

**EXHIBIT I  
TO THE OFFERING CIRCULAR**

**ISLAND INK-JET SYSTEMS (US) INC.  
AREA DEVELOPMENT AGREEMENT**

USA  
AREA DEVELOPMENT AGREEMENT



BETWEEN

**ISLAND INK-JET SYSTEMS (US) INC.**

AND

**[INSERT AREA DEVELOPER]**

FOR

**[INSERT AREA DEVELOPMENT REGION]  
[CITY, STATE]**

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SCHEDULE A – TRADE-MARKS

SCHEDULE B – ECONOMICS

SCHEDULE C – SINGLE UNIT FRANCHISE AGREEMENT

**ISLAND INK-JET SYSTEMS (US) INC.**

**AREA DEVELOPMENT AGREEMENT**

**BY AND BETWEEN:**

Island Ink-Jet Systems (US) Inc., a corporation incorporated pursuant to the laws of the State of Nevada, USA, having an office at 244 - 4<sup>th</sup> Street, Courtenay, British Columbia, Canada, V9N 9J5;

("Franchisor")

**AND:**

[INSERT AREA DEVELOPER NAME]  
[INSERT AREA DEVELOPER ADDRESS]

("Area Developer")

**1. RECITALS**

1.1. WHEREAS Franchisor has developed, as a result of the expenditure of substantial time, money and effort, the unique and distinctive IJJ System (as hereinafter defined) relating to the operation of a Franchised Outlet (as hereinafter defined);

1.2. WHEREAS Franchisor is the owner of the Trade-marks and other trade names, trade-marks, service marks, logos and other proprietary rights which are used in association with the IJJ System;

1.3. WHEREAS Area Developer wishes to obtain;

(a) the exclusive right to use the Trade-marks in the Exclusive Territory in connection with the business to be carried on by Franchisor under this Agreement;

(b) the exclusive right to solicit prospective franchises and to provide training and support services to Franchised Outlets, within the Exclusive Territory, using the IJJ System and the Trade-marks;

1.4. WHEREAS Franchisor has agreed to grant such rights to Area Developer under the terms and conditions of this Agreement; and

1.5. WHEREAS the Area Developer acknowledges the importance of the high and uniform standards of quality and service established by Franchisor and the necessity of locating and presenting quality prospective franchisees ("Applicants") to Franchisor and assisting such Franchisees in operating Franchised Outlets in accordance with the IJJ System and the terms and conditions of this Agreement.

**NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL UNDERTAKINGS SET FORTH HEREIN, THE PARTIES AGREE AS FOLLOWS:**

## 2. DEFINITIONS

2.1. Whenever used herein or in any schedule or amendment hereto:

(a) **"IJ System"** means a System for the development, opening and operation of a retail outlets specializing in the sale of products and services for the refilling and replacement of Ink-Jet Cartridges, Compatible and remanufactured cartridges, toners, and related products for printers, as well as other products specified from time to time by Franchisor; a marketing plan and operating System with a uniform business format and uniform methods, procedures, designs, merchandising, advertising orientation, manufacture and source of products, site selection; specially designed and standardized retail outlets involving distinctive design, decor, color schemes, layouts and signage; standardized furniture, fixtures, equipment, displays, furnishings and packaging; inventory and operations control Systems (including I.I.J.C.I.P. and the I.I.J.C.I.P. Program); standardized accounting procedures and policies; training and assistance; special buying programs, uniform advertising and promotional materials and programs, all of which may be further supplemented, updated or amended from time to time by Franchisor;

(b) **"Advertising Funds"** means the fund created by the Franchisor within the Area Developer's territory, in which all advertising contributions by Franchisees located within said territory, are deposited in accordance with the provisions of Section 10 hereof;

(c) **"Affiliated Corporation(s)"** - a body corporate is an Affiliated Corporation of another body corporate, if one of them is the subsidiary of the other or both are the subsidiaries of the same body corporate or each of them is controlled by the same Person, and if two bodies corporate are Affiliated Corporations of the same body corporate at the same time, each of them is an Affiliated Corporation of the others. For the purposes hereof:

(i) a body corporate is controlled by a Person if securities of the body corporate to which are attached more than fifty percent (50%) of the votes that may be cast to elect directors of such body corporate are held, other than by way of security only, by or for the benefit of that Person and the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate,

(ii) a body corporate is the holding body corporate of another if that other body corporate is a subsidiary, and

(iii) a body corporate is a subsidiary of another body corporate if it is controlled by that other body corporate;

(d) **"Agreement"** means this Area Development agreement and all schedules hereto, as same may be amended, supplemented or restated from time to time;

(e) **"I.I.J.C.I.P."** means "Island Ink-Jet Continuous Improvement Process" which is a unique proprietary process owned by Franchisor pursuant to which continuous analysis of each Franchised Outlet is conducted so as to derive information in respect to all aspects of the operation thereof;

(f) **"I.I.J.C.I.P. Program"** means a unique, proprietary program designed to evaluate, prioritize and action key components of each Franchised Outlet with a view to making the necessary changes and modifications to the manner in which such Franchised Outlet is operated in order to improve, wherever possible, levels of market share and sales;

(g) **"Competitive Business"** means any business which is the same or substantially similar to the business carried on, in, at or upon a Franchised Outlet, namely a business which

generates substantially all of its revenue from the sale at retail of products and services similar to the Franchisor;

(h) **"Corporate Outlets"** means Franchised Outlets that are owned and operated by an Affiliated Corporation of Area Developer;

(i) **"Effective Date"** means the date of execution of this Agreement by the last party to execute same;

(j) **"Exclusive Territory"** is as outlined in Item 1 of Schedule B;

(k) **"Franchisee(s)"** means the owner and operator of a Franchised Outlet which has been approved by Franchisor and has entered into a Single Unit Franchise Agreement with Franchisor in accordance with the provisions of Subsection 7.1.3 hereof including, without limitation, any Affiliated Corporation of Area Developer which owns and operates a Franchised Outlet in accordance with Section 3.2 hereof;

(l) **"Franchised Outlet(s)"** means those locations that sell Products at retail only, which are opened and operated in accordance with the IJJ System using the Trade-marks and which are franchised by Franchisor to a Franchisee in accordance with the terms and conditions of this Agreement and pursuant to a Single Unit Franchise Agreement;

(m) **"Franchisee Recruiting Program"** means the program available to Area Representative to solicit potential Franchisees in the Exclusive Territory;

(n) **"Gross Sales"** has the meaning given thereto in each Single Unit Franchise Agreement;

(o) **"New Store Kit"** means the set of plans and specifications and the fixtures, equipment, appliances, displays, counters, tables, computer hardware, fittings, signage, artwork, alterations and improvements for building, fixturing and equipping a Franchised Outlet;

(p) **"Other Products"** means products similar to the Products in quality, retail price and nature, purchased by an approved Franchisee from approved suppliers or manufacturers other than Franchisor or its Affiliated Corporations for sale at retail in Franchised Outlets;

(q) **"Person"** includes an individual, body corporate, partnership, limited liability company, joint venture, trust, association, unincorporated organization or any other entity recognized by applicable law;

(r) **"Products"** mean the products, merchandise and wares to be sold in a Franchised Outlet as well as those additional products, merchandise and wares designated by Franchisor for sale in Franchised Outlets in the future;

(s) **"Retail Location"** means a third party regional or national retail chain or similar entity which we have negotiated a program to place Service Centers or products within their locations;

(t) **"Single Unit Franchise Agreement"** means the standard form Single Unit Franchise Agreement, prepared for use in the Exclusive Territory in accordance with Subsection 7.1(c).

(u) **"Software License Agreement"** means the license agreement entered into between Franchisor and Franchisee relating to the implementation of Franchisor's software package, pursuant to which Franchisee has been granted the right to use Franchisor's proprietary software, for use in connection with Franchised Outlets;

(v) **"Store Supplies"** means all those store supplies including standardized boxes, bags, packaging, plastic and paper products and accessories which are used in connection with the business carried on at the Franchised Outlets;

(w) **"Term"** means the initial term of this Agreement as set forth in Item 2 of Schedule B attached hereto and initialed by both parties for the purpose of identification hereof and, to the extent that this Agreement is renewed in accordance with the terms hereof, includes the renewal term set forth in Item 3 of Schedule B; and

(x) **"Trade-Marks"** means the trade-marks, and applications and/or registrations therefor, set forth on Schedule A annexed hereto, and other trade-marks, trade names, logos, insignia, trade dress, graphics, commercial symbols, slogans and other identification schemes that may be prescribed from time to time by Franchisor for use in association with the IJJ System.

### 3. GRANT OF RIGHTS

3.1. Subject to the terms of this agreement, Franchisor hereby grants to Area Developer, and Area Developer hereby accepts:

(a) the exclusive right and license to use the Trade-marks in the Exclusive Territory in connection with the business to be conducted by Area Developer pursuant to the provisions of this agreement; and

(b) The exclusive right to market franchises, utilizing the Single Unit Franchise Agreement, to other Persons to own and operate Franchised Outlets in the Exclusive Territory and to use the IJJ System and the Trade-marks in connection therewith. Area Developer shall not have the right to grant final approval to any Applicant or to enter into Single Unit Franchise Agreements with Franchisees, for Area Developer benefit or on behalf of the Franchisor, nor shall the Area Developer grant sub-franchising rights to any person in respect of the Trade-marks and the IJJ System.

3.2. Franchisor reserves the right to develop certain special locations and opportunities directly or through others, if we are not able to offer the Area Developer(s) a franchise for the location or opportunity. These special locations are opportunities include Military bases, large national and regional retail chains and other similar entities. When ever we are able to do so, we will offer the Area Developer a ten (10) business day right of first refusal to develop these locations.

3.3. Franchisor further reserves the right to license others to own and operate Retail Location outlets within the territory in the event the Area Developer is unwilling or unable to successfully deliver qualified applicants to Franchisor for those locations, or in the event Franchisor enters into a national development agreement with a Retail Corporation. In the event the Retail Location(s) are owned and operated by the retailer and Area Developer is not responsible to perform its obligations as outlined in this agreement, Area Developer will not be granted any rights to such location(s).

3.4. Area Developer shall be required to operate a Franchised Outlet as a Corporate Outlet of the Area Developer, and will be required to execute a Single Unit Franchise Agreement and shall have the same rights and obligations with respect to a franchised Outlet as the other Franchisees who are not affiliated to Area Developer. Area Developer must have its Corporate Outlet open and operational at all times during the Term of this Agreement.

3.5. For so long as Area Developer shall not have lost its exclusive rights pursuant to the provisions of Section 15 hereof, Franchisor shall not, during the Term of this Agreement itself own or operate, or market to others the right to own or operate, Franchised Outlets in the Exclusive Territory. Notwithstanding anything to the contrary contained herein, the Franchisor shall have the right to enter into National Real Estate Programs with, but not limited to, Property Owners, Retailers and Wholesalers, for

the sole purpose of securing suitable locations for the Area Developer to utilize in marketing and recruiting Franchisees within the Exclusive Territory.

#### 4. INITIAL TERM AND RENEWAL

4.1. Subject to the terms hereof, this Agreement shall be for a term of ten (10) years commencing on the Effective Date (the "Term").

4.2. Area Developer may request to Franchisor and at Franchisor's acceptance, renew the Term of this Agreement for one (1) additional term of ten (10) years, provided that;

(a) Area Developer shall have given Franchisor written notice of the exercise of its option to renew not less than twelve (12) months or more than eighteen (18) months prior to the expiration of the initial Term. Franchisor shall provide written notice of acceptance or denial of request to renew not less than six (6) months prior to expiration of the initial Term;

(b) at the time of requesting the renewal and until the expiration of the initial term, Area Developer shall have paid all amounts owing by it to Franchisor or any of the Affiliated Corporations pursuant to this Agreement and shall otherwise not be in default under any provision of this Agreement or any agreement with an Affiliated Corporation of the Franchisor;

(c) at the expiration of the initial Term, Area Developer shall not have lost its exclusive rights pursuant to Section 13 hereof; and

(d) at the expiration of the initial Term, Area Developer shall execute a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and all of its Affiliated Corporations.

#### 5. INITIAL AND CONTINUING FEES

5.1. Area Developer shall pay to Franchisor as consideration for the grant of the Area Developer rights and for the development opportunities in the Exclusive Territory lost by Franchisor or deferred as a result of the grant of the Area Development rights to Area Developer a non-recurring, non-refundable fee in the amount set out at Item 4 of Schedule B, which amount is payable upon the date of execution of this Agreement. Such amounts once paid, shall be deemed to have been fully earned by Franchisor;

**In the States of California, Minnesota, North Dakota, Washington, South Dakota, Maryland and Illinois we are required to hold all initial fees and payments paid to us in an escrow account in the US Bank. These fees cannot be released until you are open for business.**

5.2. As consideration for the Area Developer's fulfillment of its obligations herein, the Franchisor shall pay to the Area Developer fees for each and every franchise location opened in their territory. The fees will consist of a fee payable upon receiving all duly executed documentation and the opening fee with is paid upon opening of the location and a receipt of a letter of completion from the franchisee. The amount of the fee is specified at Item 5 of Schedule B. All such fees will only be released to area developer upon satisfactory receipt of the respective fees and payments from the franchisee and is conditioned upon the Area Developer's fulfillment of its obligations as outlined herein. In certain states, the fees will be placed in escrow until opening of the franchisee's location.

5.3. Franchisor shall also pay to Area Developer a continuing royalty participation fee paid for on-going territory management calculated as a percentage of all of the Gross Sales of the franchisees in the Area Developer's Exclusive Territory. The applicable Royalty percentage rate is specified at Item 6 of Schedule B. Payment of Royalties to the Area Developer is conditioned upon the receipt of Royalties from each franchisee in the Exclusive Territory. The continuing royalty fee shall be paid on the thirtieth (30th) day of each calendar month with respect to the total Gross Sales for the preceding calendar month;



5.4. Franchisor shall be solely responsible for collecting all Royalty Fees from Franchisees located in the Exclusive Territory and remitting Area Developer share of the Royalty Fee to Area Developer on or before the thirtieth (30th) day of each month on all Royalty Fees collected for the previous month. To the best of its ability, Franchisor shall be responsible for collecting any and all past-due Royalty Fees for Franchisees located in the Exclusive Territory. All payments to Area Developer by Franchisor pursuant to this Agreement shall, unless otherwise directed in writing by Franchisor, be made by way of an electronic transfer to the bank account designated in writing from time to time by Area Developer, or by way of bank draft delivered to Area Developer at the address set out in Section 21.5 hereof, or at such other place designated in writing from time to time by Area Developer. Furthermore, Franchisor shall have sole discretion to apply any payments to be paid to Area Developer towards the payment of any amount due and owing by Area Developer at the date of such payment regardless of any designation by Area Developer.

5.5. In the event that any monetary obligation of any nature owed by Area Developer to Franchisor is not paid when due, Area Developer shall, in addition to paying the unpaid monetary obligation, pay to Franchisor interest thereon at an annual rate equal to eight percent (8%) over the prime rate announced from time to time by U.S. Bank as its reference commercial rate for determining the interest rate it charges on commercial demand loans in US dollars to its most creditworthy customers, from the date such payment was due until such monetary obligation is totally paid in full.

## **6. DUTIES AND OBLIGATIONS OF FRANCHISOR**

6.1. Upon completion of the Area Representative training program, Franchisor shall loan to Area Developer one (1) copy of the Manuals.

6.2. Franchisor shall, at such time as is mutually agreeable to the parties hereto, provide to one (1) representative of Area Developer a training program at Franchisor's facilities in Courtenay, British Columbia, Canada, or other locations as determined by the Franchisor, in all aspects of the IJ System including, without limitation, the operation of Franchised Outlets, and a complete and comprehensive training program regarding franchise sales compliance issues. All other expenses incurred by Area Developer's representatives in attending such training including, without limitation, costs of accommodation, wages, meals and travel shall be borne by Area Developer. No compensation shall be payable by Franchisor to Area Developer or to any Person attending training for services rendered at any Franchisor owned or franchised outlet of Franchisor during the course of training.

6.3. Franchisor shall, at Area Developer's request, send one (1) representative experienced in the IJ System to assist Area Developer in the Exclusive Territory with the furnishing and equipping of one Franchisee's Franchised Outlet. The costs and expenses incurred by Franchisor's representative for travel to and from the Exclusive Territory, as well as for hotel accommodation, wages and meals, shall be borne by Area Developer.

6.4. Franchisor shall enter into Single Unit Franchise Agreements with each of its Franchisees for use in connection with the operation of Franchised Outlets. A copy of the current version of the Single Unit Franchise Agreement is annexed hereto as Schedule C. Franchisor reserves the right to modify, change or update the Single Unit Franchise Agreement periodically in Franchisor's discretion provided such modifications do not infringe on Area Developer's economic rights under this Agreement.

6.5. Franchisor shall make available to Area Developer, as and when developed, all new or improved methods and procedures developed by Franchisor for general use by Franchisees of the IJ System.

6.6. Franchisor shall make available to Area Developer, as and when developed by Franchisor, for use in the Exclusive Territory, an English copy of its advertising and promotional materials and artwork on an "as is" basis.

6.7. Franchisor shall provide Franchisees located in the Exclusive Territory with, at Franchisee's expense, a New Store Kit for each Franchised Outlet to be developed in the Exclusive Territory.

6.8. Franchisor and its personnel will be available by telephone, facsimile or internet to advise and assist Area Developer on a continuing basis, during regular business hours, with respect to the management and operation of the Franchised Outlets in the Exclusive Territory, at no additional expense to Area Developer.

6.9. In the event that Area Developer requires additional training and assistance in the support of the Franchised Outlets, Franchisor will, at the written request of Area Developer and upon reasonable advance notice, make available to Area Developer, at such time as may be mutually agreeable to Franchisor and Area Developer, one (1) representative for a maximum number of working days for the purpose of providing such additional assistance. Area Developer will reimburse Franchisor for its costs in providing such training and assistance, including a per diem fee as specified in Item 7 of Schedule B, as well as all travel expenses and the cost of reasonable accommodation, food and living expenses for the said representative.

6.10. All Manuals, documents, advertising materials and software programs, as well as all other information and assistance furnished by Franchisor under this Agreement, shall be expressed in the English language and in such units of weight and measure and in such form as are normally utilized.

6.11. Notwithstanding any other provision in this Agreement or any obligation of Franchisor hereunder, nothing contained in this Agreement shall require, or be deemed to require, Franchisor to constitute a permanent establishment in the Exclusive Territory. It is understood and agreed that Franchisor and Area Developer shall structure the terms of any obligations to be fulfilled by Franchisor in the Exclusive Territory pursuant to this Agreement in a manner which will not give rise to any adverse employment or tax consequences for Franchisor in the Exclusive Territory; provided, however, both parties agree that any tax liability or other expenses which may arise if Franchisor is deemed to have created a permanent establishment in the Exclusive Territory by virtue of this Agreement shall be paid solely by Franchisor and Franchisor shall indemnify Area Developer from any and all such costs and expenses.

## 7. DUTIES AND OBLIGATIONS OF AREA DEVELOPER

7.1. Area Developer hereby agrees:

- (a) to participate in the training programs described in Sections 6.2 and 6.3 hereof;
- (b) to diligently recruit potential Franchisees and in connection therewith, Area Developer agrees to use the criteria and standards that may be designated from time to time by Franchisor for evaluating prospective Franchisees;
- (c) to cause each Franchised Outlet in the Exclusive Territory to be established and operated pursuant to a Single Unit Franchise Agreement executed by Franchisor and a Franchisee. By delivery of written notice to Area Developer, Franchisor shall approve or disapprove prospective Applicants to become Franchisees of Franchisor. Franchisor shall determine whether the Applicant possesses sufficient financial and managerial capability and has satisfied the other criteria then utilized by Franchisor in the awarding of franchises. Franchisor may refuse to award a franchise to an Applicant for any reason or no reason at all in Franchisor's sole discretion. The award of a franchise shall be effected only upon and after the full execution of the then-current Single Unit Franchise Agreement;
- (d) to cause an Affiliate of Area Developer to enter into Single Unit Franchise Agreements pursuant to which such Affiliate shall own and operate at least one (1) Corporate Outlet. Area Developer shall not market any franchise to a Franchisee dealing at arm's length with Area Developer, until such time as at least one (1) Corporate Outlet is owned and operated by an

Affiliate of Area Developer. Area Developer acknowledges that its continued familiarity with Franchisor's methods, techniques, procedures and the IJ System is a substantial consideration for Franchisor entering into this Agreement and Area Developer accordingly agrees to cause its Affiliate to maintain and operate at least one (1) Corporate Outlet throughout the Term of this Agreement;

(e) that neither Area Developer nor any employee or representative of Area Developer shall solicit prospective Franchisees until Franchisor has registered its current Uniform Franchise Offering Circular ("UFOC") in applicable jurisdictions in the Exclusive Territory and has provided Area Developer with the requisite documents, or at any time when Franchisor notifies Area Developer that its registration is not then in effect or its documents are not then in compliance with applicable law. If Area Developer's activities pursuant to this Agreement require the preparation, amendment, registration or filing of information or any disclosure or other documents, all requisite offering circulars, ancillary documents and registration applications shall be prepared and filed by Franchisor or its designee, and registration secured before Area Developer may solicit prospective Franchisees in the Exclusive Territory. Costs of such registration applicable to Area Developer shall be borne solely by Franchisor. However, Area Developer shall at its expense:

(i) prepare and forward to Franchisor verified financial statements of Franchisor in such form and for such periods as shall be designated by Franchisor, including audited financial statements if necessary and appropriate to comply with applicable federal disclosure, filing or other legal requirements;

(ii) promptly provide all information reasonably required by Franchisor to prepare all requisite offering circulars and ancillary documents for the offering of franchises throughout the Exclusive Territory; and

(iii) execute all documents required by Franchisor for the purpose of registering Area Developer and Franchisor to offer franchises throughout the Exclusive Territory.

(f) Area Developer agrees to review all information pertaining to Area Developer prepared to comply with legal requirements for selling franchises in the Exclusive Territory and verify its accuracy if so requested by Franchisor. Area Developer acknowledges that Franchisor, its affiliates or its assignees, shall not be liable to Area Developer for any errors, omissions or delays which may occur in the preparation or filing of such materials if Area Developer fails to review and verify the accuracy of such materials;

(g) Area Developer shall be responsible for advertising for, recruiting, screening and reviewing prospects for franchises within the Exclusive Territory. Area Developer shall provide prospective franchisees with written information, approved by Franchisor, regarding the opportunity to operate Franchised Outlets, or via the telephone, face-to-face meetings or by visiting other Franchised Outlets within the Exclusive Territory. Area Developer shall submit a qualified Applicant for a franchise to Franchisor for approval. Area Developer further agrees that all Applicants submitted to Franchisor by Area Developer, if an individual, (or the Manager of the Applicant, if the Applicant is not an individual) shall be, as determined by normal and acceptable business practices, individuals who are of good character, have adequate financial resources and meet Franchisor's criteria for franchisees or Managers of Franchisees. ("Manager" is defined in Section 9.6 of the Single Unit Franchise Agreement). An application for a franchise received by Area Developer shall be submitted to Franchisor with all information regarding the Applicant, the Manager of the Applicant, if applicable, the Applicant's proposed franchise location, if known, and all other information customarily required by Franchisor concerning Applicants, including such financial statements and other information as Franchisor may reasonably require. Area Developer shall assist the Applicant in the preparation of such financial reports and other information. Franchisor shall have the right to revise the information required to be submitted by the Area Developer by updating the Area Developer Manual from time to time;

(h) to assist each of the Franchisees located in the Exclusive Territory in selecting a suitable location for the operation of its Franchised Outlet. Area Developer shall hold a one day orientation session in its Corporate Outlet as prescribed by the Franchisor for all new franchisees. Such session shall be held prior to the Franchisee attending the Initial Training Program, as set out in the Single Unit Franchise Agreement. Area Developer will be responsible to set-up and fully equip the Outlet and ensure the Outlet is fully functional for each of its Franchisees in the territory. Area Developer will also be responsible to ensure that each outlet in the Exclusive Territory complies with the requirements of the IJJ System, including conformity, to the extent possible (having regard to the premises in question and to local by-laws, building codes and regulations) to Franchisor's standard plans and specifications. If Area Developer is unable to perform this duty, Area Developer may request that Franchisor send one (1) representative to perform the opening assistance, this assistance will be at the Area Developer's cost.;

(i) to fully and faithfully fulfill the responsibilities expressly delegated to it by Franchisor in this Agreement with regard to each of the Franchisees located in the Exclusive Territory. Without limiting the generality of the foregoing, Area Developer shall observe and perform the delegated obligations under each Single Unit Franchise Agreement relating to site selection, development of premises, on-site training of Franchisees, pre-opening and opening assistance and provision of continuing supervision, advice and guidance in the operation of each Franchised Outlet and the implementation of the IJJ System; and to provide the Franchisees located in the Exclusive Territory, upon reasonable request, with sales, marketing, administrative, bookkeeping, accounting, inventory control and other consulting advice from time to time in accordance with the terms of the I.I.J.C.I.P. Program and to comply with and implement any changes or modifications of the essential tools and requirements of the I.I.J.C.I.P. Program stipulated by Franchisor;

(j) to protect the integrity of the IJJ System in the Exclusive Territory, including without limitation, by using commercially reasonable efforts to ensure that the operator of each Franchised Outlet successfully completes the training program required by Franchisor, by supervising the manner in which the Trade-marks are used and the IJJ System is implemented and by taking all such steps at its sole cost and expense, as may be necessary, to cause each of the Franchisees located in the Exclusive Territory to observe and perform in a timely fashion all obligations under the Single Unit Franchise Agreement. If any Franchisee fails to comply with its obligations under its Single Unit Franchise Agreement, Area Developer shall notify Franchisor and, where appropriate, Franchisor shall terminate such Single Unit Franchise Agreement in accordance with its provisions;

(k) shall maintain an office with necessary hardware, software, high speed internet as required by Franchisor to enhance communication by and among Franchisor and franchisees and to permit the efficient and economical delivery of information on an ongoing basis at your expense;

(l) to submit to Franchisor, from time to time, reports setting forth the manner in which the I.I.J.C.I.P. Program has been implemented and monitored in the Exclusive Territory and the nature of the supervision and assistance being provided by Area Developer to each of the Franchisee located in the Exclusive Territory. Such reports shall set forth the degree of compliance or non-compliance by each Franchisee with the provisions of its Single Unit Franchise Agreement and with any other agreements entered into with Area Developer;

(m) to engage an individual (the "Designated Manager") approved by Franchisor who will devote his or her full time and attention to the operation of the business conducted by Area Developer pursuant to this Agreement. Area Developer shall ensure that the business is under the direct supervision of the Designated Manager at all times. If the Designated Manager ceases to exercise his or her functions for any reason whatsoever, Area Developer shall immediately engage another individual, approved by Franchisor, to replace the Designated Manager and cause such individual to participate in any training program required from time to time by Franchisor;

(n) to maintain a reasonable number of qualified personnel, including persons qualified and experienced to recruit, train, support and supervise Franchisee in the operation of a Franchised Outlet, as well as office facilities, accounting services, etc., within the Exclusive Territory, all of which shall be devoted to the performance of Area Developer's obligations under this Agreement and shall be qualified, after receiving training from Franchisor, to market franchises within the Exclusive Territory and to perform all of the services delegated to Area Developer pursuant to each Single Unit Franchise Agreement entered into between Franchisor and the Franchisee located in the Exclusive Territory;

(o) to pay all reasonable costs and expenses incurred in operating the business conducted by Area Developer pursuant to the terms and conditions of this Agreement, including the payment of all costs and expenses incurred in adapting, if necessary, and in accordance with the provisions of this Agreement, the Manuals, the I.I.J.C.I.P. Program and other material provided to Area Developer from time to time by Franchisor;

(p) to reasonably keep Franchisor informed in a timely manner of any changes to any laws or regulations that may impact on the business carried on by Area Developer under this Agreement or by Franchisee under a Single Unit Franchise Agreement, or which relate to importation of the Products, New Store Kits, and Store Supplies, into the Exclusive Territory, withholding taxes or which in any way affect the payments required to be made by Franchisor.

7.2. Area Developer acknowledges that the maintenance of the standards of quality and uniformity of the IJ System including, without limitation, the manner in which Products are displayed, advertised, sold and/or merchandised under the IJ System is essential to the integrity, reputation, goodwill, success and continued public acceptance of the IJ System and the Trade-marks. Accordingly, Area Developer agrees to use commercially reasonable efforts to ensure that the Franchisees located in the Exclusive Territory conduct the business of each Franchised Outlet in accordance with the provisions of the Manuals and the I.I.J.C.I.P. Program and their Single Unit Franchise Agreements and, in particular, Area Developer shall use commercially reasonable efforts to ensure that the Franchisees located in the Exclusive Territory:

(a) agree to and reasonably maintain such standards of quality and uniformity of Products as are presently incorporated into the IJ System and/or which may otherwise be prescribed from time to time in the Manuals;

(b) purchase, sell, advertise, merchandise and promote all Products and services that form part of the IJ System from time to time and only such Products and services;

(c) purchase all their requirements for Products including Other Products from Franchisor or suppliers that have been authorized by Franchisor;

(d) sell only the Products as may be required in the Single Unit Franchise Agreement or the Manuals;

(e) deal only with such suppliers of Products, and services as are designated or approved from time to time by Franchisor in accordance with this Agreement, and

(f) order the initial inventory of Products for each Franchised Outlet in the quantities and descriptions designated by Franchisor.

7.3. In respect of all Store Supplies to be used by Franchisees and all services to be used by Franchisees, Area Developer shall use commercially reasonable efforts to identify and designate or approve for the Franchisees located in the Exclusive Territory reputable and qualified suppliers in order that such Store Supplies and services comply with all the standards and specifications established by Franchisor from time to time for the IJ System and the Trade-marks.

7.4. Franchisor shall have the right at all reasonable times, without prior notice, to inspect the premises from which Area Developer conducts its business. Furthermore, Franchisor shall have the right to inspect the Franchised Outlets and the equipment therein, the services being rendered and the Supplies being used thereat, to examine the manner in which the Products are displayed, merchandised, advertised and sold and to otherwise generally investigate the manner in which Franchisees are conducting their businesses. In the event of any such inspections, Area Developer and its employees shall cooperate fully and shall use their best efforts to cause Franchisees and their employees to cooperate fully with Franchisor.

7.5. Area Developer shall maintain throughout the Term comprehensive general liability insurance (Including property damage), and Personal injury coverage, workers' compensation and employer's liability insurance, automobile liability insurance, and other insurance that is required or customary in the Exclusive Territory. The insurance shall be underwritten by an insurance company satisfactory to Franchisor and shall name Franchisor and its Affiliates as an additional insured party. The insurance policies shall provide that they may not be cancelled or changed without at least thirty (30) days prior written notice to Franchisor. Area Developer shall furnish evidence to Franchisor that it has obtained the required insurance before the first Franchised Outlet is opened, and each year afterwards, and at any other time an insurance order or coverage is changed. Franchisor may, in its sole discretion, require Area Developer to increase its insurance coverage amounts by providing thirty (30) days prior written notice to Area Developer. If Area Developer fails to obtain the insurance required by this Section 7.5, Franchisor may (but is not required to) purchase insurance on Area Developer's behalf at Area Developer's cost and expense.

## **8. ADVERTISING AND PROMOTION**

8.1. Area Developer shall advertise and promote the franchise opportunity, the Trademarks, the IJJ System and Franchised Outlets for purposes of soliciting prospective Franchisees within the Exclusive Territory. The cost and expense of such advertising and promotion shall not be paid out of the Advertising Funds required to be made by Franchisees to Franchisor pursuant to the terms of their respective Single Unit Franchise Agreements and shall be at the expense of the Area Developer.

8.2. Franchisor shall be solely responsible for collecting required contributions to the Advertising Fund from Franchisees in the Exclusive Territory and the Advertising Fund shall be administered exclusively by Franchisor.

8.3. Notwithstanding the foregoing, Area Developer shall submit to Franchisor, at least 20 days prior to intended use, for its prior written approval, which approval shall not be unreasonably withheld or unduly delayed, all advertising and promotional material to be employed by Area Developer, as well as any other material prepared by Area Developer on which the Trade-marks appear.

## **9. TRADEMARKS**

9.1. Area Developer acknowledges that Franchisor is the owner of the Trademarks, and Area Developer agrees not to use the Trade-marks or any contraction, variation or abbreviation thereof in any manner calculated to represent that it is the owner of the Trademarks.

9.2. Without limiting the generality of the foregoing provisions, Area Developer agrees as follows:

(a) that immediately upon any request by Franchisor, to execute and to use commercially reasonable efforts to cause Franchisees located in the Exclusive Territory to execute such agreements or other instruments as Franchisor in its discretion shall specify, for the purpose of protecting the interests and rights of Franchisor in the Trade-marks, to maintain or renew any registration of the Trademarks or to comply with any applicable fictitious or assumed name, trade name, trade-mark, service mark, or other similar legislation;

(b) not to use any of the Trademarks or any variation thereof as part of its corporate, firm, business, fictitious or assumed name, or as part of a domain name or for any other purpose, save and except in accordance with the terms and conditions of this Agreement. In the event Franchisor authorizes such use by the Area Developer, such use shall be subject to conditions and restrictions imposed by Franchisor or as is otherwise provided for in this Agreement; and

(c) not to attempt to register the Trademarks or any contraction, variations or abbreviation thereof anywhere in the world either in its own name or in the name of any other Person.

9.3. Area Developer shall use the Trademarks in such manner as to sufficiently protect and preserve all rights of Franchisor therein within the Exclusive Territory. Area Developer will not take any action which might invalidate the Trademarks, impair any rights of Franchisor in and to such Trademarks or create any rights adverse to those of Franchisor. Moreover, Area Developer will use the Trademarks correctly spelled and/or depicted and not as a verb or in the plural or in any other manner which might endanger the validity of the Trademarks or of the registration thereof. Area Developer shall use the Trademarks only in the style as registered or, if not registered, as prescribed by Franchisor, without any prefix, suffix or additional words or designs. All renderings of the Trademarks shall be accompanied by a notice indicating the ownership of the Trademarks by Franchisor, as well as the fact that Area Developer is an authorized user of the Trademarks, in such form as Franchisor may require from time to time.

9.4. No right, title or interest in the Trademarks is transferred to Area Developer, except the right to use them during the Term of this Agreement in the manner and subject to the terms and conditions set forth herein.

9.5. Area Developer acknowledges that its right and license to use the Trademarks is non-exclusive, is only for use in the Exclusive Territory to the extent provided under this Agreement and that Franchisor has and retains all rights relating to the Trademarks and the use thereof.

9.6. Area Developer shall not, without Franchisor's prior written consent, use, otherwise employ or permit the use or employment of the IJ System and/or any of the Trademarks except in the Exclusive Territory and in accordance with the provisions of this Agreement, nor use, otherwise employ or permit the use or employment of any trade-mark, trade name or commercial symbol other than the Trademarks in connection with Franchised Outlets.

9.7. Save and except for use of the Trademarks as specifically provided herein, Area Developer shall carry on business under its own name and enter into any contracts, banking arrangements, security documents or other instruments or agreements solely in its own name, indicate its own name on all purchase orders, sales slips and stationery, advise each supplier and all other Persons with whom Area Developer does business, that Area Developer is an independent contractor and that all debts incurred by it are for the account of Area Developer and not Franchisor. Moreover, Area Developer shall affix in a conspicuous location on each of its business premises, in the official language of the Exclusive Territory, a sign containing the following notice or such variation thereof as may be reasonably designated by Franchisor:

***"This business is owned and operated by "insert name", which is an Area Developer of Island Ink-Jet Systems (US) Inc."***

9.8. In the event that Area Developer learns of any infringement or threatened infringement or piracy of any of the Trademarks or any actual or intended common law passing-off by reason of imitation of, get-up or otherwise or that any Person alleges or claims, or intends to allege or claim, that any of the Trademarks are liable to cause deception or confusion to the public or that any Person alleges or claims, or intends to allege or claim, that any of the Trademarks infringe on its trade-marks, service marks or other proprietary rights in any manner, Area Developer shall give notice thereof within three (3) business days to Franchisor with all such information with respect thereof as it may obtain from time to time. The parties undertake and agree to consult with each other with respect to how to respond to each infringement or violation. However, Franchisor shall, in its absolute discretion, institute proceedings or

defend proceedings as they shall deem advisable; Area Developer shall not, under any circumstances whatsoever, institute any legal proceedings relating to the Trademarks. In the event Franchisor undertakes the defense or prosecution of any such legal proceedings, Area Developer agrees to execute any and all reasonable documents and do such reasonable acts and things as may, in the op Franchisor's cost, including reasonable attorney's fees. Notwithstanding the foregoing, if Franchisor declines to institute legal proceedings and advises Area Developer in writing that it does not object to Area Developer's instituting legal proceedings, Area Developer may institute legal proceedings at its sole expense and Franchisor shall fully cooperate with Area Developer in connection with such proceedings provided, however, that Franchisor shall always be free, at its own expense, to subsequently join in any pending proceedings. Any monetary recovery in such litigation by Area Developer shall be allocated to Area Developer. Area Developer agrees that any relief (such as injunctive relief) other than the monetary one which is requested to protect the Trademarks shall be sought for and on behalf of and shall be designated to the benefit of Franchisor alone. "Legal Proceedings" as used herein shall include demand letters, negotiation and settlement of disputes, as well as the filing of formal legal actions with a court of proper jurisdiction. Under no circumstances shall Area Developer have the authority to settle or compromise a matter which in any way mitigates, lessens or restricts Franchisor's ownership in the Trademarks, and any action which does so shall be a breach of this Agreement.

9.9. Franchisor represents that applications for registration of certain of the Trademarks have been filed by Franchisor with the appropriate authorities in the Exclusive Territory but that certain registrations of such Trademarks have not as yet been issued. Franchisor represents that it shall use commercially reasonable efforts to obtain registration of each of the Trade-marks in the Exclusive Territory. However, Area Developer acknowledges that Franchisor has not made any representation or warranty to the effect that the Trademarks which have not been registered in the Exclusive Territory shall be registered or are registrable therein, and the failure to obtain registrations of any of the Trademarks in the Exclusive Territory or elsewhere shall not be deemed to be a breach of the terms hereof by Franchisor. Moreover, Area Developer shall cooperate with Franchisor or its representatives, at Franchisor's expense, in the pursuit of any applications or registrations of any Trademarks which Franchisor has filed or may file in the Exclusive Territory. Franchisor will undertake to keep Area Developer informed of the Franchisor's progress or lack thereof in obtaining registration of the Trademarks in the Exclusive Territory.

9.10. Area Developer acknowledges and agrees that Franchisor shall have the right to add to, change, remove or otherwise modify the Trademarks, in which event Area Developer agrees that it will conform to any such addition, change, removal or other modification within a reasonable time frame. Notwithstanding the foregoing, Franchisor agrees that it will not change, remove or otherwise modify the Trademark "Island Ink-Jet™" unless Franchisor is advised by legal counsel that in their opinion Franchisor will not or is not likely to obtain registration of the Trade-mark "Island Ink-Jet™" or that the continued use of the Trademark "Island Ink-Jet™" is liable to cause deception or confusion to the public or that a Person other than Franchisor has a serious claim that the Trademark "Island Ink-Jet™" infringes on such Person's trade-mark, in which event Area Developer shall itself, and shall use commercially reasonable efforts to cause its Franchisees to promptly cease using the Trademark "Island Ink-Jet™" and otherwise promptly conform to changes of the Trademarks as may be required by Franchisor. (Under such circumstances, Franchisor shall reimburse Area Developer only to the extent of the out-of-pocket expenses incurred by Area Developer and Franchisees in changing any of their signs or printed material so as to exclude therefrom the trade-mark "Island Ink-Jet™".) Franchisor shall not be responsible for any other costs or damages incurred or suffered by Area Developer or Franchisees.

9.11. Area Developer acknowledges that in the event Franchisor agrees in writing to the registration of a domain name by Area Developer which incorporates any of the Trademarks or part thereof, the provisions of this Agreement that relate to the Trademarks shall apply to such domain name unless contrary to a provision of law in the Exclusive Territory.

9.12. Area Developer acknowledges that Franchisor owns the copyright and other ownership rights to all materials provided by Franchisor to Area Developer (in all forms or media now or hereafter known)



including, without limitation, the Manuals, the I.I.J.C.I.P., the I.I.J.C.I.P. Program, advertising and promotional materials and software.

9.13. Area Developer acknowledges that Franchisor will own the copyright and all other rights to materials developed, translated or created by Area Developer with respect to the Franchised Outlets, including adaptations or translations of materials provided by Franchisor. Area Developer agrees to assign to Franchisor its economic rights and to waive its moral rights with respect to the copyright in the material referenced in this Section 9.13 and will require the same assignment and waiver in favor of Franchisor by its Franchisees or third party translators.

9.14. If registration of the copyright of any materials is required by law or deemed advisable by Franchisor, Area Developer agrees to cooperate with and assist Franchisor in obtaining the registration thereof in the name of Franchisor and not to register or attempt to register or assist or be involved in any way with the registration (either directly or indirectly) of same.

9.15. Area Developer agrees to use copyright and other proprietary notices as Franchisor may require from time to time in order to protect its rights. Furthermore, Area Developer agrees to promptly cause the execution of any assignments, waivers of rights or other documents, and take any further actions needed or advisable to ensure that Franchisor has such copyright and other rights described in this Section 9.

## 10. ENGAGEMENT IN COMPETITIVE BUSINESS, NON-DISCLOSURE OF INFORMATION

10.1. Area Developer agrees that during the Term of this Agreement, neither Area Developer, its Affiliated Corporations, nor their respective directors, officers, key employees, shareholders or partners shall anywhere in the world:

- (a) have any direct or indirect interest by, with or through any Person, as a disclosed or beneficial owner of any other Person carrying on a Competitive Business, or otherwise acquire any financial interest of any nature in the capital of any Person carrying on a Competitive Business; or
- (b) directly or indirectly actively participate (including as an officer, director, employee, general partner, consultant, agent or any other similar, active capacity) in the management or operation of a Competitive Business.

10.2. Area Developer agrees that following the termination of this Agreement for any reason whatsoever or the expiration of the Term of this Agreement, or upon Area Developer's sale or Transfer pursuant to Section 16 hereof and for a period of two (2) years thereafter (it being understood that upon the expiration of the Term of this Agreement, the said two (2) year period shall only commence upon the termination or expiration of the last Single Unit Franchise Agreement executed pursuant to the provisions hereof), neither Area Developer, its Affiliated Corporations, nor any of their respective directors, officers, key employees, shareholders (or any member of their immediate families) or partners (or any member of their immediate families) shall:

- (a) have any direct or indirect interest by, with or through any Person, as a disclosed or beneficial owner of any other Person carrying on a Competitive Business located or operating within the Exclusive Territory, or otherwise acquire any financial interest of any nature in the capital of any Person carrying on a Competitive Business; or
- (b) directly or indirectly actively participate (including as an officer, director, employee, general partner, consultant, agent or in any other similar, active capacity) in the management or operation of a Competitive Business located or operating within the Exclusive Territory.

10.3. Area Developer hereby agrees that none of Area Developer, its Affiliated Corporations, nor their respective directors, officers, key employees, shareholders or partners shall, directly or indirectly,

otherwise than in accordance with the provisions of this Agreement, either during the Term of this Agreement or at any time thereafter anywhere in the world, disclose or make use of for their own benefit, or for the benefit of any other Person, any of Franchisor's confidential information concerning the IJ System, which they may be apprised of by virtue of Area Developer's operations under the provisions of this Agreement. With regard to the IJ System, Area Developer shall not disclose Franchisor's confidential information nor provide copies of the Manuals, the I.I.J.C.I.P. or the I.I.J.C.I.P. Program except to Franchisees in the Exclusive Territory who have executed Single Unit Franchise Agreements with Franchisor and to employees of Area Developer who require access thereto and who have executed appropriate confidentiality agreements. Any and all information, knowledge, know-how and documents which Franchisor designates as confidential shall be deemed to be confidential, to be secret and to be substantial for the purposes of this Agreement, except information which Area Developer can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Area Developer, had become generally known or easily accessible (other than by breach of an obligation by Area Developer) through publication or communication by others or which, after disclosure to Area Developer by Franchisor, becomes generally known or easily accessible (other than by breach of an obligation by Area Developer) through publication or communication by others. Furthermore, Area Developer acknowledges and will use commercially reasonable efforts to require Franchisees located in the Exclusive Territory to acknowledge that they do not have any proprietary or other rights or claims of any kind or nature in or to any element of the IJ System, the Trade-marks or any matters dealt with in the Manuals, [the I.I.J.C.I.P. and the I.I.J.C.I.P. Program] and that information contained in the Manuals, [the I.I.J.C.I.P. and the I.I.J.C.I.P. Program] is and shall remain the exclusive property of Franchisor, in which Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure.

10.4. Area Developer hereby irrevocably acknowledges that the IJ System, the right to use and to license others to use the Trademarks and the Manuals are unique to Franchisor, the provisions of this Section 10 are reasonable, are for the protection of Franchisor and its proprietary rights, and are consistent with the interests of the public.

10.5. Area Developer acknowledges that any violation of the provisions of this Section 10 would result in irreparable injury to Franchisor for which no adequate remedy in law may be available.

10.6. Notwithstanding anything to the contrary, the restrictions set forth in Sections 10.1, 10.2 and 10.7 hereof shall not apply with respect to the disclosed or beneficial ownership of less than three percent (3%) of the capital stock of a corporation whose shares are listed on a national stock exchange.

10.7. Area Developer agrees to deliver to Franchisor, upon request, the written acknowledgement of such Affiliated Corporations, directors, officers, key employees, shareholders and partners of Area Developer as Franchisor shall in its discretion determine, acknowledging that they have reviewed the provisions of this Section 10 and that they agree to abide by and be bound by all such provisions. The parties hereto acknowledge that if any director, officer, key employee, shareholder or partner of Area Developer ceases to hold such office, ceases to be employed by Area Developer or ceases to have an interest in Area Developer, as the case may be, while this Agreement remains in force, the two (2) years period referred to in Section 10.2 hereof shall, in respect of such individual, be deemed to commence on the date on which the director, officer, key employee, shareholder or partner ceases to hold such office, ceases to be employed by Area Developer or ceases to have an interest in Area Developer.

10.8. Without limiting any other provision of this Agreement, if any provision of Section 10 is deemed to be void or unenforceable in whole or in part, such provision shall not be deemed to affect or impair the validity of any other provision of Section 10, which are hereby declared to be separate and distinct covenants. Area Developer agrees that the restrictions of this Section 10 are reasonable, not against public interest, and valid, having regard to among other things the protection required for Franchisor to protect the value of the IJ System and Franchisor's interest therein. All defenses to the strict enforcement of the provisions of this Section 10 are hereby irrevocably waived and renounced by Area Developer.

## 11. INDEMNIFICATION

11.1. Except if due to the fault or negligence of Franchisor or a breach by Franchisor of its obligations under this Agreement, Area Developer hereby agrees to indemnify and save Franchisor, its Affiliated Corporations and their directors, officers, shareholders, employees and agents harmless from any and all liabilities, losses, suits, claims, demands, damages, costs, fines and actions of any kind or nature whatsoever, which any of them shall or may become liable for or suffer as a result of or in connection with or arising from the business conducted by Area Developer pursuant to the provisions of this Agreement.

11.2. In the event Franchisor or its Affiliated Corporations shall be made a party to any litigation commenced by or against Area Developer, Area Developer shall, except if due to the fault or negligence of Franchisor or its Affiliated Corporations or a breach by Franchisor of its obligations under this Agreement, indemnify and save each of Franchisor and its Affiliated Corporations harmless against all liabilities, losses, damages or claims whatsoever arising therefrom and shall pay all costs and expenses, including reasonable legal fees and expenses incurred or paid by Franchisor or its Affiliated Corporations, in connection with such litigation.

## 12. DEVELOPMENT SCHEDULE

12.1. Area Developer shall present to Franchisor the minimum number of Applicants which are accepted by Franchisor and become Franchisees ("Acceptable Applicants") and, through Franchisees located in the Exclusive Territory, cause to be opened for business the minimum number of Franchised Outlets in the periods set forth hereafter in the "Initial Development Schedule", as set out at Item 8 of Schedule B.

12.2. Upon the successful completion of the Initial Development Schedule, the Franchisor shall determine, with the Area Developer, the remainder of the Development Schedule not to exceed the number of locations as set out in Item 9 of Schedule B, provided that Area Developer shall be required to pay any additional fee to Franchisor for the rights to open or cause Franchisees to open any additional Franchised Outlets in the Exclusive Territory after the Initial Development Schedule is satisfied.

## 13. TERMINATION

13.1. Notwithstanding anything otherwise contained in this Agreement, Franchisor shall have the right to terminate this Agreement and the right and license granted to Area Developer forthwith and without notice, upon the occurrence of any of the following events:

- (a) if Area Developer fails to meet the Initial Development Schedule set out Item 8 of Schedule B;
- (b) if Area Developer fails or refuses to submit the financial information required of Area Developer in accordance with the provisions of this Agreement and such default shall continue for a period of thirty (30) days after written notice thereof has been given by Franchisor to Area Developer;
- (c) if Area Developer is in material default under any Franchised Outlet operated by the Area Developer or an affiliated company of the Area Developer;
- (d) if Area Developer ceases or takes material steps to cease carrying on business, or takes any action to liquidate its assets;
- (e) if Area Developer admits in writing its inability to pay its debts as they become due, or if Area Developer fails to pay its debts as they become due, or if Area Developer makes an assignment for the benefit of creditors, or if a petition in bankruptcy and/or for a winding up order is filed by Area Developer or such a petition is filed against and consented to by Area Developer

or is not dismissed within thirty (30) days, or if Area Developer is adjudicated bankrupt, or if a provisional, temporary or permanent winding-up order is made against Area Developer or if Area Developer makes a proposal to or seeks an arrangement with its creditors in general;

(f) if a liquidator, custodian, receiver, sequestrator, trustee, manager or any other Person with like powers, whether provisional, temporary or permanent, shall be appointed to take charge of and/or liquidate all or any part of Area Developer's undertaking, business, property or assets, or if an order shall be made or resolution passed for the winding-up or the liquidation of Area Developer or if Area Developer adopts or takes any corporate proceedings for its dissolution or liquidation or if all or a substantial part of Area Developer's assets are attached, seized, subjected to a writ, or distress warrant or are levied upon unless such attachment, seizure writ, warrant or levy is vacated within thirty (30) days;

(g) if Area Developer or any director, officer, shareholder or partner thereof has made a material misrepresentation or omission in obtaining the rights and license granted hereunder or is convicted of or pleads no contest to a felony or crime or engages in a conduct or practice that, in the reasonable opinion of Franchisor, is detrimental or harmful to the good name, goodwill or reputation of Franchisor or to the business or reputation of its Franchisees or to the Trade-marks;

(h) if Area Developer disputes or contests the validity or enforceability of the Trade-marks or any application therefore or registration thereof;

(i) if Area Developer attempts to effect or effects a Transfer contrary to the provisions of Section 16 hereof;

(j) if Area Developer fails to comply with any other material requirement or obligation imposed upon Area Developer by this Agreement and such default shall not be cured within thirty (30) days after receipt of written notice to cure from Franchisor, or if Area Developer does not take and diligently pursue reasonable steps to cure such default if such default be of such a nature that more than thirty (30) days are required for performance;

(k) if Area Developer does not comply with any provision of this Agreement that is of a nature that is capable of being cured; or

(l) if Area Developer has received from Franchisor, during any consecutive twelve (12) month period, three (3) or more notices of default in respect of any matter of a material nature (whether such notices relate to the same or to different defaults and whether or not such defaults have been remedied by Area Developer).

13.2. Notwithstanding anything otherwise contained in this Agreement, Area Developer shall have the right to terminate this Agreement forthwith and without notice, upon the occurrence of any of the following events:

(a) if Franchisor makes an assignment for the benefit of creditors, or if a petition in bankruptcy and/or for a winding up order is filed by Franchisor or such a petition is filed against and consented to by Franchisor or is not dismissed within thirty (30) days, or if Franchisor is adjudicated bankrupt, or if a provisional, temporary or permanent winding-up order is made against Franchisor or if Franchisor makes a proposal to or an arrangement with its creditors, or applies for protection against its creditors pursuant to any creditor protection legislation; or

(b) if Franchisor fails to comply with any requirement or obligation imposed upon Franchisor by this Agreement and such default shall not be cured within thirty (30) days after receipt of written notice to cure from Area Developer, or if Franchisor does not take and diligently pursue reasonable steps to cure such default if such default be of such a nature that more than thirty (30) days are required for performance.

## 14. EFFECT OF TERMINATION

14.1. Upon the termination of this Agreement prior to the expiration of the Term of this Agreement, in accordance with the provisions of Section 13 hereof:

(a) all rights of Area Developer under this Agreement including, without limitation, the right to utilize the IJJ System, the Trade-marks and the Manuals shall cease forthwith and thereafter Area Developer shall cease conducting its business under or holding itself out to the public as being part of the IJJ System and shall cease using the Trade-marks;

(b) Area Developer shall forthwith deliver to Franchisor all copies of the Manuals, the I.I.J.C.I.P. software and other software licensed or sublicensed from Franchisor, in its possession or control as well as all other documents provided to Area Developer pursuant to this Agreement;

(c) Area Developer shall forthwith cease the use of all telephone and telefax numbers and listing services, all e-mail addresses and domain names and Websites operating under or using any of the Trade-marks; and

(d) Area Developer shall immediately pay all sums owing to Franchisor and its Affiliated Corporations under this Agreement as well as interest thereon as provided in Section 5.4 hereof and any damages, costs and expenses, including reasonable attorneys' fees and accountant's fees, incurred by Franchisor by reason of the default on the part of Area Developer.

14.2. Except for the rights and license to use the IJJ System and the Trade-marks only as specifically provided for in this Agreement, Area Developer shall have no right, title or interest in or to the IJJ System and the Trade-marks. Upon the termination of this Agreement for any reason whatsoever, or the expiration of the Term of this Agreement, the rights and license granted to Area Developer hereunder together with any interest in and to the IJJ System and the Trade-marks shall forthwith and without further act or instrument revert to Franchisor. In addition, Area Developer shall execute any reasonable instruments requested by Franchisor which are necessary to accomplish or confirm the foregoing. Any such assignment, transfer or conveyance shall be without consideration other than the mutual agreements contained herein. Area Developer acknowledges that any goodwill associated with the Trade-marks, including the goodwill which arises through the activities of Area Developer or Franchisees in the Exclusive Territory, shall enure exclusively to the benefit of Franchisor and is the property of Franchisor. Upon termination of this Agreement for any reason whatsoever or the expiration of the Term of this Agreement, no monetary amount shall be assigned or attributed to any goodwill associated with Area Developer's use of the Trademarks. Moreover, in the event that Franchisor has consented to the use by Area Developer of any of the Trade-marks as part of Area Developer's corporate, firm or business name or to the use by Area Developer of a domain name which incorporates any of the Trade-marks or part thereof, Area Developer shall forthwith upon termination of this Agreement for any reason whatsoever or the expiration of the Term of this Agreement, take whatever legal steps that may be necessary or as may reasonably be requested by Franchisor to forthwith change its corporate, firm or business name, as well as its domain name, to delete any reference to any of the Trade-marks or part thereof.

14.3. Termination of this Agreement for any reason whatsoever or the expiration of the Term of this Agreement shall not release either party to this Agreement from any payments or obligations due and payable or accrued to the other party hereto, nor rescind any payment made by Area Developer to Franchisor hereunder prior to obligations hereunder which survive termination including, without limitation, obligations set forth in Sections 5.3, 5.4, 9, 10, 13, 14, 19, and 20 hereof. Furthermore, such termination shall be without prejudice to any other rights and recourses which either party to this Agreement may have against the other party hereto in such circumstances including, without limitation, damages for breach to the extent same may be recoverable.

14.4. No Person acting for the benefit of the creditors of Area Developer or any receiver, trustee, liquidator, sequestrator, trustee in bankruptcy, sheriff, officer of a court or Person in possession of Area Developer's assets or business shall have any right to continue the performance of this Agreement in any circumstances whatsoever.

14.5. The right of Franchisor to terminate this Agreement in accordance with the provisions hereof shall not be an exclusive remedy and Franchisor shall be entitled, alternatively or cumulatively, to damages arising out of any breach of this Agreement, to a court order requiring performance of the obligations of this Agreement and/or enjoining violation thereof or to any other remedy available under the laws of any applicable jurisdiction.

14.6. Upon termination of this Agreement for any lawful reason whatsoever, other than as a result of default by Franchisor, Area Developer shall not have any claims of any nature whatsoever against Franchisor and its officers, directors and shareholders, whether for loss of opportunity, loss of investment, goodwill, anticipated profits or any other matter whatsoever. Moreover, Area Developer shall indemnify Franchisor and its officers, directors and shareholders with respect to any similar or other claim made against any of them by any Franchisee as a result of and/or in connection with any such termination.

## 15. EXPIRATION OF TERM

15.1. Notwithstanding the expiration of the Term of this Agreement, all of the provisions of this Agreement, other than those which deal with the grant of exclusive rights set forth in Subsection 3.1.2 hereof, shall continue in full force and effect only as regards those Franchised Outlets for which Single Unit Franchise Agreements shall have been executed as of the date of the expiration of the Term of this Agreement by the affiliated corporations of Area Developer. Area Developer shall continue to use the Trade-marks, the IJ System and the Manuals with regard to such Franchised Outlets, only on the further express condition that;

(a) all of the terms and conditions contained in the said Single Unit Franchise Agreements shall be complied with; and

(b) Area Developer complies with its obligations in this Agreement with respect to such Franchised Outlets (including, without limitation, payment of the fees referred to in Section 5 hereof and the providing of the financial reports referred to in Section 7 hereof, in accordance therewith). Moreover, the provisions of Section 11.1 shall continue in full force and effect until such time as the last Single Unit Franchise Agreement is terminated or expires, as the case may be.

15.2. Upon the expiration of the Term of this Agreement, Area Developer shall not market any franchises in the Exclusive Territory, nor shall Area Developer be obligated to provide any support to Franchisees located in the Exclusive Territory.

15.3. In the event Area Developer is in default beyond any applicable notice and cure periods under the terms of Section 13 hereof, the provisions of this Agreement which shall have survived expiration in accordance with the provisions of this Section shall be terminated in accordance with the provisions of Section 14 hereof, whereupon the provisions of Section 15 hereof shall immediately become applicable.

15.4. Nothing contained in this Section shall be interpreted so as to prevent Franchisor, upon the expiration of the Term of this Agreement, from itself operating Franchised Outlets or from entering into any other franchise arrangements for the use of the Trade-marks, the IJ System or the Manuals with any Person within the Exclusive Territory.

## 16. SALE, ASSIGNMENT AND TRANSFER

16.1. Franchisor shall have the right to assign its rights under this Agreement to any Person, provided that Franchisor shall not be released of its obligations hereunder and further provided that such assignee shall agree in writing to assume all obligations undertaken by Franchisor herein.

16.2. Area Developer understands and acknowledges that the rights and obligations created by this Agreement are personal to Area Developer, and that Franchisor has granted such rights to Area Developer in reliance on the character, skills, aptitude, as well as the business, legal and financial capacity of Area Developer and its directors, officers and shareholders, in the case of a corporation, and its partners, in the case of a partnership. Except as is hereinafter set forth in this Section 16, Area Developer shall not, without Franchisor's prior written consent, (which shall not be unreasonably withheld, conditioned or delayed) directly or indirectly, sell, assign, transfer, convey, donate, pledge, mortgage, hypothecate, charge, grant any security interest or otherwise encumber any right, title or interest in this Agreement or in Area Developer, except that Area Developer may grant a security interest in the assets of Area Developer for purposes of obtaining financing for Area Developer's business conducted under this Agreement, or in the right and license to use the IJJ System, the Manuals or the Trade-marks (a "Transfer"). Any such purported action, whether occurring by operation of law or otherwise, including any assignment by a trustee in bankruptcy, without Franchisor's prior written consent, shall be a material default hereunder and shall entitle Franchisor to immediately terminate this Agreement. In addition, Area Developer will not, during the Term of this Agreement, without Franchisor's prior written consent, (which shall not be unreasonably withheld, conditioned or delayed) participate in any corporate activity, issue or sell or be a party to the issuance or sale of any further shares or interest in Area Developer of any kind, or any other securities which would cause or may cause the present effective voting control of Area Developer to change. Notwithstanding anything to the contrary contained in this Section 16.2, the principals of Area Developer shall have the right, upon notice to Franchisor but without Franchisor's consent, to transfer a non-controlling portion of their equity interest in Area Developer to the parents, siblings or children of Area Developer's principals, or to transfer some or all of their equity interest in Area Developer to a family trust or family limited partnership for estate-planning purposes.

16.3. With the prior written consent of Franchisor, which consent shall not be unreasonably withheld, conditioned or delayed, and subject to the provisions of Sections 16.4 to 16.10 hereof, Area Developer shall have the right to sell, assign and transfer its interest in this Agreement and the right and license granted herein.

16.4. In the event that Area Developer shall receive a bona fide offer, which it wishes to accept from any independent third party, to purchase its rights and license hereunder and all or a significant portion of all the other assets involved in the business relating to this Agreement, before accepting such bona fide offer, Area Developer shall first make application in writing to Franchisor for the purpose of obtaining Franchisor's consent to such sale, assignment and transfer. The said application shall have annexed thereto a copy of the proposed offer and shall, in addition, set out the following:

- (a) the exact terms of the proposed offer, including the name of the proposed purchaser, the purchase price and the terms of payment, and the date and time of closing;
- (b) information relating to the business and/or professional reputation and qualifications of the proposed purchaser;
- (c) any credit information Area Developer may have as to the financial ability and stability of the proposed purchaser including, if the proposed purchaser is an individual, his personal net worth statement and, if the proposed purchaser is a corporation, partnership or other entity, its latest audited financial statements; and
- (d) such other information as may be relevant or material to the proposed purchase.

16.5. In the event the proposed purchaser is a Person other than an individual, for the purposes of this Section 16 the term "proposed purchaser" shall be deemed to include the Person(s) who have effective control (voting and otherwise) over the affairs of such Person.

16.6. Any proposed sale, assignment and transfer pursuant to this Section 16 must be a sale, assignment and transfer of all or a significant portion of all the assets of Area Developer in respect of the business carried on by Area Developer pursuant to the terms of this Agreement including, without limitation, the said right and license and all other assets of the said business and the assignment of this Agreement by Area Developer. Area Developer shall not be entitled to sell same on an individual basis other than with the prior written consent of Franchisor, which shall not be unreasonably withheld, conditioned or delayed.

16.7. Upon receipt of Area Developer's application pursuant to Section 16.4 hereof, notwithstanding the right to sell, assign and transfer granted to Area Developer pursuant to the terms of this Section 16, Franchisor shall have the absolute right, to be exercised by notice in writing delivered to Area Developer within thirty (30) days of the date of the receipt of Area Developer's application, to purchase the said rights and license and other assets of Area Developer proposed to be sold, assigned or transferred and obtain an assignment of this Agreement by Area Developer. If Franchisor shall exercise its right to purchase as provided herein, Franchisor shall complete the purchase upon the same terms and conditions set out in the said application.

16.8. In the event Franchisor does not exercise its right to purchase as set out in Section 16.7 hereof, Franchisor shall then determine if it will consent to the proposed sale, assignment and transfer to the proposed purchaser in accordance with the terms of and based upon the information set out in Area Developer's application. Franchisor shall notify Area Developer of its decision within thirty (30) days of the date of receipt of the said application, provided that any such decision will not be unreasonably withheld, delayed or conditioned, and that any consent to be given by Franchisor shall be conditional upon the following:

- (a) all obligations of Area Developer to Franchisor being fully paid and satisfied as at the date of closing of the proposed purchase;
- (b) Area Developer and its directors, officers and shareholders, in the case of a body corporate, and its partners, in the case of a partnership, executing and delivering in favor of Franchisor and its directors, officers, shareholders and employees, a general release in such form as may be required by Franchisor, except as limited by applicable State law;
- (c) the proposed purchaser entering into a written assignment and assumption agreement acceptable to Franchisor, pursuant to which the proposed purchaser shall assume all of the obligations of Area Developer under this Agreement and, in addition thereto, the proposed purchaser and each officer, director, shareholder or partner thereof executing all other documents and agreements required by Franchisor in connection with this Agreement;
- (d) Area Developer and such officers, directors, shareholders, partners and key employees who have executed the documents referred to in Section 16.8.3 hereof, agreeing to remain obligated under the terms and provisions contained in Section 16 hereof as if this Agreement had been terminated on the date of the sale, assignment and transfer;
- (e) Area Developer paying to Franchisor the costs and expenses reasonably incurred by Franchisor in connection with such sale, assignment or transfer including, without limitation, its attorney's fees, which costs and expenses shall not exceed Three Thousand US Dollars (US\$3,000.00);
- (f) the proposed purchaser and its officers, directors, shareholders and partners, as the case may be, shall be of good moral character and reputation in the judgment of Franchisor,



reasonably exercised;

(g) the proposed purchaser shall have demonstrated to Franchisor's entire satisfaction, by meeting with Franchisor or otherwise, at Franchisor's option, that the proposed purchaser's qualifications (including, without limitation, its business and financial ability) meet Franchisor's criteria for a new Area Developer. For the purposes of determining whether the conditions herein have been met, the officers, directors, shareholders or partners of the proposed purchaser shall be considered; and

(h) the proposed purchaser and/or such other Persons as shall be agreed upon by Area Developer and Franchisor, successfully completing a training program similar to the training program described in Section 7.1 hereof. Area Developer shall reimburse Franchisor for the reasonable cost of the training program (including instructions and materials), as well as for any additional supervision required for the operation of the Area Developer franchise business at the time of the commencement of operations by the proposed purchaser, which costs and expenses shall not exceed Ten Thousand US Dollars (US\$10,000.00).

16.9. In the event Franchisor does not exercise its right to purchase as set out in Section 16.7 hereof, and does consent to the sale, assignment and transfer by Area Developer to the proposed purchaser, the sale, assignment and transfer shall be completed between Area Developer and the proposed purchaser upon the same terms and conditions as were set out in the said application submitted by Area Developer to Franchisor. Otherwise, Area Developer shall, before selling, assigning and transferring its said right and license, and other assets, again make application to Franchisor in the manner as set out in this Section 16, and the provisions of this Section 16 shall apply mutatis mutandis and shall be repeated so often as Area Developer desires to complete any sale, assignment and transfer.

16.10. For the purposes of this Section 16, any sale, transfer or assignment of the issued and outstanding shares of the capital stock of or other beneficial interest in Area Developer, the effect of which, whether through one or several transactions, would result in a change of the effective control of Area Developer shall, for the purposes thereof, be deemed to be a sale, assignment and transfer of all or a significant portion of all the assets of Area Developer in respect of the business earned on by Area Developer pursuant to the provisions of this Agreement and, accordingly, all of the provisions of this Section 16 shall apply, mutatis mutandis. Notwithstanding the foregoing or anything to the contrary effect, the following sales, assignments or transfers shall not require Franchisor's consent, shall not be considered a default under this Agreement and shall not be subject to the provisions of Section 16 hereof:

- (a) any sale, assignment or transfer between the original shareholders of Area Developer;
- (b) any sale, assignment or transfer by a shareholder of Area Developer to a corporation controlled by him; and
- (c) any sale, assignment or transfer by an existing shareholder, where another of the original shareholders of Area Developer has effective control of Area Developer.

The term "original shareholders" means a Person that is a shareholder of Area Developer at the date of execution of this Agreement.

## **17. PARTNERSHIP, LIMITED LIABILITY COMPANY, AND CORPORATE REQUIREMENTS**

17.1. Area Developer shall furnish to Franchisor, upon execution of this Agreement, a list of all partners, in the case of a partnership, a list of all members, in the case of a limited liability company, and, in the case of a corporation, a list of all shareholders of record and all Persons having beneficial ownership of shares in the capital stock of Area Developer indicating their shareholdings, as well as a list of the directors and officers of Area Developer. Area Developer shall within a reasonable amount of time

advise Franchisor in writing of any change in the partners, shareholders, directors and officers from time to time.

17.2. Area Developer shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights and shall issue no such securities upon the face of which the following printed legend does not legibly and conspicuously appear:

*"Transfer of this stock is subject to the restrictions terms and conditions of an Area Development Agreement with Island Ink-Jet Systems (US) Inc., dated \_\_\_\_\_ . Reference is made to the provisions of the said Area Development Agreement and to the Articles and By-laws of this corporation."*

## 18. PUBLIC OFFERING

18.1. In the event that Area Developer (or any of its owners) shall, subject to the restrictions and conditions of transfer contained in Section 16 hereof, attempt to raise monies through a public offering by the sale of securities or general or limited partnership interests in Area Developer, Area Developer shall submit any written information to Franchisor prior to its inclusion in any registration statement, prospectus or similar offering circular or memorandum and must obtain the prior written consent of Franchisor, which consent shall not be unreasonably withheld, conditioned or delayed, to any such public offering prior to the offering or sale of any such securities. The written consent of Franchisor shall not imply that Franchisor is participating in the offering nor shall it imply or constitute the approval of Franchisor with respect to such offering and Franchisor's review of any offering material shall be limited solely to the subject of the relationship between Area Developer and Franchisor. No information respecting Franchisor shall be included in any securities disclosure document, unless such information has been furnished by Franchisor in writing for said purpose.

18.2. The disclosure document or other literature utilized in any such offering shall contain any statement reasonably required by Franchisor to the effect that Franchisor is not involved with the offering, that it makes no recommendation with respect to such offering and that it assumes no responsibility with regard to the information included in such offering.

18.3. Area Developer shall reimburse Franchisor for any costs and expenses associated with reviewing the proposed material including, without limitation, attorneys' fees and accounting fees, with such costs being capped at Five Thousand US Dollars (US\$5,000.00). Area Developer shall give Franchisor at least sixty (60) days written notice prior to the effective date of any proposed offering or other transaction contemplated by this Section 18.

## 19. LEGAL REQUIREMENTS

19.1. This Agreement is entered into subject to all governmental approvals, registrations or filings required by applicable law, if any (the "Approvals"). To the extent that any Approval must be obtained to effectuate the transactions contemplated herein, Area Developer shall cooperate with Franchisor and use its best efforts to obtain any such Approval at its cost and expense, including the modification, amendment or other alteration of this Agreement as may be required by the relevant governmental agency or official.

19.2. Area Developer and Franchisor agree that the rights and privileges granted to Area Developer under this Agreement are not meant to be increased or expanded by any Approval. In the event that the consequence of any Approval is to change or increase the rights or economic benefits of Area Developer, it will indemnify and hold Franchisor harmless from any and all consequences from such Approvals.

## 20. DISPUTE RESOLUTION

20.1. All disputes between the parties with respect to the validity, interpretation or performance of the provisions of this Agreement shall be submitted by the parties to non-binding mediation. The parties shall, acting in good faith and reasonably, commence the mediation proceedings and ensure its efficient progress. The mediation proceedings shall be conducted by one mediator, which mediator shall be mutually agreed upon by the parties within thirty (30) days following the receipt by one party of a written notice to nominate a mediator from the other party. Failing such appointment within such time period, either party may apply to a judge of the Nevada State Court sitting in the municipality of Las Vegas, Nevada to nominate a mediator. The mediation shall be conducted in the State of Nevada for a period of time not to exceed eight (8) hours. The cost of such mediation shall be borne equally by the parties. For the purposes of the mediation proceedings, each party shall be represented by a director or senior officer with authority to settle the dispute. Any notice given pursuant to this Section 20.1 shall set forth, in reasonable details, the object of the dispute to be submitted to mediation.

20.2. In the event that no agreement is reached by the parties in mediation, each party will be entitled upon written notice to the other party to require that the dispute, controversy or claim be referred to and settled by final and binding arbitration in accordance with the provisions of the Federal Arbitration Act. The arbitration will be conducted by a single arbitrator acceptable to each of the parties to be nominated within thirty (30) days of such written notice. If the parties are unable to agree on an arbitrator within such thirty (30) day period, either party may apply to a judge of the Nevada State Court sitting in the municipality of Las Vegas, Nevada to nominate an arbitrator. The laws applicable to the arbitration procedure shall be the laws of the State of Nevada and the substantive law governing this Agreement shall be the laws of the State of Nevada and the laws of the United States applicable therein, except as to trade-mark matters which shall be governed by the laws of the Exclusive Territory. The parties shall confer upon the arbitrator the powers to fill gaps, cure contractual omissions and to perform all other activities which s/he may deem necessary and/or opportune. The place of arbitration shall be determined by the arbitrator, in the United States. Franchisor and Area Developer hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of any actual damages sustained by it. The award of the arbitrator shall be the sole and exclusive remedy between the parties regarding any claims and counter-claims presented to the arbitration panel. The parties undertake to fully and punctually abide by the award rendered by the arbitrator. Failing such voluntary compliance, judgment upon the award or any other appropriate procedures may be entered or sought in any court having jurisdiction thereof to secure enforcement of said award. The final award will be payable in US dollars free of any tax, deduction or offset, and the costs, fees or taxes incidental to the enforcement of the arbitration award shall be charged in accordance with the decision of the arbitrator against a party resisting enforcement. Payment of the award, including interest from the date of breach and violation, shall be made in accordance with the relevant provisions of this Agreement.

20.3. Nothing contained in this Agreement will bar Franchisor's right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to Area Developer;

- (a) use of the Trademarks or the IJ System;
- (b) obligations upon termination of this Agreement for any reason whatsoever or expiration of the Term of this Agreement;
- (c) Transfer or an attempt to Transfer; or
- (d) actions covered by the provisions of Section 10 hereof.

Franchisor will also be able to seek injunctive relief to prohibit any act or omission by Area Developer, or its officers, directors or employees, that constitutes a violation of any applicable law, is dishonest or misleading to the public, or which may impair the goodwill associated with the Trade-marks; and Area

Developer agrees to pay all costs and reasonable attorneys' fees incurred by Franchisor in obtaining such relief.

## 21. CROSS DEFAULT

21.1. Should Area Developer, or any affiliated corporation in which Area Developer has an equity interest, be a franchisee pursuant to other franchise agreements with Franchisor respecting another franchised business using the Marks, a default, as specified in Clause 13.1 of this agreement, shall constitute a default under any such other franchise agreement and vice versa, with like remedies available to Franchisor and should any such other franchise agreement cease to be valid, binding and in full force and effect for any reason then Franchisor may, at its option terminate this Agreement and this Agreement shall be forthwith surrendered by Area Developer and terminated, and likewise should this Agreement cease to be valid binding and in full force and effect for any reason, Franchisor may at its option terminate the any other franchise agreements and the other franchise agreements shall be forthwith surrendered and terminated.

## 22. GENERAL PROVISIONS

22.1. The parties hereto hereby acknowledge and agree that each is an independent contractor, that no party shall be considered to be the agent, representative, master or servant of any other party hereto for any purpose whatsoever, and that no party has any authority to enter into any contract, to assume any obligations or to give any warranties or representations on behalf of any other party hereto. Nothing in this Agreement shall be construed to create a relationship of partners, joint venturers, fiduciaries, agency or any other similar relationship between the parties.

22.2. Should any term, covenant or provision hereof, or the application thereof, be determined by a valid, final, non-appealable order to be invalid or unenforceable, the remaining terms, covenants or provisions hereof shall continue in full force and effect without regard to the invalid or unenforceable provision. In such event such term, covenant or provision shall be deemed modified to impose the maximum duty permitted by law and such term, covenant or provision shall be valid and enforceable in such modified form as if separately stated in and made a part of this Agreement. Notwithstanding the foregoing, if any term hereof is so determined to be invalid or unenforceable and such determination adversely affects, in Franchisor's reasonable judgment, Franchisor's ability to preserve its rights (if any) in, or the goodwill (if any) underlying, the Trade-marks, the IJ System and/or any other confidential information of Franchisor, or materially affects Franchisor's other rights hereunder, Franchisor may terminate this Agreement upon notice to Area Developer.

22.3. Except as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and every portion thereof, shall be considered severable and if, for any reason, any such provision of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Area Developer is a party thereto, or otherwise upon Area Developer's receipt of a notice of non-enforcement thereof from Franchisor. To the extent that any provisions of Sections 14 hereof are deemed unenforceable by virtue of their scope in terms of area, business activity prohibited and/or length of time, but could be enforceable by reducing any portion thereof, Area Developer and Franchisor agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

22.4. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor is invalid or

unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and Franchisor shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Area Developer agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or any specification, standard or operating procedure prescribed by Franchisor, any portion which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

22.5. All notices, consents, approvals, statements, authorizations, documents or other communications required or permitted to be given hereunder (the "Notices") shall be in writing, and shall be delivered Personally, or by express courier or by facsimile or mailed by registered mail, postage prepaid, to the said parties at their respective addresses set forth in Item 10 of Schedule B, or at any such other address as the interested party may designate by written notice so given to the other party hereto as provided hereinbefore. A Notice shall be deemed to have been given, if sent by registered mail, on the seventh (7th) day (except Saturdays and Sundays) following such mailing, or if delivered personally or by facsimile, on the day of delivery or transmission, or if delivered by express courier, three (3) days following the delivery, if a business day in the province or country of the recipient, or if not a business day, on the business day next following.

22.6. Time shall be of the essence of this Agreement.

22.7. The recitals form an integral part of this Agreement.

22.8. The headings and section numbers appearing in this Agreement or any schedule annexed hereto are inserted for convenience of reference only and shall not in any way affect the construction or interpretation of this Agreement.

22.9. Area Developer acknowledges that it has conducted an independent investigation of the matters dealt with by this Agreement and acknowledges and recognizes that the business venture contemplated by this Agreement involves business risks and the success thereof will be largely dependent upon the ability of Area Developer. Franchisor expressly disclaims the making of, and Area Developer acknowledges that it has not received any warranty, representation or guarantee, expressed or implied, of any nature or kind whatsoever, as to the potential volume of sales, profits or success of the business venture contemplated by this Agreement.

22.10. The rights and recourse of Franchisor or Area Developer in this Agreement are cumulative and not alternative and the full partial exercise of any right or recourse hereunder by Franchisor or Area Developer shall not prevent Franchisor or Area Developer from exercising any other right or recourse available under this Agreement or at law.

22.11. The waiver by Franchisor or Area Developer of a breach of any provision of this Agreement shall not be deemed to be a waiver of such provision or of any subsequent breach of the same or of any other provision contained herein. The subsequent acceptance by Franchisor of any amount payable hereunder, whether from Area Developer or any other Person, shall not be deemed to be a waiver of any preceding breach of any provision of this Agreement, other than the failure to pay the particular amount so accepted, regardless of Franchisor's knowledge of such preceding breach at the time of acceptance of such amount. No provision of this Agreement shall be deemed to have been waived by Franchisor or Area Developer unless such waiver shall be in writing.

22.12. Each of the parties hereto agrees to execute and deliver such further agreements or documents and to cause to be done and performed any further acts and things as may be necessary or desirable in order to give full effect to this Agreement.

22.13. This Agreement constitutes the entire, full and complete agreement between Franchisor and Area Developer concerning the subject matter hereof and supersedes all prior agreements. Area Developer acknowledges that no other representations have been made or have induced Area Developer to execute this Agreement, and there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein which are of any force or effect with reference to this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing.

22.14. The party prevailing in a judicial or arbitration proceeding or appeal thereof shall be awarded its costs and expenses including, without limitation, reasonable accounting, paralegal, expert witness, attorney and arbitrator fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

22.15. Subject to the restrictions on assignment contained in this Agreement, this Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and assigns.

22.16. Representations made in this document by applicant are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date hereinafter indicated below their respective names.

**ISLAND INK-JET SYSTEMS (US) INC.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position

**[INSERT AREA DEVELOPER COMPANY NAME]**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

**THIS ADDENDUM** dated [INSERT DATE] is to the Island Ink-Jet Systems (US) Inc. Area Development Agreement dated \_\_\_\_\_, (the "Agreement") by and between Island Ink-Jet Systems (US) Inc. a Washington corporation with its principal office at 244 - 4<sup>th</sup> Street, Courtenay, British Columbia, Canada, V9N 1G6 (hereinafter "Company") and [INSERT AREA DEVELOPER COMPANY NAME] of [INSERT AREA DEVELOPER ADDRESS] (hereinafter "Area Developer").

The parties hereby amend the Agreement in accordance with the following, in addition to the deletions, additions and modifications (which shall control in the event of any ambiguity between any of them and the terms of the pre-printed form) which appear on the pre-printed form of agreement to which this Addendum is attached. In the event of any conflict or ambiguity between the terms of this Addendum and the Agreement, the terms of this Addendum shall control.

[INSERT AMENDMENTS]

**IN WITNESS WHEREOF**, the parties hereto have executed this Addendum under seal on the date first written above.

**ISLAND INK-JET SYSTEMS (US) INC.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position

**[INSERT AREA DEVELOPER COMPANY NAME]**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position

SCHEDULE A

TRADE-MARKS

ISLAND INK-JET  
(Word Mark)

Registration #2785602 registered November 25, 2003

REFILL...NOT LANDFILL  
(Word Mark)

Registration #2,758,318 registered September 2, 2003

WATCH YOUR COLORS SOAR!  
(Word Mark)

Registration #2,761,090 registered September 9, 2003

THE REFILL GUYS  
(Word Mark)

Application #78/148,648 filed July 30, 2002

ISLAND INKJET.

Application #78/519,237 filed November 18, 2004

(Design Mark)



Registration #2,861,341 registered July 6, 2004

(Design Mark)



Application #78/519,215 filed November 18, 2004

(Design Mark)



SCHEDULE B

ECONOMICS

ITEM 1 – EXCLUSIVE TERRITORY:

[INSERT EXCLUSIVE TERRITORY]

ITEM 2 - TERM OF AGREEMENT

TEN (10) YEARS

ITEM 3 - RENEWAL TERM

TEN (10) YEARS

ITEM 4 – AREA DEVELOPMENT RIGHTS PURCHASE PRICE

\$(INSERT AMOUNT)

ITEM 5 – AREA DEVELOPMENT FEE

Total amount payable per Location is \$15,000, payable as follows:

- \$7,500 upon execution of the Single Unit Franchise Agreement; and
- \$7,500 upon opening of the Location.

ITEM 6 – ROYALTIES

1.8% on Gross Sales of all Franchised Outlets located in the Exclusive Territory.

ITEM 7 – PER DIEM FEE

One Thousand US Dollars (US\$1,000)

ITEM 8 – DEVELOPMENT SCHEDULE

Period	Number of Franchised Outlets to be opened during the period	Number of Franchised Outlets to be actively in business at the end of the period
For the twelve month period ending at the end of the first year of the Term	[INSERT]	[INSERT]
For the twelve month period ending at the end of the second year of the Term	[INSERT]	[INSERT]
For the twelve month period ending at the end of the third year of the Term	[INSERT]	[INSERT]
For the twelve month period ending at the end of the fourth year of the Term	[INSERT]	[INSERT]
For the twelve month period ending at the end of the fifth year of the Term	[INSERT]	[INSERT]

ITEM 9 – MARKET POTENTIAL OF EXCLUSIVE TERRITORY

[INSERT NO. OF LOCATIONS]

**ITEM 10 - NOTICES**

To Franchisor at:	Island Ink-Jet Systems (US) Inc. 244 – 4 <sup>th</sup> Street Courtenay, British Columbia Canada V9N 1G6 Fax: 250-897-1573 Attention: President
To Area Developer	[INSERT AREA DEVELOPER NAME] [INSERT AREA DEVELOPER ADDRESS]

SCHEDULE C  
SINGLE UNIT FRANCHISE AGREEMENT