. Under the terms of our Regional Developer Agreement, you will pay a fee of \$25,000 plus 3 cents for each person in the Regional Developer's territory. As a Regional Developer, you will be required to develop an agreed upon number of Box Galaxy Facilities, and then provide on-going assistance to other franchisees located within your defined area. The estimated initial investment to operate as a Regional Developer will vary depending on the size of the territory you purchase and the number of Facilities to be developed.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Tim Patterson at 7465 Mission San Diego, California 92120, (619) 287-4090.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read the entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: May 1, 2013

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT AND REGIONAL DEVELOPER AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT AND REGIONAL DEVELOPER AGREEMENT STATE THAT CALIFORNIA LAW GOVERNS THE AGREEMENTS, 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.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

EFFECTIVE DATE: May 1, 2013
FOR USE ONLY IN THE STATE OF CALIFORNIA

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- C – List of Franchisees and Regional Developers
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- E – Table of Contents of Operations Manual
- F – General Release – Sample Copy
- G – Franchisee Disclosure Acknowledgement Statement
- H – Receipts

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

Box Galaxy, LLC (“we”, “our” or “us”) is a California limited liability company that was formed on July 9, 2007 and has its principal place of business at 7465 Mission Gorge Rd., San Diego, California 92120. We do business under our corporate name and under our trade name “Box Galaxy.” We will refer to the person who buys this franchise as “you” throughout this Disclosure Document. If the franchise purchaser is a business entity, “you” also includes each partner, shareholder and/or other owner of that entity.

We are offering franchises for the operation of retail facilities operating under the Box Galaxy name (the “Facility” or “Franchised Business”) which sell moving and shipping supplies and services (“Merchandise”) to consumers and small businesses. We have never offered franchises in any other line of business.

Our Parents, Predecessors and Affiliates

We have no predecessor or parent, but we have an affiliate. Our affiliate is Discount Box & Shipping, Inc., a California corporation incorporated on October 16, 2006 and located at our headquarters (“Affiliate”). Our Affiliate, and our principals before our Affiliate, have operated a business of the type being franchised since 1992. Our Affiliate has never offered franchises in this or any other business.

The System

Our system includes interior design, layout, color scheme, fixtures and furnishings; products, materials and supplies; methods, uniform standards, specifications and procedures for operations; procedures for management control; training and assistance; and merchandising, advertising and promotional programs, all of which may be changed, improved and further developed (the “System”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including the mark Box Galaxy as is now designated and may in the future be designated by us in writing for use with the System (the “Proprietary Mark”).

The Franchise Offered

Franchise Agreement

We offer you a franchise agreement (the “Franchise Agreement”), available upon request as an attachment to this Disclosure Document, which gives you the right to establish and operate one Facility at a location mutually approved by you and us (the “Approved Location”). The Franchise Agreement gives you the right to use the Proprietary Mark and the System solely with the operation of the Franchised Business, and solely at the Facility’s Approved Location.

Regional Developer Agreement

If you meet our net worth, operational experience and other requirements, we may award you a Regional Developer Agreement, available as an attachment to this Disclosure Document, for the development and servicing of multiple Box Galaxy Facilities located within a designated area (“Regional

Developer Territory”). A Regional Developer agrees to develop a certain number of Facilities within the Regional Developer Territory, and then is responsible for overseeing the daily activities of franchisees operating within the territory. The Regional Developer is not a sub-franchisor because it is not authorized to sign franchise agreements with franchisees. In the State of Illinois, Regional Developers are considered to be sub-franchisors.

A Regional Developer will have the following responsibilities: (i) pre-screen and pre-qualify prospective franchisees and advertise locally for new franchisees; (ii) provide ongoing training, re-training and support for the franchisees located within the territory; and (iii) assist us in monitoring the progress and performance of each franchisee operating within the territory. All franchisees pre-qualified by the Regional Developer must still receive final approval from us.

Depending on whether brokers or other agents are involved in the sale of a multiple-store territory, the Regional Developer will receive a portion of the initial franchise fees, transfer fees and royalties paid by each franchisee located within the territory.

The sale of franchises is governed by rules enacted by the Federal Trade Commission (“FTC”), 16 C.F.R. §§ 436.1 et seq. (the “FTC Rule”). You must comply with the disclosure requirements required by the FTC Rule. Further, in the states of California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin we are required to register the Disclosure Document before the offer or sale of any franchise. The Disclosure Document must be registered with the various authorities before the offer or sale of any franchise in that particular state, and the State of Illinois requires that you register as a sub-franchisor (see Items 6 and 7). Other states may require you to register as a franchise broker or sub-franchisor. We shall provide you, at no cost to you, with your initial supply of copies of our applicable Disclosure Document. Additional Disclosure Documents shall be provided at our cost of production, charged back to you.

In Illinois, when you submit your registration as a sub-franchisor, you will be required to submit your own Disclosure Document, including your own financial statements. You must maintain these registrations until you have satisfied your development obligations on the Development Schedule, attached as Exhibit G to the Regional Developer Agreement.

Market and Competition

The market for the merchandise and services offered by your Facility include individual consumers and small businesses who need low priced moving and shipping supplies and services.

In general, the moving supply business is somewhat competitive, but is not saturated. Your competition will come primarily from other moving and shipping supply stores such as UPS or Staples, from large discount houses, and from independent moving companies. In some markets, these businesses are locally based and other markets may include regional or national chains as competitors.

Industry Specific Laws

There are no laws or regulations that are specific to the operation of this type of business. But you will have to obtain local business permits and occupancy certificates before opening. There may be other local or state laws applicable to your business, so we urge you to make further inquiries.

The United States enacted the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” (the “USA Patriot Act”). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you

in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the Patriot Act and related regulations at:

<http://www.treasury.gov/offices/enforcement/ofac/sdn>

If you are a Regional Developer, please see the paragraphs above regarding the FTC Rule and disclosure requirements.

You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Business.

ITEM 2 **BUSINESS EXPERIENCE**

President – Tim Patterson

Mr. Patterson has been our President since our inception and has held a similar position with our Affiliate since its inception in 2006. From December 1986 to December 2006, he was President of Signature Communications located in San Diego, California.

Vice President – Pam Patterson

Ms. Patterson has been our Vice President since our inception and has held a similar position with our Affiliate since its inception in 2006. Since November 2005, she has been Controller for Enterprise Informatics, Inc. located in San Diego, California. From September 1999 to September 2005, Ms. Patterson was Assistant Controller for Island Pacific, Inc. located in Irvine, California.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Disclosure Document.

ITEM 4 **BANKRUPTCY**

No bankruptcies are required to be disclosed in this franchise disclosure document.

ITEM 5 **INITIAL FEES**

Franchise Agreement

You must pay to us an initial franchise fee of \$39,000 upon signing of the Franchise Agreement. The initial franchise fee is fully earned and non-refundable, and it is imposed uniformly on our franchisees.

Regional Developer Fee

Under the Regional Developer Agreement you are required to develop an agreed upon number of Box Galaxy Facilities within your territory, and then must agree to establishing and servicing a predetermined number of Facilities in that territory. When the Regional Developer Agreement is signed, you will pay a fee equal to \$25,000 plus 3¢ for each person in the territory, which will contain no less than 1,000,000 people. Therefore, the minimum Regional Developer Fee will be $\$25,000 + (1,000,000 \times \$0.03 = \$30,000) = \$55,000$. The population in your area will be determined based on population tracking data, including the U.S. Census. The Regional Developer Fee is payable in a lump sum upon signing of the agreement, is non-refundable and is uniform for all Regional Developers under this Disclosure Document.

Opening Inventory

You must purchase your opening inventory of Merchandise, which we anticipate will cost approximately between \$5,000 and \$10,000. The Merchandise is purchased from an approved supplier, and not us or our Affiliate.

ITEM 6 **OTHER FEES**

Name of Fee (1)	Amount	Date Due	Remarks
Royalty	7% of Gross Revenue	Due on the 10th of each month based on the previous month's Gross Revenue	Gross Revenue means all sales derived from the Facility, except sales and excise taxes and customer refunds. We will debit your account on the 10th of each month, unless it is not a business day, in which case we will debit your account on the next business day. Funds must be made available in your account for withdrawal. See note 2
Advertising (National and Regional)	1% of Gross Revenue	Payable when the Royalty is paid (not currently active)	This advertising contribution will be made when you begin operating. See Item 11 for a discussion of the Advertising Fund
Local Advertising	\$1,000 minimum	You must spend this sum monthly	You must spend this amount on local advertising and promotion as we may direct. All advertising you propose to use must be pre-approved by us

Name of Fee (1)	Amount	Date Due	Remarks
Cooperative Advertising	As determined by the members	As determined by the members	If an advertising cooperative is formed or approved by us for your area, you must join the cooperative. Any amounts you contribute to the cooperative will count toward your local advertising requirement
Transfer	\$5,000	Upon transfer	No fee is imposed for a one-time transfer to a corporate entity formed by you for the convenience of ownership
Transfer Fee (Regional Developer Agreement)	\$25,000	Before consummation of transfer	The Regional Developer Agreement and ownership interests in it are transferable, under certain conditions
Renewal	\$5,000	Before renewal	Payable before renewal of the Franchise Agreement
Additional Personnel Training	\$350 to \$500 per day, depending on the location of the Facility and the level of experience of our representative	15 days after billing	We do not charge any additional money for the initial training of your first two people (see Item 11). Additional training is provided, if necessary, for you, your managers or your employees
Additional and Refresher Training	\$350 to \$500 per day, depending on the location of the Facility and the level of experience of our representative	15 days after billing	This is for additional refresher training or on-the-job training you request
Late Payment Fee	10% of overdue amount	On demand	Payable on all overdue amounts
Audit	(a) the amount of the deficiency plus late payment charges; (b) if audit is due to non-reporting or understatement, then the cost of inspection is also your responsibility	15 days after billing	If an audit reveals understatement of greater than 2% or if you fail to furnish information in a timely fashion, you pay twice the deficiency and can be terminated
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement

Name of Fee (1)	Amount	Date Due	Remarks
Liquidated Damages	See footnote 3	15 days after termination	
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from your Facility's operations
Testing	Non-refundable fee for cost of testing	15 days after billing	This covers the cost of testing new products or inspecting new suppliers you propose. This can be paid by the supplier
Regional Developer Registration	\$10,000 to \$20,000	Varies	You are required to register in your state as a subfranchisor, and you must maintain these registrations by re-filing each year you are actively selling franchises for us. Your costs will include legal fees, accounting fees and the state registration fees
Missed Meeting Fee (Area Representative Agreement)	\$1,000	As billed	If you miss any mandatory meeting, we can charge you a missed meeting fee

1. All fees are imposed by and payable to us, except for your local advertising expenses, and are non-refundable.
2. We may require payment other than by automatic debit, and you must comply with our payment instructions. If you do not report the Facility's Gross Revenue, we may debit your account for 120% of the last Royalty that we debited. If the Royalty we debit is less than the Royalty you actually owe us, we will debit your account for the balance on a day we specify. If the Royalty we debit is greater than the Royalty you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following month.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Item	Estimated Cost	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee (1)	\$39,000	Lump sum	On signing of Franchise Agreement	Us

Item	Estimated Cost	Method of Payment	When Due	To Whom Paid
Equipment, Furniture and Fixtures (2)	\$1,000 - \$1,500	As Arranged	As Arranged	Vendors
Rental Per Month (3)	\$2,500 - \$3,500	Monthly	As Arranged	Lessor
Leasehold Improvements (4)	\$500 - \$1,000	One Time Payment	As Arranged	Contractor
Signage (5)	\$1,000 - \$2,000	As Arranged	As Arranged	Suppliers
Initial Inventory and Operating Supplies (6)	\$5,000 - \$7,500	As Arranged	As Arranged	Us
Grand Opening Advertising (7)	\$2,500 - \$3,000	As Arranged	As Incurred	Suppliers
Travel and Initial Training (8)	\$1,000 - \$1,500	As Arranged	As Arranged	Suppliers of transportation, food, lodging
Insurance Per Month (9)	\$500 - \$1,000	As Arranged	As Incurred	Insurers
Utility / Security Deposits (10)	\$1,000 - \$1,500	As Arranged	As Incurred	Lessor, Utility Companies
Professional Fees (11)	\$1,000 - \$2,000	As Arranged	As Incurred	Professionals
Permits and Licenses (12)	\$500 - \$1,500	As Required	As Incurred	Government Agencies
Computer/POS System (13)	\$3,500 - \$5,000	As Arranged	As Incurred	Vendors
Additional Funds (14)	\$21,000 - \$25,000	As Arranged	As Incurred	Various vendors and employees
TOTAL (15)	\$75,000 - \$95,000			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you are required to make may be refundable.

- 1 Franchise Fee. The initial franchise fee and Regional Developer fees are discussed in detail in Item 5.
- 2 Equipment, Furniture and Fixtures. Your equipment, furniture and fixtures consist of the following items: inventory storage shelves, pallet jack, dollies, box cutters, strap cutters, office supplies, phones, fax machine, copier, office desks and chairs, back office workbench, store display shelves, counter and customer workbench.

- 3 Rental. You will need approximately between 2,500 and 3,000 square feet of interior space for your Facility, which should be located in a relatively high traffic strip shopping center. The cost per year for leasing commercial space varies considerably depending upon the location and market conditions affecting commercial property. Security deposits could be one to three months as additional rent, which may be required by the lessor.
- 4 Leasehold Improvements. You will need to install plumbing, lighting and electrical systems, and painting which comply with our specifications. The cost will vary depending on the condition of the Facility and the amount of construction work and/or dollars negotiated from the landlord.
- 5 Signage. You will need to install interior and exterior signage.
- 6 Initial Inventory and Operating Supplies. You will need to purchase your opening inventory of Merchandise from suppliers that we designate.
- 7 Grand Opening Advertising. Before opening the Franchised Business, the advertising which you need may include media buys and promotional items including point-of-sale displays and merchandise. At our discretion, we may require you to give us money and we will conduct your grand opening advertising on your behalf.
- 8 Training. You will have salary, travel and lodging expenses. You will also have expenses associated with our initial training program. For this training program, we provide instructors and instructional materials, but you will need to arrange for transportation, lodging and food for yourself and up to one other employee, if desired. The cost will depend on the distance you must travel and the type of accommodations you choose. In addition, and at our option, we will send between one and two of our staff members to your Facility to assist you in setting up. You will be responsible for paying us for our airfare, lodging, local transportation and food for our staff members during the time they are at your Facility.
- 9 Insurance. The figures in the chart are estimated monthly premiums. In rare cases, you will have to pay the entire annual premium in a lump sum; generally you pay your premiums monthly, quarterly or semi-annually.
- 10 Utilities. We estimate that you will need to provide deposits for utilities. The amount of these deposits will vary depending upon the practices of the utility companies. In addition, you may have to give your landlord one to three months of rent as a security deposit.
- 11 Professional Fees. You will need to have an attorney and an accountant and possibly other professionals. If you choose to form an entity to own the franchise, your professional fees may be higher.
- 12 Permits and Licenses. The estimates are for any business permits or licenses you are required to have.
- 13 Computer/POS System. You will need a computerized point of sale system for your Facility.
- 14 Additional Funds. You will need capital to support ongoing expenses, such as payroll, utilities, and local advertising to the extent that these costs are not covered by sales revenue for your first several months of operation. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the

business, which we calculate to be as much as nine to twelve months. This is only an estimate and there is absolutely no guarantee or assurance that additional working capital will not be necessary during this start-up phase or anytime thereafter. In fact, there is a very good chance that you will need additional working capital.

We have not included a separate table for the initial investment if you sign a Regional Developer Agreement. In addition, if you are a Regional Developer, you will pay us a lump sum, non-refundable Development Agent Rights Fee when you sign the Regional Developer Agreement (see Item 5). In addition, the State of Illinois requires you to register as a subfranchisor, which includes filing your own disclosure document with your own financial statements. We estimate that your legal, accounting and registration filing fees in those states will cost between \$10,000 and \$20,000. You will incur annual re-registration fees (see Item 6).

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Our reputation and goodwill is based on, and can be maintained only by, the sale of high quality products and the presentation, packaging, service and sale of those services, products and materials in an efficient and appealing manner. We have developed standards and specifications for various services, products, materials and supplies sold at or used in the operation of our Facilities. You must operate your Facility according to these standards. These standards will regulate the types, models and brands of required fixtures, furnishings, equipment, signs, materials and supplies to be used in operating your Facility, required or authorized equipment, products and services offered to customers and product categories and designated or approved suppliers of such items (which may be limited to or include us). Currently, you must purchase your entire supply of Merchandise from our designated suppliers. We do not derive revenue from these purchases. For the year ending December 31, 2012, we did not derive any revenues from required purchases or leases.

You are at all times obligated to purchase or lease fixtures, equipment, including furnishings, products and related supplies that meet our minimum standards and specifications or are from suppliers that we approve. For example, you can only offer the Merchandise we specify for sale from the Facility. Currently neither we nor our Affiliate are an approved supplier of any item. We will notify you in our Confidential Operations Manual (the "Manual") or other communications of our standards and specifications and/or names of approved suppliers. There may be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be considered an approved supplier. We may negotiate purchase arrangements with suppliers (including price terms) for your benefit.

There are no approved suppliers in which any of our officers owns an interest.

Your required purchases of Merchandise represent approximately between 25% and 30% of your total purchases in connection with the establishment of your Facility and approximately 85% to 90% of your overall purchases in operating the Facility.

If you want to use any product, material or render any service that does not comply with the standards of the System or is to be purchased from a supplier that has not yet been approved, you must first submit a written request for approval of the proposed supplier and obtain our approval of the product or supplier before purchasing the product or any items from this supplier. You must reimburse us for the costs we incur in making this determination and will, within a reasonable time (within 30 days), notify you of our decision. We will establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Approval of a supplier

may be conditioned on requirements relating to product quality, production and delivery capabilities, ability to meet our supply commitments, financial stability, integrity of standards of service, familiarity with our System and ability to negotiate favorable terms for our franchisees. We do not generally make available to you or the supplier our criteria for supplier or product approval.

You must agree to offer for sale all products, materials and services approved by us and only those products and services approved by us. All products and services approved by us must be offered for sale on a continuous basis at your Facility at the time and in the manner required by us. No sale of any product, material or service except those products, materials and services approved by us may be solicited, accepted or made at or from your Facility. If requested by us on at least 30 days' notice as part of a general program or standardization effort by us, the marketing of a product, material or service must be discontinued. Then this product ceases to be an approved product or service.

You must at all times maintain an inventory of Merchandise and materials sufficient in quantity and variety to realize the full potential of your Facility.

We may conduct market research and testing to determine consumer trends and salability of new products, materials and services. You must cooperate by participating in our market research programs, test marketing new products and services and providing timely reports and other relevant information regarding marketing research. In connection with such test marketing, you must purchase a reasonable quantity of products to be tested and effectively promote and make a reasonable effort to sell such products, materials and services.

You may not: (a) sell any product or service at or from any place except your Facility; or (b) prepare or deliver any product at any place other than from your Facility.

We may receive rebates from approved or designated sources, but we do not currently receive rebates based on purchases by franchisees. If we do receive such rebates, there will be no restriction on our use of such rebates. We do not provide material benefits to franchisees based upon their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Insurance

In addition to the purchases or leases described above, you must obtain and maintain, at your own expense, such insurance coverage that we need. We may regulate the types, amounts, terms and conditions of insurance coverage required for your Facility and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims.

You currently are required to maintain, in the amounts we prescribe, the following insurance coverage: (1) comprehensive public liability insurance and comprehensive product liability insurance against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of your Facility or your conduct of business pursuant to the Franchise Agreement under one or more policies of insurance containing minimum liability coverage prescribed by us; (2) general casualty insurance including fire and extended coverage, vandalism, theft, burglary and malicious mischief insurance for the replacement value of your Facility and its contents; (3) Workers' Compensation or other employer's liability insurance as well as such other insurance as may be required

by statute or rule in the state in which your Facility is located; (4) business interruption and rent insurance for a period adequate to re-establish normal business operations with coverage adequate to coincide with the value of your Facility premises and its contents; and (5) such other insurance as we may require or as may be required by the terms of your lease. You must maintain all required policies in force during the entire term of the Franchise Agreement and any renewal terms. We may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name us (and, if we request, our directors, employees or shareholders) as additional insureds and must provide us with 30 days' advance written notice of any material modification, cancellation or expiration of the policy.

Under the Regional Developer Agreement, in addition to the insurance required to be maintained according to your Franchise Agreement, you must maintain the insurance coverage that we periodically require and meet the other insurance-related obligations in the Regional Developer Agreement. You currently must maintain comprehensive general liability insurance, including employment practices coverage, for bodily injury, death and property damage caused by or occurring in conjunction with the conduct of your business under the agreement and broad form contractual liability coverage. You must also have worker's compensation insurance and all insurance required by law. We may require you to obtain insurance coverage for other risks or increase the required amount of coverage and require different or additional insurance. Each insurance policy required under the agreement must meet the same requirements described above for policies pertaining to the Franchise Agreement. We must approve your insurance carriers.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

In the following chart, the abbreviation FA means the Franchise Agreement and the abbreviation ARA means the Area Representative Agreement.

Obligation	Article in Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	FA: Article III ARA: Not applicable	Items 7 and 11
(b) Pre-opening purchases/lease	FA: Article III ARA: Not applicable	Items 5, 7, 8 and 11
(c) Site development and other pre-opening requirements	FA: Article III ARA: Not applicable	Items 7 and 11
(d) Initial and ongoing training	FA: Article VI ARA: Sections 3.1, 3.4 and 5.2	Items 6, 7 and 11
(e) Opening	FA: Article III ARA: Not applicable	Item 11

Obligation	Article in Agreement	Item in Disclosure Document
(f) Fees	FA: Articles II, IV, V and XVI ARA: Sections 1 and 5.6	Items 5, 6, 7 and 11
(g) Compliance with standards and policies/ Operations Manual	FA: Article VIII and X ARA: Not applicable	Items 8, 11, 14 and 16
(h) Trademarks and proprietary information	FA: Articles IX and X ARA: Section 6	Items 13 and 14
(i) Restrictions on products/services offered	FA: Articles I, VIII and XX ARA: Not applicable	Items 8 and 16
(j) Warranty and customer service requirements	FA: Article XX ARA: Not applicable	None
(k) Territorial development and sales quotas	FA: Article XXIV ARA: Section 5	Item 12
(l) On-going product/ service purchases	FA: Article VIII ARA: Not applicable	Item 8
(m) Maintenance, appearance and remodeling requirements	FA: Article VIII ARA: Not applicable	None
(n) Insurance	FA: Article XII ARA: Section 5.8	Items 7 and 8
(o) Advertising	FA: Article V ARA: Section 7	Items 6, 7 and 11
(p) Indemnification	FA: Article XXI ARA: Section 13	Item 6
(q) Owner's participation/ management/staffing	FA: Articles VI and VIII ARA: Section 5	Items 11 and 15
(r) Records/reports	FA: Article IV ARA: Not applicable	Item 6
(s) Inspection/audits	FA: Articles III, IV, VII, VIII, IX and XI ARA: Sections 3.6 and 5.7	Item 6
(t) Transfer	FA: Article XVI ARA: Section 8	Items 6 and 17
(u) Renewal	FA: Article II ARA: Section 2	Items 6 and 17
(v) Post-termination obligations	FA: Article XIV ARA: Section 11	Item 17
(w) Non-competition covenants	FA: Article XV ARA: Section 10	Item 17

Obligation	Article in Agreement	Item in Disclosure Document
(x) Dispute resolution	FA: Article XXIII ARA: Section 21	Item 17
(y) Liquidated damages	FA: Article XIV ARA: Not applicable	Item 6

ITEM 10
FINANCING

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

ITEM 11
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

Regional Developer Agreement

Before you open a Facility, we will:

1. Grant you the right to solicit, service and coordinate a specific number of Facilities at locations we approve within your Development Area, provided that you are in full compliance with the terms and conditions contained in the Regional Developer Agreement, including the responsibility to supervise a specific number of Facilities, and that you and all your Controlled Affiliates who work in the Development Area are in full compliance with all of your and their obligations under all Franchise Agreements in effect in the Development Area. (Regional Developer Agreement – Section 1.) (See Item 12.) Also, you must attend, at your expense, required System meetings during each calendar year. You will pay us \$1,000 for each required meeting that you do not attend. (Regional Developer Agreement – Section 5.5(m).)

2. Remit to you your portion of the fees paid to us by our franchisees located in your Development Area. (Regional Developer Agreement – Article IV.)

Development Agreement

Before you open a Facility, we or our Regional Representative will:

1. Give you our site selection criteria for the Facility. The site must meet our criteria for demographic characteristics; traffic patterns; character of neighborhood; competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We will, within 15 days after we receive all of the information we deem necessary, approve or disapprove a location you propose after receiving your description of, and evidence confirming your favorable prospects for obtaining, the proposed site. If we do not provide written notice of our disapproval within this 15 days, the site is deemed approved. If you fail to secure the site by lease or purchase agreement

within 90 days after we have approved it, we may withdraw our approval of the site. (Development Agreement – Section 4.2)

2. Offer you a Franchise Agreement for the site we have approved and you have secured by lease or purchase agreement. You will have 15 days to sign and return the Franchise Agreement, together with any balance due on the initial franchise fee due under such Franchise Agreement. If you do not return the signed the Franchise Agreement or if you fail to pay the balance of the initial franchise fee due, we may terminate our offer of a franchise for that site and withdraw our approval of the site. (Development Agreement – Section 4.3)

Franchise Agreement

Before you open your Facility, we or our Regional Representative will:

1. Use our best efforts to assist you in evaluating a suitable location for your Facility and, after you have selected and we have approved the site, designate your exclusive area or territory. The site must meet our criteria for number of residential homes in the surrounding area, size and cost of the property and other similar factors, including our best business judgment. We may reject any proposed location in our sole discretion (Franchise Agreement – Section 3.1).

You must add certain terms be in a lease which you sign for your Facility. We may reject any lease which does not contain provisions which do not meet our standards, specifications and guidelines relating to non-competition on the premises, signage, hours of operation, insurance, default, assignment, subletting and renewal options (Franchise Agreement – Exhibit B).

2. Consult with you regarding the construction of the interior of your Facility or interior leasehold improvements. Provide you with model plans and specifications based on typical configurations for the layout of your Facility, including lists and specifications of approved furniture, fixtures, equipment and signs needed to outfit and furnish your Facility in accordance with our uniform image and standards (Franchise Agreement – Section 3.3).

3. Lend you one copy of the Manual (Franchise Agreement – Section 7.1C).

4. Train up to two people, the cost of which is included in your initial franchise fee (Franchise Agreement – Section 6.2). This training is described in detail later in this Item.

5. Provide, in addition to or in conjunction with the initial training program, assistance in the opening of your Facility for up to five days (40 hours) and will typically take place before and after its opening (Franchise Agreement – Section 7.1A).

6. Arrange for you to purchase your initial supply of Merchandise from our designated suppliers (Franchise Agreement – Section 7.1E).

7. Provide you with our directories of franchisees and Approved Suppliers (Franchise Agreement – Section 7.5).

Post-Opening Obligations

Franchise Agreement

During the operation of your Facility, we or our Regional Representative will:

1. Provide guidance and assistance in the operation of your Facility. Such guidance may be provided in the form of weekly correspondence, field visits and periodic telephone or written communications, and will cover topics such as products or services to be offered to customers; improvements and developments in your Facility; pricing; administrative, bookkeeping, accounting and inventory control procedures; and operating problems encountered by you (Franchise Agreement – Section 7.1B).

2. Issue, modify and supplement standards for the System that may regulate any one or more of the following regarding your Facility: (a) hours of operation, (b) marketing and sale of Merchandise and services, (c) instructions on the performance of specific employees' duties, (d) maintenance of equipment, (e) checklists, (f) records preparation and retention, (g) general rules and regulations for employees, and all other matters that in our sole judgment require standardization and uniformity in all Facilities (Franchise Agreement – Section 7.1D).

3. Maintain an advertising fund (“Fund”) (Franchise Agreement – Section 5.1).

Advertising

Advertising Fund

We reserve the right to establish an advertising fund (the “Fund”) to promote the System and the products and services offered by Box Galaxy Facilities. When established, you will be required to pay a monthly, non-refundable Advertising Fee to the Fund (see Item 6). The Fund will be used for national and/or regional advertising, publicity and promotion relating to our business. We will determine, in our fully unrestricted discretion, the manner in which the Fund will be spent. Some portion of the Fund may be used for creative concept production, marketing surveys, test marketing and related purposes. We have the right to direct all advertising activities with sole discretion over creative concepts, materials and media used, as well as their placement and allocation. We also have the right to determine, in our sole discretion, the composition of all geographic and market areas for the implementation of these advertising and promotional activities. The Fund is intended to maximize general public recognition in all media of the Proprietary Mark and patronage of Box Galaxy Facilities and we have no obligation to ensure that expenditures of the Fund in or affecting any geographic area are proportionate or equivalent to payments of the Advertising Fee by franchisees operating in that geographic area, or that any Facility will benefit directly or in proportion to the Advertising Fees paid for the development of advertising and marketing materials or the placement of advertising.

No amount of the Fund will be spent for advertising that is principally a solicitation for the sale of franchises. We have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs) of developing, producing and distributing any advertising materials and collecting the Advertising Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Advertising Fee) and in addition, for the services provided, we will receive out of the Fund an administrative fee equal to 10% of the amounts actually expended to cover our services, salaries, supplies and overhead expenses.

Facilities owned by us or our affiliates will be required to pay the Advertising Fee on the same basis as you. Funds from the Advertising Fees paid will be kept separate and distinct and will be accounted for separately from our other funds. These funds will not be used to defray any of our general operating expenses, except as described in the paragraph above. We will prepare, and furnish to you upon written request, an annual unaudited statement of funds collected and costs incurred. As the Fund has not yet been established, there have been no expenditures.

No funds which you pay to us for advertising will be used for advertising that is principally a solicitation for the sale of franchises.

Local Advertising and Promotion

You must conduct local advertising and promotion as well as online ads in accordance with the Manual. See Item 6 for your required minimum expenditure. This advertising must be either (1) placed in media that we designate using our advertisements adjusted for your local market, or (2) placed in media that we approve of using your own advertising, of which we have also approved. Any advertising you propose to use that has not been developed by us or approved by us within the most recent 12 months must be submitted to us for our review. If you do not receive notice of our disapproval within 15 days, we will be deemed to have approved of the proposed advertising. Any advertising or promotional materials you submit to us for our review will become our property. Within 30 days of our request, you must provide us with verification of all expenditures for local advertising, marketing and promotion, including such information that we request.

Cooperative Advertising

In addition to the Advertising Fee and in place of your individual local advertising, marketing and promotional expenditures, to the extent the cooperative amounts are at least as much as your local advertising and promotion contribution, if an advertising cooperative is formed by us, or formed by our franchisees and approved by us, you must agree to contribute to the cooperative the amount agreed upon by a majority of the members of the cooperative, to pay that amount to the advertising cooperative and the times agreed upon by the majority, and abide by the cooperative's rules. The cooperative will determine who will administer the cooperative. The written governing documents will be available for review by you. Cooperatives need not prepare annual or periodic financial statements, but if they are prepared, they may be reviewed by you. We will not have the power to require cooperatives to be formed, changed, dissolved or merged.

Grand Opening Advertising

You must also conduct a grand opening advertising campaign in connection with the grand opening of your Facility (see Item 7 for the amount you are required to spend). Before you conduct your grand opening advertising, you must submit to us your proposed campaign plans for our approval. At our request, you must give to us the money for your grand opening advertising campaign and we will conduct the campaign on your behalf.

Advisory Councils

There are presently no advisory councils composed of franchisees, but there may be such councils in the future. If we create an advisory council it will be comprised of franchisees and a company representative. We will select the franchisee participants based, in part, on the performance of their Facilities and their length of time in the System. This council, if and when formed, will act in an advisory capacity only.

Area Representative Advertising

If you are a Regional Developer, you are required to spend money on soliciting new franchisees for the System. All advertising must receive our written approval, and you must provide us with a report

each month detailing the advertising completed in the previous month, the cost for the advertising, and verification copies of the ads.

Site Selection and Opening

We estimate that between 60 and 90 days will elapse from the date of signing of the Franchise Agreement to the opening of your Facility for business. The Franchise Agreement requires that a mutually agreeable site for the Facility be located within 30 days after signing of the Franchise Agreement. The Franchise Agreement requires that your Facility must be opened for business not later than 60 days after we approve your location for your Facility. You may not open your Facility for business until: (1) you have complied with all requirements regarding site selection, leasing of the site and construction of the Facility; (2) we determine that your Facility has been constructed, decorated, furnished, equipped and stocked with Merchandise, materials and supplies in accordance with plans and specifications we have approved; (3) the initial training program we provided has been completed to our satisfaction by all required persons; (4) the initial franchise fee and all other amounts due to us have been paid; (5) you have furnished us with all certificates of insurance required by the Franchise Agreement; (6) you have obtained all required governmental permits, licenses and authorizations necessary for the operation of your Facility; (7) you are in full compliance with all the terms of the Franchise Agreement; and (8) all items in our opening checklist have been complied with to our satisfaction.

You must provide us with the information we need in order for us to evaluate your proposed site. Our approval will not be unreasonably withheld. The factors which we consider in approving your location include the population in your area and projected growth, size and cost of the property, parking, accessibility from main roads, large truck access, competition and other similar factors. We will have 15 days from the date we receive all of the information we need to approve or disapprove your proposed location. Our approval of a location for your Facility is not a warranty or guaranty that you will be successful at that site. Our approval only means that the location meets our minimum criteria for a Box Galaxy Facility.

Training Programs

Before the Facility's opening, we will provide a mandatory training program in the operation of your Facility to you and your manager, for a total of two people. Approximately one week of training will be conducted at our headquarters in San Diego, California, and will take place at least 21 days before opening your Facility for business, but not before signing of the Franchise Agreement. If you fail to complete the training program to our satisfaction, we may elect to terminate the Franchise Agreement. The cost of the training program is included in your initial franchise fee and will be provided to you and one other employee (for a total of two people). However, you will be responsible for all costs of travel, food, lodging and other incidental expenses incurred by you and your employee who attend the training program. (Franchise Agreement – Section 6.2.)

At your request, we will also provide you with additional training programs, refresher courses or “on-the-job” training at a mutually convenient time. You must pay us our then-current per diem fee (see Item 6) for each of our representatives conducting such training for each day such training continues. You must also pay all expenses of travel, lodging and meals incurred by our representatives. (Franchise Agreement – Section 6.2.)

There currently are no fixed (*i.e.*, monthly or bi-monthly) training schedules. The instructional material used during training is our Confidential Operations Manual. We project the following training schedule:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Administration / Ordering	0	16	San Diego, California
Sales / Marketing	0	24	San Diego, California
POS System / Accounting	0	4	San Diego, California
Products / Inventory	0	4	San Diego, California

Our training program is overseen by our President, Tim Patterson, whose biographical information is provided in Item 2 of this Disclosure Document.

Computer Systems and Software

You must obtain a computerized point of sale system for your Facility. Your system must be capable of running QuickBooks. We do not currently designate the type of point of sale system that you must purchase or lease, but we must approve of the system you choose before you purchase or lease it to make sure that it will provide you with the functionality you need and the reports we need. You should purchase your point of sale system from an approved reseller. Your point of sale system should have the following capabilities (at a minimum): track sales, returns and exchanges; track revenue and inventory; track expenses; track profitability; and integration with QuickBooks.

You must at all times during the term of your Franchise Agreement have a high speed internet connection (such as T-1 line, DSL or cable modem) for your point of sale system. We will have independent access to the information and data collected and/or generated by your computer. We intend to collect primarily sales based data from our franchisees on a routine basis.

We strongly recommend, but do not require, that you have an on-site maintenance contract for your point of sale system and your software.

There are no specific contractual obligations limiting the frequency or cost of your obligation to acquire upgrades and updates or to replace obsolete or worn out hardware or equipment. We reserve the right to develop our own proprietary software and require you to use it in the operation of your Franchised Business.

If you are a Regional Developer, you are also required to have a mobile telephone, a business telephone, an operating fax machine, email address and a laptop computer with the latest versions of Windows XP and Microsoft Office, and such other software and computer accessories as we need. The mobile phone number, the business phone number, the fax number and email address must be given to each franchisee in your territory and to us.

Confidential Operations Manual

Attached to this Disclosure Document as Exhibit C is the Table of Contents of the Confidential Operations Manual.

ITEM 12 **TERRITORY**

Franchise Agreement

The Franchise Agreement grants you the right to operate your Facility only at the Approved Location. If, at the time of signing of the Franchise Agreement, a location for your Facility has not been obtained by you and approved by us, you will be given an area in which you may obtain your Approved Location. We will grant you an exclusive area (“Exclusive Area”). We (and any affiliates that we periodically might have) will not establish, nor allow another franchisee to establish, another Facility in your Exclusive Area. Your Exclusive Area will include not less than 200,000 people and will be delineated by street boundaries, zip codes, or other geographical characteristics. You must obtain a location, subject to our approval, as provided in the Franchise Agreement.

During the term of the Franchise Agreement, we (and any affiliates that we periodically might have) have the right:

(1) to establish and operate, and grant rights to other franchise owners to establish and operate, Facilities or similar businesses at any locations outside your Exclusive Area and on any terms and conditions we deem appropriate;

(2) to sell any Merchandise and any products or services identical or similar to, or dissimilar from, those your Facility sells, whether identified by the Proprietary Mark or other trademarks or service marks through any distribution channels we think best (including the Internet), wherever located or operating, except not through Facilities located within your Exclusive Area;

(3) to purchase or otherwise acquire the assets or controlling ownership of one or more businesses identical or similar to your Facility (and/or franchise, license, and/or similar agreements for such businesses), some or all of which might be located anywhere, including within your Exclusive Area. If there is such a purchase or other acquisition, we may, in our sole discretion, (a) with respect to those businesses which are in your Exclusive Area and are not franchised or licensed, (i) offer to sell these businesses to you or to any third party at their fair market value to be operated under our System, or (ii) offer you the opportunity to operate those businesses in partnership with us (or our affiliate) under their original trade identities or a different trade identity that does not include the Proprietary Mark. We have the right to choose which of these alternatives we think best; (b) with respect to those businesses which are franchised or licensed, act as franchisor and/or licensor of those businesses in compliance with the then-effective franchise and/or license agreements;

(4) to be acquired (regardless of the form of transaction) by a business identical or similar to Box Galaxy Facilities, even if the other business operates, franchises and/or licenses competitive businesses within your Exclusive Area; and

(5) to engage in any other business activities not expressly prohibited by the Franchise Agreement, both within and outside your Exclusive Area.

You may relocate your Facility within your Exclusive Area only with our written approval. Our approval will be based upon many factors, including the viability of the then-current location and demographics (including number of households, size of the space and rental costs relating to the proposed location). You may not relocate your Facility without our approval. Our approval will not be

unreasonably withheld. This approval should not be construed as an assurance or guaranty that the new site will be successful. Our approval is based on certain limited set of factors, such as the Business Population Index, traffic patterns, availability of parking, size of the space, lease terms, competition, and similar factors. If you relocate your Facility, your Exclusive Area will not be changed.

You may sell the Merchandise and provide services to customers and prospective customers located within your Exclusive Area. You may not engage in any promotional activities or sell any products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located outside of your Exclusive Area; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located outside of your Exclusive Area. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Exclusive Area, and will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Exclusive Area, you may not make any sales or perform services to customers located outside of your Exclusive Area unless there is no Facility, either franchised or company-owned, in that area. You have no options, rights of first refusal, or similar rights to acquire additional franchises.

Although we have not done so, we and our affiliates may sell products under the Proprietary Marks outside your Exclusive Area through any method of distribution other than a dedicated Box Galaxy Facility, including sales through such channels of distribution as the Internet, catalog sales, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Exclusive Area except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any Merchandise or other products offered by a Box Galaxy Facility calling for delivery or performance in your Exclusive Area, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this.

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Except for the Facility operated by our Affiliate, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Facilities which sell our Merchandise or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Continuation of your Exclusive Area does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Exclusive Area.

Regional Developer Agreement

You will be granted an exclusive territory (the “Regional Developer Territory”). Under the Regional Developer Agreement we grant you the right to sell, open, support, solicit, service and coordinate a number of Facilities in the Area Representative Territory that is specified in the Development Schedule, which is an exhibit to the Regional Developer Agreement. The Regional Developer Territory is typically described in terms of municipal or county boundaries but may be defined as a specified trade area in a municipality and will include a specified population of not less than 1,000,000 people. The actual size of the territory may vary depending upon the availability of contiguous markets, our long range development plans, your financial and operational resources, population and market conditions. Our designation of a particular territory is not an assurance or warranty that there are a sufficient number of suitable sites for Facilities in the territory for you to meet your Development Schedule. The responsibility to locate and prepare a sufficient number of suitable sites is solely yours and we have no obligation to approve sites, which do not meet our criteria in order for you to meet the Development Schedule. (Regional Developer Agreement – Section 1.)

Except as described below, during the term of the Regional Developer Agreement we and our affiliates will not operate or grant a franchise for the operation of stores to be located within the territory except the franchises granted to you or qualified franchisees as provided below. However, we have the right to terminate this exclusivity if you are not in full compliance with all of the terms and conditions of the Regional Developer Agreement and all of the Franchise Agreements signed under it. We retain the right to operate or to license others to operate Facilities at Non-Traditional Sites.

Except as expressly limited by the Regional Developer Agreement, we and our affiliates retain all rights with respect to Facilities, the Proprietary Marks, the sale of Merchandise and any other products and services anywhere in the world including, without limitation the right: (a) to produce, offer and sell and to grant others the right to produce, offer and sell the services and/or goods offered at Facilities (including the proprietary products) and any other goods and services through similar or dissimilar channels of distribution, both within and outside the territory, under trade and service marks other than the Proprietary Marks and under any terms and conditions we deem appropriate; (b) to produce, offer and sell, and grant others the right to produce, offer and sell the services and/or goods offered at Facilities (including the Merchandise) and any other goods and services through dissimilar channels of distribution, both within and outside the territory under the Proprietary Marks and under any terms and conditions we deem appropriate; and (c) to operate and to grant others the right to operate Facilities located outside the territory under any terms and conditions we deem appropriate and regardless of proximity to your Facilities. (Regional Developer Agreement – Section 5.)

To maintain your rights under the Regional Developer Agreement there must be open and in operation the cumulative number of Facilities listed on the Development Schedule by the dates stated in the Development Schedule.

In addition, upon the expiration of the term of the Regional Developer Agreement or upon the signing of a Franchise Agreement for the last Facility to be developed within the territory, your exclusive rights under the agreement with respect to opening Facilities within the territory will terminate and we and our affiliates will have the right to operate and to grant to others development rights and franchises to develop and operate Facilities near the territory, as long as those facilities do not infringe upon your exclusive territory. This right will be subject only to any territorial rights under the franchise agreements entered into by you for Facilities in the territory. Your rights and obligations to service the franchisees within the Area Representative Territory will continue until the Regional Developer Agreement is terminated or expires, pursuant to the terms of the agreement. The territory may not be altered unless we and you mutually agree to do so. It will not be affected by your sales volume.

ITEM 13
TRADEMARKS

We grant to you the right to use certain trademarks, service marks and other commercial symbols under the Franchise Agreement and the Regional Developer Agreement. Our primary service mark is Box Galaxy and design (the “Proprietary Mark”). We applied for registration of the Proprietary Mark on the Principal Register of the United States Patent and Trademark Office (“USPTO”) as follows:

Mark	Application or Registration Date	Serial or Registration Number
BOX GALAXY	8/31/07	77/270,010

There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of this state or any court, nor is there any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Principal Trademarks which may be relevant to their use in this state or in any other state.

There are no agreements currently in effect which limit our right to use or to license others to use the Proprietary Mark.

You must promptly notify us of any suspected unauthorized use of the Proprietary Mark, any challenge to the validity of the Proprietary Mark, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Proprietary Mark. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Mark, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Mark. We may defend you against any third party claim, suit or demand arising out of your use of the Proprietary Mark. If we, in our sole discretion, determine that you have used the Proprietary Mark in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be borne by us. If we determine that you have not used the Proprietary Mark in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be yours. In the event of any litigation relating to your use of the Proprietary Mark, you must sign any and all documents and do such acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that this litigation is the result of your use of the Proprietary Mark in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these acts.

There are no infringing uses actually known to us that could materially affect your use of the Proprietary Mark in this state or elsewhere.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it, at our sole discretion. We are not required to reimburse you for the costs you incur in complying with any proprietary mark change or substitution, and we will have no other obligation or liability to you as a result of such change or substitution.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

You do not receive the right to use an item covered by a copyright, but you can use the proprietary and confidential information that is in our Manual. The Manual is described in Item 11 and below. Although we have not filed an application for a copyright registration for the Manual, we claim a copyright and the information in it is proprietary and confidential. You must promptly tell us when you learn about unauthorized use of this proprietary and confidential information. We are not obligated to take any action, but will respond to this information as we think appropriate.

There are no patents that apply to this franchise.

Confidential Operations Manual

You must operate your Facility according to the standards, methods, policies and procedures specified in the Manual. One copy of the Manual is loaned to you by us for the term of the Franchise Agreement after you and your manager complete our initial training program to our satisfaction.

You must treat the Manual, any other of our manuals which are used in the operation of your Facility, and the information in them as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise give them to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place at your Facility.

We may revise the contents of the Manual, and you must comply with each new or changed standard. You must make sure that the Manual is kept current at all times. If there is any dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Confidential Information

You must not, during the term of the Franchise Agreement or after the term of the Franchise Agreement, communicate, divulge or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business which may be communicated to you or which you may learn because of your operation under the terms of the Franchise Agreement. Confidential information includes, but is not limited to: (a) price lists and marketing plans and strategies; (b) proprietary computer software functions, capabilities, code, manuals, fixes, work arounds, revision plans, etc.; and (c) customer lists, customer identities, customer contacts and customer preferences (including identities and plans for approaching potential customers). You may divulge this confidential information only to those of your employees who have access to and who operate your Facility. Any and all information, knowledge, know-how, techniques and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

At our request, you must require your manager and any personnel having access to any of our confidential information to sign agreements that say that they will maintain the confidentiality of information they receive in connection with their employment by you at your Facility. The agreements must be in a form satisfactory to us, including specific identification of us as a third party beneficiary of

the covenants with the independent right to enforce them and that they prohibit any direct or indirect ownership in a competing business.

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

During the term of the Franchise Agreement, and at our discretion, you must attend and complete our initial training program, and either you (or, if you are a corporate entity, a principal of the entity) or your fully trained manager must devote full time and best efforts to the management and operation of the Franchised Business. The Franchised Business must have on-premises supervision of a manager who has satisfactorily completed our training program. You must also maintain a competent, conscientious, trained staff, including a fully trained manager (which may be you). If you are an individual, we recommend that you be the fully trained manager described above. We impose no limitations as to who you may hire as the manager, except that you must comply with all applicable laws and that you must not harm the goodwill associated with the System and the Proprietary Mark (this requirement may affect who you hire as your manager).

We have the right to approve the manager after training. The manager will not be required to have an equity interest in your business. The manager will be required to attend and complete our training program, as described in Item 11. The manager and other key employees may also be required to enter into an agreement not to compete with businesses under the System while employed by you and for five years thereafter, and an agreement not to reveal confidential information obtained while employed by you. See Item 17 for a description of these obligations.

If you are a corporate entity, such as a corporation, partnership or limited liability company, a principal of the entity must sign the personal guaranty.

You must operate the Franchised Business in strict conformity with all applicable Federal, state and local laws, ordinances and regulations. Such laws, ordinances and regulations vary from jurisdiction to jurisdiction and may be implemented or interpreted in different manners. It is your sole responsibility to learn of the existence and requirements of all laws, ordinances and regulations applicable to the Franchised Business and to adhere to them and to the then-current implementation or interpretation of them.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Facility solely for the operation of the Franchised Business. You must keep your Facility open and in normal operation for the minimum hours and days as we specify. You must not use or permit the use of the Facility for any other purpose or activity at any time without first obtaining our written consent. You must operate the Franchised Business in strict conformity with the methods, standards and specifications we may require in the Manual or in writing. You must not change the standards, specifications and procedures without our written consent.

You must sell or offer for sale only those products and those services that we have approved for sale in writing; you must sell or offer for sale all types of products and services specified by us; you should not change our standards and specifications without our written consent; and you must stop selling and offering for sale any services or products which we may, in our discretion, disapprove in writing at any time. We have the right to change the types of authorized goods and services and there are no limits on our right to make changes.

The System may be supplemented, improved or modified by us. You must comply with all of our reasonable requirements in that regard, including offering and selling new or different products or services as specified by us.

You are restricted by the Franchise Agreement, the Manual and any other practice or custom with respect to the goods or services which you may offer, which must be approved by us. You are not restricted as to the customers whom you may solicit or service, except that we do not permit soliciting business outside of your Exclusive Area and you may not provide products or services to a customer located in another franchisee's territory.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Article in Franchise Agreement	Summary
a. Term of the franchise	Article II	10 years
b. Renewal or extension of the term	Article II	Continual renewal terms of 10 years
c. Requirements for you to renew or extend	Article II	Notice, renovation of premises, compliance with Franchise Agreement, sign new Franchise Agreement, sign release, pay renewal fee You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory (if one is granted to you) will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees
d. Termination by you	None	You may seek to terminate your Franchise Agreement on any ground permitted by law
e. Termination by us without cause	None	

	Provision	Article in Franchise Agreement	Summary
f.	Termination by us with cause	Article XIII	We may terminate the Franchise Agreement if you default
g.	“Cause” defined - defaults which can be cured	Article XIII	Breach of Franchise Agreement and other grounds, such as failure to pay royalties, advertising, submitting false reports, breach of lease or sublease; see Article XIII
h.	“Cause” defined - defaults which cannot be cured	Article XIII	Breach of Franchise Agreement, such as filing for bankruptcy, assignment for the benefit of creditors or lease termination
i.	Your obligations on termination/non-renewal	Article XIV	Obligations include complete de-identification and payment of amounts due; see Article XIV
j.	Assignment of contract by us	Article XVI	No restriction on right to transfer
k.	“Transfer” by you - definition	Article XVI	Transfer all or substantially all of the assets of your business
l.	Our approval of transfer by you	Article XVI	We have the right to approve transfers
m.	Conditions for our approval of transfer	Article XVI	Includes payment of money owed, non-default, sign a release, transferee qualifications, sign a new agreement, refurbishment and payment of the transfer fee
n.	Our right of first refusal to acquire your business	Article XVI	We can match any offer
o.	Our option to purchase your business	Article XIV	Upon expiration or termination, we can buy certain assets
p.	Your death or disability	Article XVI	Franchise must be assigned to approved buyer within 12 months
q.	Non-competition covenants during the term of the franchise	Article XV	Includes prohibition on owning or operating business which sells similar services
r.	Non-competition covenants after the franchise is terminated or expires	Article XV	Includes prohibition on owning or operating business which sells similar products or merchandise for five years and located within 50 miles of any Facility in the System

Provision	Article in Franchise Agreement	Summary
s. Modification of the agreement	Article XXV	Must be in writing by both parties
t. Integration/merger clause	Article XXV	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable
u. Dispute resolution by arbitration or mediation	Article XXIII	Arbitration in San Diego, California or where we maintain our primary headquarters
v. Choice of forum	Article XXIII	California
w. Choice of law	Article XXIII	California

THE AREA REPRESENTATIVE RELATIONSHIP

Provision	Section in Area Representative Agreement	Summary
a. Term of the agreement	Section 2	20 years, plus continual 10 year renewals.
b. Renewal Franchise or extension of the term	Section 2	If you are in good standing, sign the current form of Area Representative Agreement. No renewal fee is charged.
c. Requirements for you to obtain a renewal franchise	Section 2	You have been in substantial compliance with Regional Developer Agreement.
d. Termination by you	Not applicable	You may terminate the Regional Developer Agreement under any grounds permitted by law.
e. Termination by us without cause	Section 10	We have the right to terminate without cause, during the initial two year trial period.
f. Termination by us with cause	Section 10	We can terminate if you fail to comply with the terms of the Regional Developer Agreement.

Provision	Section in Area Representative Agreement	Summary
g. "Cause" defined- defaults which cannot be cured	Section 10	(1) fail to meet the Development Schedule; (2) insolvency, receivership or a judgment against you is unsatisfied for more than 30 days; (3) material misrepresentation or omission on application; (4) conviction of you or any of your owners of a felony or other crime, offense or misconduct which adversely affects yours or our reputation or the goodwill of the Proprietary Marks; (5) failure to complete the training program.
h. "Cause" defined- defaults which can be cured	Not applicable	
i. Your obligations on termination/non- renewal	Section 11	Pay all amounts owed; cease all use of Proprietary Marks; remove all signs; return to us or destroy all materials containing any Proprietary Mark; cancel assumed or fictitious name registrations; cease use of all confidential information, return Manual, comply with post-term covenant not to compete, return all printed materials.
j. Assignment of contract by us	Section 8	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith and judgment, is willing and able to assume our obligations under the Regional Developer Agreement.
k. "Transfer" by you - definition	Section 8	Includes transfer of any interest in the Regional Developer Agreement and in you.
l. Our approval of transfer by you	Section 8	We have the right to approve all transfers, our consent will not be unreasonably withheld

Provision	Section in Area Representative Agreement	Summary
m. Conditions for our approval of transfer	Section 8	Transferee must complete training; Regional Developer must pay transfer fee; Area Representative must train the transferee for two months before transfer.
n. Our right of first refusal to acquire your business	Section 8	We have the right to purchase your business
o. Our option to purchase your business	Section 8	We will provide you with 30 days notice if we decide to purchase your business
p. Your death or disability	None	
q. Non-competition covenants during the term of the franchise	Section 10	Includes prohibition on owning or operating business which sells similar services
r. Non-competition covenants after the franchise is terminated or expires	Section 10	No competing business for two years and within a 50 mile radius of any Facility in the System
s. Modification of the agreement	Section 22	No modifications unless in writing and signed, but Manual subject to change. Revisions to the Manual will not unduly affect your obligations, including economic requirements, under the Regional Developer Agreement.
t. Integration/merger clause	Section 18	Only terms of Regional Developer Agreement are binding (subject to state law).
u. Dispute resolution by arbitration or mediation	Section 21	Arbitration in San Diego, California or where we maintain our primary headquarters
v. Choice of forum	Section 20	California
w. Choice of law	Section 20	California

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, venue for disputes and governing law: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, Tit. 6, Ch. 25, Sections 2551 et seq.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA, [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1],

SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code Section 13.1-557 through 13.1-574 of the Code of Virginia], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise, venue for disputes and governing law.

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

ITEM 18 **PUBLIC FIGURES**

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

ITEM 19 **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tim Patterson at 7465 Mission Gorge Road, San Diego, California 92120, (858) 717-5448, the Federal Trade Commission, and the appropriate state regulatory agencies.

The following represents an example of the actual net revenues, top line expenses and gross income achieved by the one Facility which is owned by our Affiliate, and which was in operation as of the date of this Disclosure Document. We are not representing that you can expect to achieve these sales or profits in your first year of operation, or at any time during the term of your franchise agreement. Your revenues and expenses may vary significantly depending on a number of factors, including the location of your store and how you operate your business.

	Revenue Period 1/1/07 to 12/31/07	Percentage of Total Revenues
Total Revenues	\$506,040	100%
Cost of Sales	\$226,782	45%
Gross Profit	\$279,258	55%

	Revenue Period 1/1/08 to 12/31/08	Percentage of Total Revenues
Total Revenues	\$510,000	100%
Cost of Sales	\$229,500	45%
Gross Profit	\$280,500	55%

	Revenue Period 1/1/09 to 12/31/09	Percentage of Total Revenues
Total Revenues	\$515,250	100%
Cost of Sales	\$226,710	44%
Gross Profit	\$288,540	56%

	Revenue Period 1/1/10 to 12/31/10	Percentage of Total Revenues
Total Revenues	\$565,000	100%
Cost of Sales	\$254,250	45%
Gross Profit	\$310,750	55%

	Revenue Period 1/1/11 to 12/31/11	Percentage of Total Revenues
Total Revenues	\$610,000	100%
Cost of Sales	\$268,400	44%
Gross Profit	\$341,600	56%

	Revenue Period 1/1/12 to 12/31/12	Percentage of Total Revenues
Total Revenues	\$667,000	100%
Cost of Sales	\$307,000	46%
Gross Profit	\$360,000	54%

Notes:

- (1) The facility in San Diego, California has been operated by our Affiliate since December 2006.
- (2) The population of the greater San Diego market is approximately 1,300,000.
- (3) The San Diego facility occupies 3,000 square feet. It is anticipated that most franchised facilities will be approximately 2,500-3,000 square feet.
- (4) **In addition to the Cost of Sales above (the cost of goods sold during the year), the San Diego facility has a wide variety of monthly expenses that vary widely from one market to another. In the San Diego facility during the most recent financial period shown above, the monthly variable expenses included, on average: rent (\$2,400), advertising (\$1,200), computer and internet (\$150), credit card fees (\$100), insurance (\$50), labor (\$4,000), office supplies (\$100), repairs and maintenance (\$25), sales tax (\$3,500), and telephone (\$100).**

THE SUCCESS OF YOUR FRANCHISE WILL DEPEND LARGELY UPON YOUR INDIVIDUAL ABILITIES AND YOUR MARKETPLACE, AND THE FINANCIAL RESULTS OF YOUR FRANCHISE ARE LIKELY TO DIFFER, POSSIBLY SIGNIFICANTLY, FROM THE RESULTS OF THE ABOVE FACILITY. FURTHER, WE DO NOT REPRESENT, WARRANT OR OTHERWISE GUARANTEE THAT ANY FRANCHISE WILL ATTAIN THESE REVENUE OR EXPENSE FIGURES. A NEW FRANCHISEE'S INDIVIDUAL FRANCHISED FACILITY RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS STATED ABOVE.

The net revenue figures stated in this statement have not been audited by Franchisor. Net income will vary from Facility to Facility depending upon such factors as rental or real estate costs, costs of goods sold, and other costs relating to the operation of the Facility which may not be included above.

This Facility offered substantially the same products and services to the public as you will.

We believe that this Statement is consistent with generally accepted accounting principles, to the extent applicable.

THESE REVENUES AND EXPENSES ARE OF A SPECIFIC FACILITY OWNED AND OPERATED BY OUR AFFILIATE, AND SHOULD NOT BE CONSIDERED AS THE ACTUAL OR PROBABLE REVENUE OR EXPENSES THAT WILL BE REALIZED BY ANY FRANCHISE OWNER. WE DO NOT REPRESENT THAT ANY FRANCHISE OWNER CAN EXPECT TO ATTAIN SUCH REVENUES OR INCUR SUCH EXPENSES, YOUR RESULTS WILL VARY AND SUCH VARIANCES MAY BE MATERIAL AND ADVERSE TO THE REVENUES AND EXPENSES SHOWN HERE. WE DO NOT REPRESENT THAT YOU WILL GENERATE REVENUE EQUAL TO OR EVEN SIMILAR TO THOSE STATED ABOVE OR INCUR THE SAME OR SIMILAR EXPENSES. YOU SHOULD USE THE ABOVE INFORMATION ONLY AS A REFERENCE IN CONDUCTING YOUR OWN ANALYSIS. WE STRONGLY URGE YOU TO CONSULT WITH YOUR FINANCIAL ADVISOR OR PERSONAL ACCOUNTANT CONCERNING THE FINANCIAL ANALYSIS THAT YOU SHOULD MAKE IN DETERMINING WHETHER OR NOT TO PURCHASE A BOX GALAXY FRANCHISE. WE SPECIFICALLY INSTRUCT OUR SALES PERSONNEL, AGENTS, EMPLOYEES AND OFFICERS THAT THEY MAY NOT MAKE ANY CLAIMS OR

STATEMENTS AS TO EARNINGS, REVENUES OR PROFITS, OR PROSPECTS OR CHANCES OF SUCCESS OF A BOX GALAXY FACILITY OTHER THAN WHAT IS STATED IN THIS ITEM 19. THEY ARE NOT AUTHORIZED TO REPRESENT OR ESTIMATE DOLLAR FIGURES AS TO A FACILITY'S OPERATION OTHER THAN WHAT IS SHOWN ABOVE. EXCEPT AS PROVIDED BY APPLICABLE LAW, WE WILL NOT BE BOUND BY ALLEGATIONS OF ANY UNAUTHORIZED REPRESENTATION AS TO EARNINGS, REVENUES, PROFITS, OR PROSPECTS OR CHANCES FOR SUCCESS, AND YOU WILL BE REQUIRED TO ACKNOWLEDGE THAT YOU HAVE NOT RELIED ON ANY SUCH REPRESENTATION IN PURCHASING YOUR BOX GALAXY FRANCHISE.

SUBSTANTIATION OF THE DATA USED IN PREPARING THESE REVENUE FIGURES WILL BE MADE AVAILABLE TO YOU UPON REASONABLE REQUEST.

Actual results for franchised businesses vary from franchise to franchise, and we cannot estimate the results for a particular franchised business. You must make your own independent investigation to determine whether or not a franchise may be profitable, and consult with an attorney and other advisors before purchasing a franchise.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Systemwide Outlet Summary
For fiscal years ended September 30, 2008, 2009, 2010, 2011

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2006	0	0	0
	2007	0	0	0
	2008	0	0	0
	2009	1	1	1
	2010	1	2	1
	2011	2	3	1
Area Representatives	2006	0	0	0
	2007	0	0	0
	2008	0	1	1
Company-Owned	2006	0	0	0
	2007	0	0	0
	2008	1	1	1
Total	2006	0	0	0
	2007	0	0	0
	2008	1	2	1

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For fiscal years ended September 30, 2005, 2006, 2007**

State	Year	Number of Transfers
None	2006	0
	2007	0
	2008	0
Total	2009	0
	2010	0
	2011	0

**Status of Area Representatives
For fiscal year ended September 30, 2012**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
FL	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
Total	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1

**Status of Company-Owned Outlets
For fiscal years ended September 30, 2006, 2007, 2008**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Calif.	2010	1	0	0	0	0	1
	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
Total	2010	1	0	0	0	0	1
	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1

Projected Openings as of September 30, 2011

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Michigan	1	3	0
California	0	3	0
Arizona	0	1	0
Colorado	0	3	0
Florida	0	1	0
Nevada	0	1	0
Texas	0	1	0
Total	0	8	0

A list of the names of all franchisees and Regional Developers and the addresses and telephone numbers of their Facilities will be provided in Exhibit F to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee, developer or area representative who had a Facility terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit G to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Box Galaxy System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Box Galaxy System.

**ITEM 21
FINANCIAL STATEMENTS**

You can request, as part of this Disclosure Document, our most recent audited financial statement. Our fiscal year end is September 30.

**ITEM 22
CONTRACTS**

Upon your request, the following contracts can be requested as attachments to this Disclosure Document:

1. Franchise Agreement
2. Regional Developer Agreement
3. General Release-Sample Copy – Exhibit D

ITEM 23
RECEIPTS

A copy of an acknowledgment of your receipt of this Disclosure Document appears at the end of the Disclosure Document. Please return one signed copy to us.

EXHIBIT A TO THE DISCLOSURE DOCUMENT
AGENTS FOR SERVICE OF PROCESS/STATE ADMINISTRATORS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

<p><u>CALIFORNIA</u> Department of Corporations: 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677</p> <p>1515 K Street, Suite 200 Sacramento, CA 95814 (916) 445-7205</p> <p>1350 Front Street San Diego, CA 92101 (619) 525-4233</p> <p>71 Stevenson Street, Suite 2100 San Francisco, CA 94105 (415) 972-8559</p>	<p><u>CONNECTICUT</u> State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230</p> <p>Agent: Banking Commissioner</p>
<p><u>HAWAII</u> (state administrator)</p> <p>Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p>(agent for service of process)</p> <p>Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><u>ILLINOIS</u> Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>

<p><u>INDIANA</u> (state administrator)</p> <p>Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>(agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531</p>	<p><u>MARYLAND</u> (state administrator)</p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p> <p>(for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><u>MICHIGAN</u> (state administrator)</p> <p>Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa Street, 6th Floor Lansing, Michigan 48933 (517) 373-7117</p> <p>(for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909</p>	<p><u>MINNESOTA</u> (state administrator)</p> <p>Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328</p> <p>(for service of process) Minnesota Commissioner of Commerce</p>
<p><u>NEW YORK</u> (state administrator)</p> <p>New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8211</p> <p>(for service of process) Secretary of State of New York 41 State Street Albany, New York 12231 (518) 474-4750</p>	<p><u>NORTH DAKOTA</u></p> <p>North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p>

<p><u>OREGON</u></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p>	<p><u>RHODE ISLAND</u></p> <p>Division of Securities 233 Richmond Street, Suite 232 Providence, Rhode Island 02903 (401) 222-3048</p>
<p><u>SOUTH DAKOTA</u></p> <p>Division of Securities Department of Revenue & Regulation 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823</p>	<p><u>VIRGINIA</u></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p>(for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>
<p><u>WASHINGTON</u> (state administrator)</p> <p>Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760</p> <p>(for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501</p>	<p><u>WISCONSIN</u> (state administrator)</p> <p>Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 266-1064</p> <p>(for service of process) Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703</p>

EXHIBIT B TO THE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDUM

EXHIBIT B
CALIFORNIA APPENDIX

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement or Area Representative Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement and Regional Developer Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The Franchise Agreement and Regional Developer Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
6. The Franchise Agreement and Regional Developer Agreement require binding arbitration, the site of which is San Diego, California, with each party bearing its own costs. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
8. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

9. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
10. OUR WEBSITE, www.DiscountBox.com HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS at www.corp.ca.gov.

11. Item 19 of the Disclosure Document is amended as follows:

“The earnings claims figure(s) does (do) not reflect the full costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.”

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

BOX GALAXY, LLC

Witness

By: _____
Name: Tim Patterson
Title: President

FRANCHISEE:

Witness

EXHIBIT C TO THE DICLOSURE DOCUMENT

LIST OF FRANCHISEES AND AREA REPRESENTATIVES

Mark Suchy/DeAnn Kamp	DBA Box Gal, LLC	12687 Fox Ridge Dr., Bonita Springs, FL 34135
Nicholas Bartley	DBA Box Galaxy	12201 Arapahoe Rd., Centennial, CO 80112

EXHIBIT D TO THE DISCLOSURE DOCUMENT
FRANCHISEES AND REGIONAL DEVELOPERS
WHO HAVE LEFT THE SYSTEM

None

EXHIBIT E TO THE DISCLOSURE DOCUMENT

TABLE OF CONTENTS OF OPERATIONS MANUAL

- I. INTRODUCTION: OUR COMPETITIVE ADVANTAGE
- II. PRODUCT OVERVIEW
- III. SITE LOCATION & DEVELOPMENT
- IV. MAINTAINING THE BRAND
- V. DAY-TO-DAY STORE OPERATIONS
- VI. IN-STORE TECHNOLOGY & SYSTEMS
- VII. MANAGING SUPPLIERS & VENDORS
- VIII. HIRING & MANAGING EMPLOYEES
- IX. MARKETING & ADVERTISING
- X. FINANCIAL RECORDING & REPORTING
- XI. SUMMARY & FREQUENTLY ASKED QUESTIONS

EXHIBIT F TO THE DISCLOSURE DOCUMENT

GENERAL RELEASE - SAMPLE COPY

BOX GALAXY, LLC GENERAL RELEASE

THIS AGREEMENT is made and entered into this ___ day of _____, 20___ by and between Box Galaxy, LLC, a California limited liability company having its principal place of business located at 7465 Mission Gorge Rd., San Diego, California 92120 (the "Company"), and _____, [an individual/a corporation/a limited liability company] whose principal address is located at _____ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor:**

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. **Release by Franchisor:**

The Franchisor does for itself, its successors and assigns, hereby release and forever discharge generally, the Releasor from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which the Franchisor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time before and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Releasor, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event the Franchisor breaches any of the promises, covenants, or undertakings made herein by any act or omission, the Franchisor shall pay, by way of indemnification, all costs and expenses of the Releasor caused by the act or omission, including reasonable attorneys' fees.

3. Each party hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by such party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or instituted against any released party because of any such purported assignment, transfer or subrogation,

the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

4. Each party shall bear its own costs and attorneys' fees in negotiating and preparing this Agreement. Each party warrants and acknowledges that in executing this Agreement, he, she or it has relied upon the advice from the attorney of his, her or its choice, that the terms of this Agreement have been read and its consequences have been completely explained to him, her or it, and that he, she or it fully understands the terms of this Agreement.

5. Each party warrants and acknowledges that in executing this Agreement, he, she or it has relied upon the advice from the attorney of his, her or its choice, that the terms of this Agreement have been read and its consequences have been completely explained to him, her or it, and that he, she or it fully understands the terms of this Agreement.

6. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

7. Each party to this Agreement shall cooperate fully in the execution of any and all other documents and in the completion of any additional actions that may be necessary or appropriate to give full force and effect to the terms and intent of this Agreement.

8. California law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

9. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of California.

10. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this Agreement effective as of the date first above.

Witness:

RELEASOR:

Witness:

BOX GALAXY, LLC

By: _____

Name: Tim Patterson

Title: President

EXHIBIT G TO THE DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Box Galaxy, LLC (the “Franchisor”) and you are preparing to enter into a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a Box Galaxy Facility (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“Broker”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20__.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this ____ day of _____, 20____.

Sign here if you are taking the franchise as an
INDIVIDUAL

Sign here if you are taking the franchise as a
CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP

Signature

Print Name of Legal Entity

Print Name _____

By: _____
Signature

Signature

Print Name _____

Print Name _____

Title _____

Signature

Print Name _____

Signature

Print Name _____

**THE FRANCHISOR REPRESENTS THAT THIS
PROSPECTUS DOES NOT KNOWINGLY OMIT
ANY MATERIAL FACT, OR CONTAIN ANY
UNTRUE STATEMENT OF MATERIAL FACT.**

RECEIPT

(RETURN ONE COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Box Galaxy, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Maryland, New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon, Washington and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Box Galaxy, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Box Galaxy, LLC, located at 7465 Mission Gorge Rd., San Diego, California 92120. Its telephone number is (858) 717-5448.

Issuance date: _____.

The franchise seller for this offering is: Tim Patterson, Box Galaxy, San Diego
_____.

Box Galaxy, LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated _____, 20__ that included the following Exhibits:

A – State Administrators/Agents for Service of Process	F – List of Franchisees and Regional Developers Who Have Left the System
B – State Specific Addendum	G – Table of Contents of Operations Manual
C – Franchise Agreement	H – Financial Statements
D – Regional Developer Agreement	I – General Release-Sample Copy
E – List of Franchisees and Regional Developers	J – Franchisee Disclosure Acknowledgment Statement

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating and mailing it to Box Galaxy, LLC at 7465 Mission Gorge Rd., San Diego, California 92120, or by faxing a copy of the signed and dated receipt to Box Galaxy, LLC at (619) 287-4183.

RECEIPT

(A COPY FOR YOUR RECORDS)

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_____.

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C – Table of Contents for User Manual	H – General Release-Sample Copy
D – General Release	I – Franchisee Disclosure Acknowledgment Statement
E – List of Franchisees, Regional Developers and Area Representatives	

Date: _____

(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating and mailing it to Box Galaxy, LLC at 7465 Mission Gorge Rd., San Diego, California 92120, or by faxing a copy of the signed and dated receipt to Box Galaxy, LLC at (619) 287-4183.