

| NAMES OF EXPENDITURES | ACTUAL OR ESTIMATED AMOUNTS FOR YOU   | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|-----------------------|---|-------------------|----------|-------------------------------|
| TOTAL <sup>14</sup>   | \$100,100 to \$136,400<br>(kiosk location)<br><br>\$85,850 to \$172,400<br>(in-line location) |                   |          |                               |

All fees are non-refundable unless otherwise specified to the contrary.

#### NOTES

<sup>1</sup> Franchise Fee: The franchise fee is described in greater detail in ITEM 5 of this Offering Circular.

<sup>2</sup> Rent: You must provide a suitable location from which to operate the Customer Service Center. You will require approximately 100 to 150 square feet of space for a kiosk location and between 300 to 1,000 square feet of space for an in-line location. It is extremely difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon variance in square footage, cost per square foot and required maintenance costs. We assume the landlord will require the first month's rent and a security deposit equal to one month's rent. The amounts paid are typically not refundable except for a security deposit, which may be refunded.

<sup>3</sup> Kiosk: We will arrange for the ordering and installation of the kiosk at the Location. The cost noted is for our standard kiosk. Any alterations required and approved by us, due to state or federal laws, or as required by the Landlord, will be at your sole expense and must be paid for in full before we will order your kiosk.

<sup>4</sup> Franchise Package: Included in the Franchise Package is training (\$4,600), our administration and review fee of \$2,500, shipping costs, an opening inventory of Island Ink-Jet brand products, and other supplies for resale representing an approximate wholesale cost to you of \$4,000 to \$6,000, equipment (\$5,000 to \$7,500) and much of the required materials necessary to begin operations. For in-line locations, the construction costs are your responsibility and are not included in the Franchise Package (See Note 6). You may have some optional items to add to the Outlet available from us that may increase costs depending on the particular optional items selected and their availability at the time of order. You are responsible for paying the applicable state and municipal sales tax on the Franchise Package, this amount may vary from state to state.

<sup>5</sup> Utility Deposits: You will generally incur certain deposits with local utilities, for example, electric, telephone, gas, water and others. The deposit will vary depending upon the policy of the local utility.

<sup>6</sup> Construction Costs/Leasehold Modifications: To ready the Outlet space for both the Kiosk Customer Service Center and In-Line Customer Service Center, certain modifications may be necessary including electrical and local Internet access. The cost of leasehold modifications will vary based upon size, condition and location of the space, local wage rates and material costs. The cost of construction and leasehold modifications depends upon the size and condition of the premises, the nature of and extent of leasehold improvements required, the local cost of contract work, and the location of the Outlet. The range of figures above includes the cost of reasonable renovation or leasehold improvements, including flooring, and installation of fixtures but may vary if extensive construction is required or if Lessor provides you a construction allowance.

<sup>7</sup> Furniture, Fixtures & Equipment: You will be required to purchase and/or lease and install fixtures, furniture, equipment and décor necessary to operate your Outlet. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the Outlet, suppliers and other related factors. Franchisee is responsible for paying the applicable state and municipal sales tax on the Equipment. This amount may vary from state to state.

<sup>8</sup> Insurance: Requirements are described in greater detail in ITEM 8 of this Offering Circular. Factors that may affect your cost of insurance include location of the Outlet, amount of inventory and other factors.

<sup>9</sup> Office Equipment & Supplies: You must purchase general office supplies including stationary, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, the size of the Outlet, suppliers and other factors.

<sup>10</sup> Additional Training Expenses: The fee for the initial training is \$4,600 and is included in the Franchise Package cost. You are, however, responsible for expenses for transportation, meals and all other expenses while attending training. Additional people (maximum 2) can be trained for \$4,600 each including accommodation, based on single occupancy, not including travel expenses and meals.

<sup>11</sup> Legal/Accounting/Licenses/Permits: These amounts will be incurred for costs such as pre-construction, operating licenses and permits. Your actual costs may vary from the estimates based on the requirements of local government agencies.

<sup>12</sup> Additional Funds: These amounts are the minimum recommended levels to cover operating expenses, including employee's salaries, for the start-up phase of the business, which we calculate as 3 months. We cannot guarantee that such an amount will be sufficient. Additional working capital may be required if sales are low or fixed costs are high.

<sup>13</sup> Initial Opening Promotion: You are required to conduct an Initial Opening Promotion upon the opening of your outlet. You are responsible to spend \$15,000 on this promotion. You may choose to have your Initial Opening Promotion managed by us. The fee for this service will be 25% of all expenditures.

<sup>14</sup> Total: This total is an estimate of your initial investment and the expenses you will incur during the first 3 months of operations. In compiling this chart, we relied on our experience in establishing our company-owned Outlets and Island Canada's general experience in establishing franchises in Canada. The amounts shown are estimates only and may vary for many reasons including the size of your Outlet, the capabilities of your management team, where you locate your Outlet and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

As an Area Developer we anticipate that you will incur the following estimated initial expenditures in addition to the costs associated with the establishment of your Island Ink-Jet Outlet.

| NAMES OF EXPENDITURES                    | ACTUAL OR ESTIMATED AMOUNTS FOR YOU | METHOD OF PAYMENT | WHEN DUE                                | TO WHOM PAYMENT IS TO BE MADE |
|--|-------------------------------------|-------------------|---|-------------------------------|
| Area Development Fee <sup>1</sup>        | \$10,000 to \$1,600,000             | Lump Sum          | Upon Signing Area Development Agreement | Us                            |
| Insurance <sup>2</sup>                   | \$300 to \$1000                     | As Arranged       | Before Beginning Operations             | Insurance Carrier             |
| Office Equipment & Supplies <sup>3</sup> | \$200 to \$300                      | As Arranged       | Before Beginning Operations             | Third Parties                 |
| Training <sup>4</sup>                    | \$1,000                             | As Arranged       | Before Beginning Operations             | Us                            |
| Legal/Accounting <sup>5</sup>            | \$1,500 to \$2,500                  | As Arranged       | Before Beginning Operations             | Third Parties                 |
| TOTAL <sup>6</sup>                       | \$13,000 to \$1,603,800             |                   |   |                               |

All fees are non-refundable unless otherwise specified to the contrary.

#### NOTES

<sup>1</sup> Area Development Fee: You must pay us a development fee based on the market potential of each territory.

<sup>2</sup> Insurance: Requirements are described in greater detail in ITEM 8 of this Offering Circular. Factors that may affect your cost of insurance include location of your operations and other factors.

<sup>3</sup> Office Equipment & Supplies: You must purchase general office supplies including stationary, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, the size of the Outlet, suppliers and other factors.

<sup>4</sup> Training: The cost of training is \$1,000 for the Area Developer training program. You are also responsible for expenses for transportation, meals and other expenses while attending training.

<sup>5</sup> Legal/Accounting: These amounts will be incurred for costs such as pre-construction, operating licenses and permits. Your actual costs may vary from the estimates based on the requirements of local government agencies.

<sup>6</sup> Total: This total is an estimate of your initial investment and the expenses you will incur during the first 3 months of operations. In compiling this chart, we relied on our experience in establishing Area Development rights in the United States and Island Canada's general experience in establishing Area Development rights in Canada. The amounts shown are estimates only and may vary for many reasons including the capabilities of your management team and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy Area Development rights.

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

Except as indicated below, you are not required to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate relating to the establishment or operation of your Island Ink-Jet Outlet from us or our designees.

### Franchise Package

As noted in ITEMS 5 and 7, we will provide you, and you are obligated to purchase from us, a Franchise Package for a Customer Service Center, which includes equipment, inventory, fixtures, and training. Included in Schedule 2 to the Franchise Agreement is a summarized list of products and services we provide in delivering the Outlet to you. As a result of your purchase of the Franchise Package, we will derive revenue equal to 100% of the price you pay. For our most recent fiscal year ended August 31, 20056, we received \$3,037,980728,572 in revenue from franchisees in connection with the Franchise Package, which represents 7353% of our total revenue of \$4,165,0431,357,499.

Additionally, as noted in ITEMS 5 and 7, you are required to conduct and conclude all construction in connection with an in-line build-out.

### Ongoing Products and Supplies Purchases

All Island Ink-Jet bulk ink, refill kits, compatible ink jet cartridges, remanufactured laser toner cartridges, and other products bearing our trademarks are supplied by us and our approved suppliers or agents and must be purchased from us or our approved suppliers or agents on an ongoing basis. Other products, such as original equipment manufacturer (OEM) ink jet cartridges and remanufactured ink jet cartridges may be purchased from any approved vendors, including the manufacturers. Other products, including recycling centers, retail store displays, and other items may be purchased from us or any approved vendors. Any products not purchased from us must be purchased from vendors approved by us and must meet our specifications. You are prohibited from selling at the Outlet any brands of ink, toner, kits, cartridges, or other products, which directly compete with Island Ink-Jet brand products or approved products. We will respond in writing within 30 days from the receipt of a written request by you to sell additional products not on the approved product list. You are not authorized to designate or approve any suppliers of products and services in your territory, including yourself, unless we expressly consent to the same in advance and in writing. Due to the critical importance of ensuring the quality of the ink meets our standards and the risk of patent infringement, Island is the only designated supplier of ink. The approved product list provided by us may change from time to time since we have the right to discontinue certain items and add other items. We receive a profit from the sale of these items, which is equal to what we believe to be a reasonable wholesale mark-up for these items.

### Specifications and Standards

We set specifications and standards in the Operating Manual for the operation of the Outlet, use of the Marks, advertising content and maintenance and cleanliness of the Outlet.

### Computer Hardware and Software

You will be required to purchase, use, maintain and update at your expense, a computer system meeting our current specifications. You will be responsible for all supplier and/or licensor charges for use, maintenance, support and updates of and to the required computer system. Our computer hardware and software requirements are more fully described in ITEM 11. You will also be responsible for (1) subscribing to an internet service provider that will provide a "DSL" or other broadband internet connection for continuous data transmittal. Continuing with the antivirus subscription after the initial subscription has ended; (2) upgrading your system within 30 days should we adopt software or equipment that will require upgrading your hardware and software; and (3) you will also be required to purchase an accounting software package that conforms with the Company's uniform accounting system for all franchisees.

As well, at such time that we implement a Point of Sale System software package; you will be required to pay the one time software license fee plus the monthly maintenance and enhancement fees as well as the hardware that meets the specifications of the software vendor.

#### Insurance

You must obtain and maintain, at your sole expense, the insurance coverage that we, the Lessor and the terms of the lease require. Presently, we require comprehensive public liability insurance, product liability insurance and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the set up and operation of the Outlet or your conducting business pursuant to the Franchise Agreement. You must also carry property insurance to keep the premises and its contents insured against loss or damage by fire and such other risks covered in the Standard Extended Coverage Endorsement, in an amount not less than 100% of the full replacement cost of such assets, as well as any other type of coverage required under applicable law. All required insurance policies must be issued by one or more insurance carriers acceptable to us. You must submit a copy of your insurance to us prior to the opening of your outlet. Each insurance policy must (i) name us and our Affiliates as additional named insureds; (ii) contain a waiver of all subrogation rights against us, our Affiliates and any Successors and assigns; and (iii) provide thirty (30) day's prior written notice to us of any material modifications, cancellation, or expiration of such policies. We reserve the right at any time to implement a group insurance program that you will be required to purchase your insurance through.

#### Credit Cards

You must have arrangements with Visa, MasterCard and other credit card issuers, and where applicable, debit card issuers.

#### Miscellaneous

We may receive, from third-party suppliers' rebates and other allowances as a result of your and other franchisees' purchases. We retain the right to keep any such rebates and/or allowances. There are currently no such arrangements in place.

We may negotiate group rates, including price terms, as appropriate, for purchases of equipment and supplies necessary for the operation of the Outlet. There are no cooperatives that you are required to join.

We estimate that approximately 40% to 60% of your expenditures for leases and purchases in establishing your Outlet and approximately 15% to 45% of your expenditures on an ongoing basis will be for goods and services which must be purchased from either us or an approved supplier, or in accordance with our specifications. The cost of goods sold will vary with the products sold by you and may range from 15% to 75%. The average product mix will result in a range of 15% to 45%.

Purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate the Franchise Agreement.

**ITEM 9.  
FRANCHISEE'S OBLIGATIONS**

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

|    | Obligation  | Franchise Agreement     | Area Development Agreement | ITEM In the Offering Circular |
|----|---|-------------------------|----------------------------|-------------------------------|
| a. | Site selection and acquisition/lease                    | 3                       | 7                          | ITEMS 11 and 12               |
| b. | Pre-opening purchases/leases                            | 3 and 9                 | 5 and 7                    | ITEMS 7 and 8                 |
| c. | Site development and other pre-opening requirements     | 3 and 4                 | 7 and 14                   | ITEMS 6, 7 and 11             |
| d. | Initial and ongoing training                            | 4                       | 6                          | ITEMS 6, 7, 11                |
| e. | Opening   | 3 and 4                 | 5 and 7                    | ITEM 11                       |
| f. | Fees  | 8, 9, 10, 12, 14 and 17 | 5                          | ITEMS 5, 6 and 7              |
| g. | Compliance with standards and policies/Operating Manual | 4 and 9.1               | 7                          | ITEM 8                        |
| h. | Trademarks and proprietary information                  | 5 and 6                 | 9                          | ITEMS 13 and 14               |
| i. | Restrictions on products/services offered               | 3.2 and 9               | 7, 8,                      | ITEMS 8 and 16                |
| j. | Warranty and Customer service requirements              | 9                       | 7 and 21.1                 | ITEM 16                       |
| k. | Territorial development and sales quotas                | None                    | 7 and 12                   | ITEM 12                       |
| l. | Ongoing product/service purchases                       | 9                       | 7 and 8                    | ITEMS 8 and 11                |
| m. | Maintenance, appearance and remodeling requirements     | 9                       | 7                          | ITEMS 6 and 17                |
| n. | Insurance   | 9                       | 7                          | ITEMS 6, 7 and 8              |
| o. | Advertising   | 10                      | 7 and 8                    | ITEMS 6 and 11                |
| p. | Indemnification   | 7                       | 11                         | ITEM 6                        |
| q. | Owner's participation/management/staffing               | 9.6 and 10              | None                       | ITEM 15                       |
| r. | Records and reports                                     | 11                      | 7 and 12                   | ITEMS 9 and 11                |
| s. | Inspections and audits                                  |                         | 7                          | ITEMS 6 and 13                |
| t. | Transfer  | 12                      | 16                         | ITEMS 9 and 17                |
| i. | Renewal   | 2                       | 4                          | ITEM 17                       |
| v. | Post-termination obligations                            | 14                      | 14                         | ITEM 17                       |
| w. | Non-competition covenants                               | 6                       | 10                         | ITEM 17                       |
| x. | Dispute Resolution                                      | 15.3                    | 20                         | ITEM 17                       |
| v. | Other (Lease Requirements)                              | 3                       | None                       | ITEM 11                       |

**ITEM 10.  
FINANCING**

We do not offer direct or indirect financing. We do not guarantee your lease or other obligations.

**ITEM 11.**  
**FRANCHISOR'S OBLIGATIONS**

Except as listed below, we and/or the Area Developer need not provide any assistance to you.

A. Pre-Opening Assistance:

1. We will provide you with a complete Customer Service Center (excluding construction and outfitting of an inline location), equipment and fixtures as summarized in Schedule 2 of the Franchise Agreement. (Section 3.1)
2. We will provide an initial training program. This training is described in detail later in this ITEM 11. (Section 4.1)
3. We, or our agent, may provide you with supervisory assistance and guidance in connection with the opening of your Island Ink-Jet Outlet, until we determine that the Outlet is functioning properly. We will not provide you with supervisory assistance and guidance for any subsequent locations owned by you. (Section 4.3)
4. We, our Area Developer, or our supplier will assume the obligation of set-up of the kiosk franchise location. (Section 3.1)
5. We will provide you, on loan, one copy of the Island Ink-Jet Operating Manual, as more fully described in Section 4.5 of the Franchise Agreement. The Table of Contents of the Operating Manual, along with number of pages devoted to each section, is included as Exhibit D to this Offering Circular. (Section 4.6)

B. Ongoing Assistance:

1. We will sell to you all products and supplies that bear our trademarks for resale by you to the public. We will also make other products available to you for resale or use if you wish to purchase them. We will review non-competing products for compliance with our specifications and review applications from your prospective vendors to become approved vendors. (Section 3.2)
2. We will, from time to time, advise you of operating problems disclosed by reports submitted to or inspections made by us. (Section 4.5)
3. We may furnish you with such guidance and assistance in connection with the operation of your Outlet, as we deem appropriate with respect to:
  - a. the provision of services and sale of products;
  - b. purchasing approved equipment, products, operating materials and supplies;
  - c. access to advertising materials developed through promotional programs;
  - d. administrative, accounting, inventory control, sales and general operating procedures for the proper operation of an Island Ink-Jet Outlet;
  - e. establishing and/or conducting employee training programs at the Outlet or other location deemed convenient. (Section 4.5)
4. We may conduct an ongoing training program or convention once per year lasting up to 4 days at a reasonable charge. These training programs will be mandatory unless advised by us

upon 60 days prior notice. You will be responsible for costs for transportation, accommodation and applicable taxes. (Section 4.3)

C. Advertising and Promotion:

1. You must pay to us a Regional and National Marketing Fee of 4% of the total amount of your monthly Gross Sales. The Marketing Fee is allocated as follows: 3% for regional advertising and 1% for national advertising. We (or our designee) will administer the Regional and National Marketing Fund as follows (Section 10.3):

a. The Marketing Fee shall be payable monthly, concurrently with the payment of the Royalties, based on Gross Sales for the immediately preceding reporting period. We shall have the right to require that you execute an Authorization Agreement for preauthorized payment of Marketing Fees by electronic transfer of funds from your bank account to the bank account designated by us. We will deposit any Marketing Fees collected by us into one or more separate accounts. Upon written request by you, we will make available to you, no later than 120 days after the end of each calendar year, an annual financial statement for the Fund that indicates how deposits to the Fund have been spent. Any advertising funds not spent during the fiscal year in which they accrue, will remain in the Marketing Fund Account and will continue to accrue through the following fiscal year.

b. The Fund will be administered by us, in our sole discretion, and may be used for production and placement of media advertising, direct response literature, direct mailings, brochures, collateral material advertising, surveys of advertising effectiveness, or other advertising or public relations expenditures relating to advertising your services and products and providing professional services, materials and personnel to support the marketing function; and to develop and monitor a website on the Internet or an internet like service. We may reimburse ourselves a reasonable amount out of the Funds not to exceed 15% of the Fund in one year for providing the services or advertising or marketing staff and the costs of office supplies, telephone, advertising agency fees and other items as we may deem necessary to administer the Fund. We also retain the right to place and develop such advertisements and promotions and to market same, either directly or through an advertising agency retained or formed for such purpose. We may cause the Fund to be incorporated or operated through a separate entity, at such time we deem appropriate, and such entity, if established, will have all rights and duties of us with respect to the Fund as specified in this section. We undertake no obligation to ensure that the Fund benefits any particular franchise in proportion to its respective contribution. The Fund's primary purpose is to support sales by the entire Island Ink-Jet System and to build brand identity.

We will not use any advertising funds to directly solicit new franchisees. Our company owned Island Ink-Jet Outlets do not contribute to the Fund on the same basis as franchisees.

You must fully participate in all promotional campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new products, Outlet openings, cross-promotions, or other marketing programs directed or approved by us), which are prescribed from time to time by us. You shall be responsible for the costs of such participation. In addition, you shall honor any coupons, gift certificates or other authorized promotional offers of Island Ink-Jet Systems (US) Inc. at your sole cost unless otherwise specified in writing by us. You must obtain our prior written approval of all written advertising or other marketing or promotional programs not previously approved by us regarding your Outlet, including, without limitation, "Yellow Pages" advertising, newspaper ads, flyers, brochures, coupons, direct mail pieces, specialty and novelty items, radio and television advertising, and Internet "Web" pages. Any proposed written advertising or a description of a marketing or promotional program not previously approved by us shall be submitted for approval to us, not to be unreasonably withheld, at least 15 days prior to publication, broadcast or use.



2. You must maintain, at your expense, a telephone number that must be listed in the yellow and white page telephone directories applicable to the area in which your Island Ink-Jet Outlet is located. We may run a group listing of all Outlets if the same directories serve other franchisees.
3. You must have internet access and an email account. Details of these connections must be provided to us for two-way communication purposes. Access charges vary by geographic location. Costs may also change significantly due to rapidly changing technology.
4. You are responsible for coordinating and carrying out your Initial Opening promotion. The amount you are required to spend is \$15,000. You are also responsible to submit evidence of the expenditures on a timely basis as we direct.
  - a. You must arrange for production of and placement of all Initial Opening advertising, including but not limited to radio, television, newspaper and magazine ads, promotions, give-aways, flyers, banners, posters.
  - b. We, in our sole discretion, will have final approval on all advertising promotions.
  - c. You may, at your discretion, choose to have your Initial Opening promotion managed by us, in which case we will arrange for the preparation and distribution of approved advertising and promotional materials in your local area. The fee for this service will be up to 25% of total expenditures.
  - d. You must not engage in any promotional activities or sell the Approved Products and Services or similar products, accessories or services, whether directly or indirectly, through the internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers.

There are presently no advertising councils or local or regional advertising cooperatives. If an advertising cooperative is formed by our franchisees and approved by us, you must agree to contribute to the cooperative the amount agreed upon by a majority of the members of the cooperative, to pay that amount to the advertising cooperative and the times agreed upon by the majority, and abide by the cooperative's rules. The cooperative will determine who will administer the cooperative. The written governing documents will be available for review by you. Cooperatives need not prepare annual or periodic financial statements, but if they are prepared, they may be reviewed by you. We will not have the power to require cooperatives to be formed, changed, dissolved or merged.

D. Computer System:

You will be required to purchase, use, maintain and update at your expense, a computer system which meets our current specifications. You will be responsible for all supplier and/or licensor charges for use, maintenance, support and updates of and to the required computer system.

As of the date of this offering circular, we require you to have a computer system with the following minimum standards:

- |                |   |
|----------------|---|
| CPU:           | AMD or Intel Processor at 2.4 GHz or faster     |
| RAM:           | minimum 512 MB DDR or more                      |
| Hard Drive:    | 40 GB or larger                                 |
| Optical Drive: | Minimum: CS-RW-DVD combo/Recommended: CD-DVD-RW |
| Sound:         | 16 bit stereo sound or better                   |
| Speakers:      | shielded stereo computer speakers               |

Video Memory: 64 MB or more  
Display: Minimum 15" Flat Screen Monitor (kiosk type dependant)  
Network: Minimum 10/100 Base-T wired Ethernet card  
Serial Port: PCI Serial Port  
USB Port: Minimum internal 6-port USB and/or external USB hub (un-powered)  
Modem: ONLY if high speed not available – internal 56K, V.92 compliant modem  
OS: Windows XP Pro (XP home is **not** to be used)  
Cooling: It is strongly recommended that additional internal cooling fan be utilized  
Software: MS Small Business Edition  
Antivirus: PC-Cillin Anti-virus with internet security  
Keyboard: Generally comes with the system  
Mouse: Your choice

You will use this computer for general office and administrative functions and for Internet access pertaining to the day-to-day operations of your Island Ink-Jet franchise.

You will also be responsible for the following:

- Subscribing to an internet service provider that will provide a "DSL" or other broadband internet connection for continuous data transmittal. Dial-up connections will only be permitted where there is no DSL service available in your area. Should Dial-up be the your only option, you must purchase a modem for your system we must be notified in advance so that we can provide you with a 56K modem.
- Continuing with the antivirus subscription after the initial subscription has ended.
- Upgrading your system within 30 days should we adopt software or equipment that will require upgrading your hardware and software.

You will also be required to purchase an accounting software package that conforms with the Company's uniform accounting system for all franchisees.

We will not have any liability and/or obligation (and neither will you make any claims) about any failures, errors or any other occurrences relating to any computer or system hardware or software without an express written warranty from us, even if recommended or specified by us. We do not provide technical support for the usage of your system or third party software including but not limited to Windows XP and MS Small Business Addition.

At such time that we implement a Point of Sale System software package; you will be required to pay the one time software license fee plus the monthly maintenance and enhancement fees as well as the hardware that meets the specifications of the software vendor. The Point of Sales System will be used for sales, inventory tracking, customer service, billing, and reporting. You will be required by us to transmit data, reports and other requested information to us electronically. You will be required to maintain your systems on-line to allow us access to system data and information when required. The estimated initial cost for this system ranges from \$2,000 to \$6,000 and an estimated monthly fee ranging from \$50 to \$100. These fees may increase due to vendor price increases and/or inflation adjustments or software upgrades.

E. Methods Used to Select the Location of the Outlet:

You will be the leaseholder. You must sign a franchise agreement before signing a lease under the Trade Name "Island Ink-Jet". The Location must conform to our then current requirements for a franchised Outlet. The factors that we consider in acceptance of the site include area of the site which includes population density, traffic patterns and neighborhood, as well as physical characteristics of the premises such as size and layout. We evaluate each proposed -site and accept or do not accept each

one on a case-by-case basis. When available we use historical data and compare similar existing unit performance to assess the potential of a location. Once you have submitted to us all of the information required for us to make a determination on the site, we will provide you acceptance or denial of the location within ten business days. If a suitable location cannot be found within six months from the effective date of the Franchise Agreement, we may, at our option, to terminate the Franchise Agreement and require that you sign the then current form of Franchise Agreement.

You shall, subject to our prior approval of terms, execute a lease for the site and provide us with a fully executed copy of the lease prior to opening your Outlet for business. Our approval of the site shall be conditioned upon the inclusion in the lease of the following terms:

- a. A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise agreement;
- b. A provision that allows the Lessor of the premises to provide to us all sales and other information Lessor may have related to the operation of the Outlet, as we may request;
- c. A provision which requires the Lessor to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants us, in our sole discretion, the right (but not obligation) to cure any deficiency under the lease within 15 days after the expiration of the period in which you had to cure the default should you fail to do so;

You may, at your sole discretion, choose to have the negotiation of your lease managed by us or our Affiliate. Site selection will remain your sole responsibility regardless of who conducts the lease negotiations. The fee for this service will be \$3,000 payable prior to commencement of lease negotiations. (Section 3.2)

F. Customer Service Center

Should you choose a kiosk Customer Service Center, we or our agent will provide the kiosk, as well as set up services as detailed in ITEM 5.

Should you choose an in-line location, you must select and employ a licensed contractor. You are solely responsible for the selection and work of any contractor selected and/or employed by you, even if referred by us. You will comply with and assure the Outlet meets our standards as set out from time to time. Any modifications to our specifications shall be submitted to us for approval prior to use;

You will be responsible to obtain all required zoning permits, all required building, utility, health, and sign permits and licenses, and any other required permits and licenses. (Section 3.1)

G. Typical Length of Time Before Operation:

The typical length of time between the signing of the Franchise Agreement and the opening of your Outlet can range from 4 months to 6 months, but may be longer. Factors that may affect your beginning operations include site selection, lease negotiations, ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures.

## H. Training:

### **Franchisee Initial Training Program**

Prior to the opening of the Outlet, we will furnish, and you must attend and complete to our satisfaction, an Initial Training Program in the operation of an Island Ink-Jet Outlet. The Initial Training Program will be conducted at our headquarters in Courtenay, British Columbia, Canada and is currently held on a monthly basis, but is subject to change with or without notice. The training program will include instruction in all phases of the operation of an Island Ink-Jet Outlet, including pre-opening responsibilities, product and equipment usage, cost and cash control, purchasing, customer service, marketing, employee scheduling and training, quality controls and administrative practices. The training covers the management role as well as training in each job function to be filled by hourly employees. In the event you are a business entity, one of your principal owners shall be required to attend and complete to our satisfaction the Initial Training Program. The cost of training one (1) representative of your franchise is included in the purchase price of your franchise, which includes accommodations. You will be solely responsible for all other expenses including airfare, transportation, board and wages in connection with the initial training programs. Additional people (maximum 2) can be trained for the price of \$4,600 each, including accommodations. You will be responsible for all other expenses including travel, board, transportation, and wages, incurred by you and/or additional trainees in connection with the Initial Training Programs. (Section 4.2)

### **Annual Convention**

We may conduct, at our sole discretion, one training ~~program-seminar~~ or convention annually at a location to be determined by us, to discuss relevant business trends and share new information. Attendance at the seminar is mandatory unless we give you at least 60 days prior written notice that the seminar shall be optional. We will not require that you attend an ongoing training ~~seminar program~~ or convention more than once a year. Mandatory training ~~programs and seminars~~ shall not last more than 4 days. All such ~~mandatory training seminars~~ will be offered for a reasonable fee, which the we may elect not to charge in our sole discretion.. You will ~~also~~ be responsible for any and all transportation and living expenses, which are incurred in connection with attendance at such additional training ~~programs or seminars~~. (Section 4.3)

Franchisee Training Program Schedule (subject to change)

| Subject  | Time Begun<br>Location                     | Materials Used                                      | Hours of Instruction<br>(all times approximate)                                    |
|--|--|---|--|
| Introduction Orientation<br>Tour of IFSC <sup>1</sup> & IAP <sup>2</sup> | Day 1<br>IFSC & IAP                        | #J Manuals  | Franchise Support Manager<br>Approx. 1 Hour  |
| Compliance Introduction to<br>Senior Management                          | Day 1<br>IFSC                              | Classroom Training<br>#J Manuals                    | Best Practices Officer<br>Approx. 1.5 hours  |
| Market Research  | Day 1<br>IFSC                              | Hands-on training, Manuals,<br>Support Material     | 1.25 hours   |
| Introduction to Cross<br>Reference Material                              | Day 1<br>IFSC                              | #J Manuals  | Franchise Training Associates<br>Approx. 43 hours                                  |
| Introduction to Work<br>Orders and Refilling                             | Day 21<br>IFSC                             | Hands on training, #J<br>Manual, Support Material   | Franchise Training Associates<br>Full day 5 hours                                  |
| History and Technology   | Day 2<br>IFSC                              | Manuals   | 1.5 hours  |
| Computer Basics  | Day 2<br>IFSC                              | Manuals   | 1.75 hours   |
| Introduction to SOAR   | Day 2<br>IFSC                              | Hands-on training, Manuals,<br>Support Material     | 1.5 hours  |
| Employment Guidelines &<br>Training                                      | Day 3<br>IFSC                              | #J Manual and Support<br>Material                   | Office Manager<br>Approx. 1.52 hours   |
| Cartridge Refilling  | Day 23<br>IFSC                             | Hands-on training, #J<br>Manuals, Support Material  | Franchise Training Associates<br>Approx. 6.25 hours                                |
| Introduction to SOAR BMS   | Day 4<br>IFSC Day 3<br>IFSC                | Hands-on training, #J<br>Manuals, Support Material  | Customer Service Franchise<br>Support Manager<br>Approx. 1.25 hours                |
| Cartridge Refilling  | Day 3<br>IFSC 4                            | Hands-on training, #J<br>Manuals, Support Material  | Franchise Training Associates<br>Approx. 63.5 hours                                |
| Practical Experience Troubleshooti<br>ng Cartridges                      | Day 5<br>Operating<br>Outlet Day 4<br>IFSC | Hands-on training, #J<br>Manuals, Support Material  | Franchise Training Associates<br>On-site at operating outlet<br>All Day 1.5 hours  |
| Practical Experience Supply<br>Chain/Ordering                            | Day 6<br>Operating<br>Outlet Day 4<br>IFSC | Hands-on training, #J<br>Manuals, Support Material  | Franchise Training Associates<br>On-site at operating outlet<br>All Day 1.25 hours |
| Practical Experience Cartridge<br>Refilling                              | Day 7<br>Operating<br>Outlet Day 4<br>IFSC | Hands-on training, #J<br>Manual, Support Material   | Franchise Training Associates<br>On-site at operating outlet<br>All Day 2.25 hours |
| Refill Kit Construction  | Day 4<br>IFSC                              | Hands-on training, Manuals                          | 1.25 hours   |
| Customer Service   | Day 85<br>IFSC                             | Hands-on training, #J<br>Manuals, Support Materials | Customer Service Franchise<br>Training Associate<br>Approx. 2 hours 2.25 hours     |
| Supply Chain/Ordering  | Day 8<br>IFSC                              | Hands-on training, #J<br>Manual, Support Materials  | Supply Chain Director<br>Approx. 1.25 hours  |
| Cash Sheet   | Day 5<br>IFSC                              | Manuals, Support Materials                          | 1.25 hours   |
| Cartridge Refilling  | Day 5<br>IFSC                              | Hands-on training, Manuals,<br>Support Material     | 3.5 hours  |
| Practical Experience   | Day 6<br>Operating<br>Outlet               | Hands-on training, Manuals,<br>Support Material     | All Day  |
| Practical Experience   | Day 7<br>Operating<br>Outlet               | Hands-on training, Manuals,<br>Support Material     | All Day  |
| Sales & Advertising  | Day 8                                      | Hands-on training, #J                               | Senior VP of Franchise Dev.  |

|  |                              |  |  |
|--|------------------------------|--|--|
|  | IFSC                         | Manuals, Support Materials                           | Approx. 4 hours<br>3.5 hours                       |
| Market Research                              | Day 9<br>IFSC                | Hands-on training, IJJ<br>Manual, Support Materials  | Industry Research<br>Approx. 1 hour                |
| Practical Experience                         | Day 8<br>Operating<br>Outlet | Hands-on training, Manuals,<br>Support Material      | 3.5 hours  |
| Help Desk & Technical<br>Support             | Day 9<br>IFSC                | Hands-on training, Manuals                           | 2.75 hours   |
| Cash Register Operation                      | Day 9<br>IFSC                | Hands-on training, Manuals                           | 1.75 hours   |
| Practical Experience                         | Day 9<br>Operating<br>Outlet | Hands-on training, Manuals,<br>Support Material      | 3.5 hours  |
| Research & Development                       | Day 10<br>IFSC               | Hands-on training, Manuals,<br>Support Material      | 1 hour   |
| Cartridge Refilling                          | Day 10<br>IFSC               | Hands-on training, Manuals,<br>Support Material      | 3.75 hours   |
| General Q & A                                | Day 10<br>IFSC               | Manuals, Support Material                            | .75 hours  |
| Research & Development/<br>Quality Assurance | Day 9<br>IFSC                | Hands-on training, IJJ<br>Manual, Support Materials  | QA & RD Associate<br>Approx. 1 hour                |
| Cash Register<br>Programming                 | Day 9<br>IFSC                | Hands-on training, IJJ<br>Manual, Support Materials  | Franchise Training Associates<br>Approx. 6.5 hours |
| Course Review Q & A                          | Day 10<br>IFSC               | Hands-on training, IJJ<br>Manuals, Support Materials | Franchise Training Associates<br>Approx. 1 hour    |
| CIP Evaluation Exam                          | Day 10<br>IFSC               | Hands-on training, IJJ<br>Manuals, Support Materials | Franchise Training Associates<br>Approx. 3 hours   |

### Area Developer Training Program

Prior to development of the territory, we will furnish, and you must attend and complete to our satisfaction, an initial training program in the operation of the Island Ink-Jet Area Development. The initial training program will be conducted at our headquarters. The training program will cover all aspects of an Area Developer's responsibilities including but not limited to, employee relations, site selection, leasing, marketing, recruiting, finance, and legalities. Area Developer training is provided for a cost of \$1000 per day plus additional costs for travel expenses, accommodation, meals and living expenses. The training schedule below is subject to change.

| Subject   | Time Begun     | Materials Used                           | Hours of Instruction                          |
|---|----------------|--|---|
| Introduction to IFSC team                       | Day 1<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 1.25 hours |
| International Development Plan                  | Day 1<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 1.5 hours  |
| Employee Relations                              | Day 1<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 1 hour     |
| AD Guide to Selecting Locations                 | Day 1<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 1.5 hours  |
| Leasing   | Day 2<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 1.5 hours  |
| Global Strategy                                 | Days 2<br>IFSC | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 30 mins    |
| Marketing and AD Process for New<br>Franchisees | Day 2<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 2.5 hours  |
| Responsibilities of the AD                      | Day 2<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 1 hour     |
| Research & Development                          | Day 2<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 1.5 hours  |
| Marketing                                       | Day 3<br>IFSC  | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx. 3 hours    |
| Recruiting for the AD                           | Day 3          | AD Training Manual,                      | Area Developer Training                       |

| Subject    | Time Begun    | Materials Used                           | Hours of Instruction                        |
|------------|---------------|--|---|
|            | IFSC          | Support Materials                        | Approx-3.5 hours                            |
| Logistics  | Day 4<br>IFSC | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx-1.5 hours |
| Legalities | Day 4<br>IFSC | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx-1.5 hours |
| Finance    | Day 4<br>IFSC | AD Training Manual,<br>Support Materials | Area Developer Training<br>Approx-1 hour    |

#### Notes

- 1) IFSC is the International Franchise Support Centre located in Courtenay, British Columbia, Canada.
- 2) IAP is the International Assembly Plant located in Courtenay, British Columbia, Canada.

The principal Island Ink-Jet employees involved with the initial training programs are as follows:

~~1) Melissa Barry has been an employee with Island Ink Jet since December 2002 and has had extensive experience in Research and Development, Quality Assurance and Technical Support.~~

~~2) Sherwin Balalio joined the Island Ink Jet team in January 2003. He has been in 6 departments with the Company including Remanufacturing, Ink, Production, and the customer service center. He has been the Technical Support Coordinator since April 2005.~~

1) Neil Jacobson has been an employee with Island Ink-Jet since March 2003 and has had extensive experience in technical support, training, customer service, operations and retail sales.

2) Dylan Baker joined the Island Ink-Jet team in September 2006. His experience before joining the Training Staff was a 2 year term as a Customer Service Center location manager carrying out the day to day management and technician duties of an Island Ink-Jet location. He has indepth knowledge of Web Design and carries out the duty of Web Master to the Technical Support Help Desk.

## ITEM 12. TERRITORY

### Franchise Agreement

During the term of the Franchise Agreement, we will not operate (either directly or through an affiliate) nor grant a franchise (except to you) for the operation of any Island Ink-Jet Outlet to be located in a certain "Territory" described in Schedule 1 of the Franchise Agreement. Our prior approval of the territory is required. If your Outlet is located in an enclosed shopping mall, then the Territory will be the shopping mall. If your Outlet is in another location, then the Territory shall be a maximum one (1) mile radius surrounding the location of your Outlet. Your Territory may be altered only if you choose to relocate your Outlet and an appropriate amendment will be made to your Franchise Agreement.

Under the terms of the Franchise Agreement, we and our affiliates retain all rights with respect to the Marks and System, including the right, in our sole discretion and without granting any rights to you, to: (i) operate or grant other persons the right to operate Island Ink-Jet Outlets at such locations outside the Territory on such terms and conditions as we may deem appropriate; and (ii) sell the products and services authorized for Island Ink-Jet Outlets under the Island Ink-Jet trademark or other trademarks, service marks, logos and commercial symbols through dissimilar channels of distribution both within and outside the Territory under such terms and conditions as we may deem appropriate. We also reserve the right to enter into other lines of businesses offering dissimilar products or services under trademarks or service marks other than the Island Ink-Jet trademarks both within and outside the Territory. We further reserve the right to open locations in US Military Base locations and Retail Locations wherever located whether inside or outside of the "Territory" without granting you any rights to such Outlet locations.

## Area Development Agreement



During the term of the development schedule of the Area Development Agreement, you will be granted exclusive rights to the Territory within a state and or states. Our prior approval of the Territory is required. Under the terms of the Area Representative Agreement, we and our affiliates retain all rights with respect to the Marks and System, including the right, in our sole discretion and without granting any rights to you, to: (i) operate or grant other persons the right to operate Island Ink-Jet Outlets at such locations outside the Territory on such terms and conditions as we may deem appropriate; and (ii) sell the products and services authorized for Island Ink-Jet Outlets under the Island Ink-Jet trademark or other trademarks, service marks, logos and commercial symbols through dissimilar channels of distribution both within and outside the Territory under such terms and conditions as we may deem appropriate. We also reserve the right to enter into other lines of businesses offering dissimilar products or services under trademarks or service marks other than the Island Ink-Jet trademarks both within and outside the Territory. We further reserve the right to open locations in US Military Base locations and Retail Locations wherever located whether inside or outside of the "Territory" without granting you any rights to such Outlet locations.

There is no minimum sales quota for single unit franchisees. Area Developers are required to open a minimum number of Outlets as detailed on the development schedule of the Area Development Agreement. Should you fail to meet your development schedule as set out in the Area Development Agreement, we may terminate your exclusive rights to develop the Territory, or we may terminate the Area Development Agreement. You maintain the exclusive rights to your Territory for the duration of your development schedule even if the population increases. You do not receive the right to acquire additional franchises outside of your Territory. The Franchise Agreement confers no special rights or privileges for the acquisition of additional franchise locations. This disclosure is applicable to the Single Unit Franchise Agreement and Area Development Agreement.

### ITEM 13. TRADEMARKS

Under the Franchise Agreement, we grant you the right to operate the Outlet under the trademark Island Ink-Jet. You may also use any other current or future Mark to operate your Outlet that we designate in writing including the logo on the front of this Offering Circular. By Mark, we mean trade names, trademarks, service marks and logos used to identify your business.

We are a wholly owned subsidiary of Island Ink-Jet Systems Inc., a British Columbia corporation ("Island Canada"). Island Canada owns all of our Marks, and has granted to us, its wholly owned subsidiary, a perpetual royalty-free license to use and sublicense the Marks throughout the world. As of the date of this Offering Circular, Island Canada has registered or applied for registration for the following Marks in the United States:

| Mark   | Registration Information  |
|--|---|
| <b>ISLAND INK-JET.</b>   | Principle Register, Registration #3,106,114, registered June 20, 2006     |
| ISLAND INK-JET   | Principle Register, Registration #2785602, registered November 25, 2003   |
| REFILL...NOT LANDFILL  | Principle Register, Registration #2,758,318, registered September 2, 2003 |
| WATCH YOUR COLORS SOAR!  | Principle Register, Registration #2,761,090, registered September 9, 2003 |
| THE REFILL GUYS  | Principle Register, Application #78/148,648, filed July 30, 2002          |
| <br>(PARROT LOGO) | Principle Register, Registration #2,861,341 registered July 6, 2004       |
|                   | Principle Register; Application # 78/519,215, filed November 18, 2004     |



There are currently no effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

There are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which the Outlet is to be located.

We have filed all required affidavits in connection with the Trademarks.

There are no other known agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by an person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims, unless you are legally required to do so. We may take whatever action we deem appropriate in these situations, and have the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any alleged infringement, challenge or claim or otherwise concerning any Mark. You must execute any instruments and documents, render assistance, take actions, which in the opinion of our counsel, may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks. (Section 5.4)

We can require you to modify or discontinue use of any Mark to use one or more additional or substitute trademarks or service marks. We will not reimburse you for expenses to modify or discontinue the use of a Mark and to substitute a trademark or service mark for a discontinued Mark. (Section 5.5)

Under the terms of the Franchise Agreement, we are not required to indemnify you for damages arising out of your use of any Mark.

You must use the Marks as the sole trade identification of the Outlet. You may not use any Mark or part of any Mark as part of any corporate or trade name, in any modified form, nor may you use any Mark in connection with the sale of any unauthorized product or service, or in any other manner which we do not authorize in writing. You must give notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law. (Section 5.2)

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

No patents are material to the franchise. We own certain copyrights in the Operating Manual, marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights but need not do so to protect them. You may use these items only as we specify while operating your Island Ink-Jet Outlet and must stop using them if we direct you to do so. Our right to use or license the use of any copyrighted items is not materially limited by any agreement or known infringing use. We are not obligated to take action when notified of an infringement to any copyright. We are not required to participate in defending you or indemnifying you for expenses or damages in a proceeding involving any copyright. We retain the right to control any litigation in connection with any copyright. We do not know of any infringement that would materially affect you in connection with any copyright.

The Franchise Agreement provides that our trade secrets and any information or matter that is competitively sensitive and not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which stored, relating to the Island Ink-Jet System, including methods, techniques, products and knowledge including (i) ink-jet kits, replacement cartridges or related products sold at Island Ink-Jet Outlets; (ii) design & graphics, ordering and methods of providing the

products and services sold at Island Ink-Jet Outlets; (iii) knowledge of sales and profit performance of any one or more Island Ink-Jet Outlets; (iv) knowledge of test programs, concepts or results relating to new services and products; sources of products; advertising, marketing and promotional programs; Outlet image; and the selection and training of managers and other personnel; and (v) methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the development, and operation of an Island Ink-Jet Outlet shall be deemed Confidential Information. (Section 6.1)

You will divulge Confidential Information only to employees who must have access to it in order to operate your Outlet. Certain individuals having access to Confidential Information, including your shareholders, officers, directors, partners, employees, members, managers and your spouse, may be required to sign non-disclosure and non-competition agreements. You will not acquire any interest in the Confidential Information learned by you other than the right to utilize the same in connection with the ownership and operation of your Island Ink-Jet Outlet during the term of the Franchise Agreement, and the use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with us, our affiliates and our other franchisees. We will disclose the Confidential Information to you solely on the condition that you and the owners agree to: (i) avoid using the Confidential Information in any other business or capacity; (ii) will maintain the absolute confidentiality of the Confidential Information during and after the term of the Franchise Agreement; (iii) avoid making unauthorized copies of any portion of the Confidential Information which is disclosed in written or other tangible form; and (iv) adopt and implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on use and disclosure thereof by your employees and owners who may have access to the Confidential Information, the use of nondisclosure and non-competition clauses in employment and other agreements with such persons, and the execution of confidentiality agreements in a form acceptable to us by persons having access to such Confidential Information.

#### **ITEM 15.**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED STORE**

The Outlet must at all times be under your direct, day-to-day, full-time, on-premises supervision, or, if you are a business entity, under the control of your principal owner or manager who must satisfactorily complete our training program. In the event a manager is supervising the Outlet, you or your principal owners must remain active in overseeing the operations of the Outlet conducted under the supervision of such manager. We do not require your manager to have an equity interest in the franchise. Should you purchase your Island Ink-Jet franchise through a corporate entity, each person holding an interest in the corporate entity must execute a Continuing Personal Guarantee, attached as Schedule 6 to the Franchise Agreement.

All employees, including your principal owner or manager, and other individuals having access to Confidential Information, described in ITEM 14, may be required to sign confidentiality and nondisclosure agreements.

You must at all times faithfully, honestly and diligently perform your obligations under the Franchise Agreement and continuously exert your best efforts to promote and enhance the business of the Island Ink-Jet Outlet. The person who is responsible for the day-to-day supervision of the Outlet may not engage in any other business or other activity, directly or indirectly, requiring substantial management responsibility, time commitments, or which may otherwise conflict with your obligations under the Franchise Agreement.

#### **ITEM 16.**

#### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

The presentation of a uniform image to the public is an essential element of the Island Ink-Jet System. Therefore, you will: (i) offer for sale only those products and services that we authorize; (ii) offer and sell approved products and services only in the manner we have prescribed; (iii) not offer for sale or sell any

products or services not approved by us; (iv) not use the Customer Service Center for any purpose other than the operation of an Island Ink-Jet Outlet; and (v) discontinue selling and offering for sale any products or services that we disapprove in writing. We have the right to change the types of goods and services authorized by us at any time and from time to time since market conditions will require us to discontinue certain items and add other items. There are no limitations on our right to make such changes. You are not authorized to designate or approve any suppliers, including yourself, of products and services in your Territory, unless we expressly consent to the same in advance and in writing. Due to the critical importance of ensuring the quality of the ink meets our standards and the risk of patent infringement, the Company is the only designated supplier of ink.

You must at all times maintain an inventory of approved products to realize the full potential of the Outlet.

We may, from time to time, conduct market research and testing to determine consumer trends and the saleability of products and services. You are required to cooperate by participating in such market research programs, test marketing new products and services in the Outlet and providing us with timely reports and other relevant information regarding such market research. In connection with any such test marketing, you shall purchase a reasonable quantity of the products being tested and effectively promote and make a reasonable effort to sell such products.

There is no restriction upon you as to whom you may sell approved products and/or services.

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

The following tables list certain important provisions of the Franchise Agreement and the Area Development Agreement. You should read these provisions in the agreements attached to this Offering Circular. **You should refer to any state-specific addenda attached to this Offering Circular for exceptions to this ITEM 17.**

**Franchise Agreement**

| Provisions |  | Section in the Franchise Agreement | Summary   |
|------------|--|------------------------------------|---|
| a.         | Length of the term of the franchise            | Section 2.1                        | The initial term is 10 years.   |
| b.         | Requirements for franchisee to renew or extend | Section 2.3(a)                     | Renewal available for additional 10 year term if (1) you substantially comply with the provisions of the Franchise Agreement; (2) maintain possession of the Location; (3) renovate the Outlet to comply with current standards; (4) pay renewal fee of 25% percent of the then current franchise fee plus our costs; and (5) sign a general release. |
| c.         | Termination by franchisee                      | None                               |   |
| d.         | Termination by franchisor without cause        | None                               |   |
| e.         | Termination by franchisor with cause           | Section 13                         | We may terminate the Franchise Agreement only if you default.   |
| f.         | "Cause" defined – curable defaults             | Section 13.2                       | Curable defaults: failure to submit any statement or report; lease default; failure to make payments; failure to comply with mandatory specifications in the Franchise Agreement or Manual. You have 10 days after with notice to cure except for defaults included in (i) below.   |

| Provisions  | Section in the Franchise Agreement | Summary   |
|---|------------------------------------|---|
| g. "Cause" defined-defaults which cannot be cured                         | Section 13.1                       | Noncurable defaults: failure to establish and equip the Outlet; any unauthorized use or disclosure of the Manual or Confidential Information; misuse or unauthorized use of the Marks or engage in conduct that materially impairs the goodwill associated with the Marks; abandonment of the Outlet for 5 consecutive days; you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; any material judgment remains unsatisfied for 45 days or longer; your failure to make payments to us or our affiliates; conviction or plea of no contest to a crime or offense involving moral turpitude; submission of any report understating Gross Sales by more than 3% for any accounting period during the term of the franchise and you are unable to satisfactorily demonstrate that understatements resulted from inadvertent error; failure to satisfactorily complete training; you receive 3 notices of default regardless of whether the defaults were cured; you default under any lease for the Location or any other agreement related to the Location; surrenders or transfers control of franchise, franchisee entity, the Franchise Agreement, the Location or the assets of the Outlet in an unauthorized manner; and de-identify the premises. |
| h. Franchisee obligations on termination/ non-renewal                     | Section 14                         | Pay all sums owed to us and our affiliates including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; stop operations of the Outlet; at our option, destroy or return to us all signs, sign faces, copyright materials or other materials containing the Marks; cancel any assumed names relating to the Marks; assign your telephone and listings to us as requested; return the Manual and any other materials provided to you by us; and comply with the covenants not to compete and any other surviving provision.   |
| i. Assignment of contract by franchisor                                   | Section 12.1                       | There are no restrictions on our right to assign or transfer.   |
| j. "Transfer" by franchisee - definition                                  | Section 12.2                       | Includes transfer of ownership in Franchise Agreement, franchise, interest in franchisee entity, the Location or sale of all or a substantial portion of the assets used in the operation of the Outlet.  |
| k. Franchisor's approval of transfer by franchisee                        | Section 12.4                       | Approval required for all transfers.  |
| l. Conditions for franchisor approval of transfer                         | Sections 12.3                      | Several conditions apply, including: all obligations owed to us and relating to the Outlet must be paid; the transfer must be of an operating Outlet; sign the then-current Franchise Agreement; at least 30 days prior to the proposed transfer, provide a copy of all documents including a written offer to purchase; the transferee must meet our qualifications; execution of a general release; pay a transfer fee of \$5,000; and comply with the covenants not to compete. The general release required as a condition of renewal, sale, and/or assignment/transfer may not apply to liability under certain State laws.  |
| m. Franchisor's right of first refusal to acquire franchisee's business   | Section 12.5                       | We may match an offer for your Outlet or an ownership interest you propose to sell.   |
| n. Franchisor's option to purchase franchisee's business                  | None                               |   |
| o. Death or disability of franchisee                                      | Section 12.6                       | Your personal representative shall sell or otherwise transfer interest in your Outlet within a reasonable period of death or permanent disability. If they fail to do so, the Franchise Agreement will terminate and we will have the option to buy the Outlet.   |
| p. Non-competition covenants during the term of the franchise             | Section 6.3                        | During the term of the Franchise Agreement, you must not own or otherwise have any interest in any competitive business.  |
| q. Non-competition covenants after the franchise is terminated or expires | Section 6.3                        | You must not own or operate a competitive business for 2 years after the Franchise Agreement is terminated or expires.  |
| r. Modification of the agreement  | Section 17.2                       | The Franchise Agreement can be modified only by written agreement between you and us, except the Manual, which is subject to change.  |
| s. Integration/merger clause  | Section 17.3                       | Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.  |

| Provisions |  | Section in the Franchise Agreement | Summary  |
|------------|--|------------------------------------|--|
| t.         | Dispute resolution by arbitration or mediation | Section 15.3                       | All disputes other than trademark disputes must be mediated. If mediation does not resolve the dispute, the dispute is subject to binding arbitration. |
| u.         | Choice of forum                                | Section 15.2                       | Any litigation must be pursued in courts located in the State of Nevada, unless your state law prohibits.  |
| v.         | Choice of law                                  | Section 15.1                       | The laws of the State of Nevada apply, subject to your state law.  |

### Area Development Agreement

| Provision |   | Section in the Area Development Agreement | Summary   |
|-----------|---|---|---|
| a.        | Term of the franchise                               | Section 4.1                               | Initial term is set out in Schedule B   |
| b.        | Requirements for franchisee to renew or extend      | Section 4.2                               | Renewal term is set out in Schedule B. To renew, you must substantially comply with the provisions of the Franchise Agreement; maintain possession of the Location; renovate the Outlet to comply with current standards; and sign a general release. The general release required as a condition of renewal, sale, and/or assignment/transfer may not apply under certain state law.   |
| c.        | Termination by franchisee                           | Section 13.2                              | If we admit inability to pay debts or fail to pay debts, if we made assignment of creditors or petition in bankruptcy, or winding up order is made against us or if we apply for protection against our creditors.  |
| d.        | Termination by franchisor without cause             | N/A                                       |   |
| e.        | Termination by franchisor with cause                | Section 13.1                              | We may terminate the Area Development Agreement only if you default.  |
| f.        | "Cause" defined – curable defaults                  | N/A                                       |   |
| g.        | "Cause" defined - defaults which cannot be cured    | Section 13                                | Noncurable defaults: failure to meet development schedule; failure to open minimum number of franchised outlets; any unauthorized use or disclosure of the Manual or Confidential Information; misuse or unauthorized use of the Marks or engage in conduct that materially impairs the goodwill associated with the Marks; you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; any material judgment remains unsatisfied for 30 days or longer; your failure to make payments to us or our affiliates; submission of any report understating Net Sales of any franchised outlet by more than 3% for any accounting period during the term of the franchise and you are unable to satisfactorily demonstrate that understatements resulted from inadvertent error; failure to satisfactorily complete training; you receive 3 notices of default regardless of whether the defaults were cured; failure to comply with any provisions of this agreement. |
| h.        | Franchisee's obligations on termination/non-renewal | Section 14                                | Immediately pay all sums owed to us and our affiliates; at our option, destroy or return to us all signs, sign faces, copyright materials or other materials containing the Marks; cancel any assumed names relating to the Marks; assign your telephone and listings to us as requested; return the Manual and any other materials provided to you by us; and comply with the covenants not to compete and any other surviving provision; termination of this agreement shall not release either party from any payments or obligations due; shall assign all rights, title and interests in and to all of the following agreements designated by Franchisor   |
| i.        | Assignment of contract by franchisor                | Section 16.1                              | There are no restrictions on our right to assign or transfer.   |
| j.        | "Transfer" by franchisee - definition               | Section 16.2                              | Area Developer shall not transfer without prior written consent from Franchisor.  |
| k.        | Franchisor approval of transfer by franchisee       | Section 16                                | Approval required for all transfers.  |
| l.        | Conditions for franchisor                           | Sections 16.4                             | Area Developer must submit a copy of the proposed offer with the  |

| Provision   | Section in the Area Development Agreement | Summary   |
|---|---|---|
| approval of transfer  |   | following conditions; the terms of the proposed offer, qualifications of the proposed purchaser, credit information, and any other information which may be relevant to the proposed purchase.  |
| m. Franchisor's right of first refusal to acquire franchisee's business   | Section 16.7                              | We may exercise our right to purchase within 30 days of receipt of application. We shall complete the purchase upon the same terms as set out in the agreement.   |
| n. Franchisor's option to purchase franchisee's business                  | Section 16.7                              | We may purchase your rights.  |
| o. Death or disability of franchisee                                      | None                                      | Your personal representative shall sell or otherwise transfer interest in your Outlet within a reasonable period of death or permanent disability. If they fail to do so, the Franchise Agreement will terminate and we will have the option to buy the Outlet. |
| p. Non-competition covenants during the term of the franchise             | Section 10                                | During the term of the Area Development Agreement, you must not own or otherwise have any interest in any competitive business.   |
| q. Non-competition covenants after the franchise is terminated or expires | Section 10                                | You must not own or operate a competitive business for 2 years after the Area Development Agreement is terminated or expires.   |
| r. Modification of the agreement  | Section 19.1                              | The Area Development Agreement can be modified at your expense.   |
| s. Integration/merger clause  | None                                      | Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.  |
| t. Dispute resolution by arbitration or mediation                         | Section 20.1                              | All disputes other than trademark disputes must be mediated. If mediation does not resolve the dispute, the dispute is subject to binding arbitration.  |
| u. Choice of forum  | Section 20.2                              | Any litigation must be pursued in courts located in the State of Nevada, unless your state law prohibits.   |
| v. Choice of law  | Section 20.2                              | The laws of the State of Nevada apply, subject to your state law.   |

These states have statutes which may supersede the Franchise Agreement concerning your relationship with Company, including the areas of termination and renewal of the franchise: ARKANSAS (Ark. Code Ann. Sections 4-72-201 to 4-72-210); CALIFORNIA (Cal. Bus. & Prof. Code Sections 20000 to 20043); CONNECTICUT (Conn. Gen. Stat. Ann. Sections 42-133e to 42-133h); DELAWARE (Del. Code Ann. Tit. 6 Sections 2551 to 2556); DISTRICT OF COLUMBIA (D.C. Code Ann. Sections 29-1201 to 29-1208); FLORIDA (Stat., Section 542.335); HAWAII (Haw. Rev. Stat. Sections 482E-1 to 482E-12); ILLINOIS (Ill. Rev. Comp. Ch. 815, Sections 705/18 to 705/26); INDIANA (Ind. Code Ann. Sections 23-2-2.7-1 to 23-2-2.7-7); IOWA (Iowa Code, Ch. 523H, Sections 523H.1 to 523H.17); LOUISIANA (La. Rev. Stat. Ann. Tit. 23, Sections 921[E] and Tit. 12, Section 1042); MICHIGAN (Mich. Comp. Laws, Sections 445.1527 & 445.1535); MINNESOTA (Minn. Stat. Section 80C.14 and Minnesota Rules, Department of Commerce, Section 2860.4400); MISSISSIPPI (Miss. Code Ann. Sections 75-24-51 to 75-24-63); MISSOURI (Mo. Rev. Stat. Sections 407.400 to 407.420); NEBRASKA (Neb. Rev. Stat. Sections 87-401 to 87-410); NEW JERSEY (N.J. Rev. Stat. Sections 56:10-1 through 56:10-12); NORTH CAROLINA (Chpt. 22B, Sec. 3); PUERTO RICO (Ann., Sections 278 to 278d); SOUTH DAKOTA (S.D. Codified Laws, Section 37-5A-51); VIRGIN ISLANDS (Code, Sections 130-139); VIRGINIA (Va. Code Ann. Sections 13.1-557 through 13.1-574); WASHINGTON (Wash. Rev. Code Sections 19.100.180 to 19.100.190); WISCONSIN (Wis. Stat. Sections 135.01 to 135.07). These and other states may have court decisions, which may supersede the Franchise Agreement concerning your relationship with Company, including the areas of termination and renewal of the franchise.

#### ITEM 18. PUBLIC FIGURES

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

**ITEM 19.  
EARNINGS CLAIMS**

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

**ITEM 20.  
LIST OF OUTLETS IN THE UNITED STATES**

**FRANCHISED OUTLET STATUS SUMMARY  
FOR THE YEAR ENDING AUGUST 31, 2005/2004/2003/4  
(numbers current as of October 31, 2006)**

| State          | Transfers    | Cancelled-Or Terminated | Not Renewed  | Reacquired By-Company | Left-The System Other | Total From Left Columns | Franchises Operating-At Year-End |
|----------------|--------------|-------------------------|--------------|-----------------------|-----------------------|-------------------------|----------------------------------|
| Arizona        | 2/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 2/0/0                   | 2/1/0                            |
| California     | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 7/1/0                            |
| Colorado       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/1/0                            |
| Florida        | 1/0/0        | 0/1/0                   | 0/0/0        | 0/0/1                 | 0/0/0                 | 1/1/1                   | 7/2/0                            |
| Georgia        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/0/0                            |
| Idaho          | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/0/0                            |
| Indiana        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/1                 | 0/0/0                 | 0/0/1                   | 0/0/0                            |
| Iowa           | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/1/0                            |
| Kansas         | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/0                            |
| Massachusetts  | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/2/0                            |
| Michigan       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/0/0                            |
| Minnesota      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 4/4/3                            |
| Missouri       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/1/0                            |
| Montana        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/0/0                            |
| Nebraska       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/2/1                            |
| Nevada         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/0/0                            |
| New Jersey     | 0/0/0        | 1/0/0                   | 0/0/0        | 0/1/0                 | 0/0/0                 | 1/1/0                   | 0/2/0                            |
| New Hampshire  | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/1/0                            |
| New York       | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 2/0/0                            |
| Ohio           | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 7/4/1                            |
| Oregon         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/2/1                            |
| Pennsylvania   | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 11/6/0                           |
| South Carolina | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Tennessee      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/0/0                            |
| Utah           | 2/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 2/0/0                   | 10/8/3                           |
| Washington     | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 7/4/2                            |
| Wisconsin      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/0/0                            |
| Wyoming        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/0/0                            |
| <b>Total</b>   | <b>5/0/0</b> | <b>4/1/0</b>            | <b>0/0/0</b> | <b>0/1/2</b>          | <b>0/0/0</b>          | <b>9/2/2</b>            | <b>86/44/11</b>                  |

| State         | Transfers | Cancelled Or Terminated | Not Renewed | Reacquired By Company | Left The System Other | Total From Left Columns | Franchises Operating At Year End |
|---------------|-----------|-------------------------|-------------|-----------------------|-----------------------|-------------------------|----------------------------------|
| Arizona       | 0/2/0     | 1/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 1/2/0                   | 1/2/1                            |
| California    | 0/0/0     | 3/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 3/0/0                   | 4/2/1                            |
| Colorado      | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/2/1                            |
| Florida       | 0/1/0     | 2/0/1                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 2/1/1                   | 5/7/2                            |
| Georgia       | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Idaho         | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Indiana       | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| Iowa          | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/3/1                            |
| Kansas        | 0/0/0     | 0/1/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/1/0                   | 1/0/1                            |
| Massachusetts | 0/0/0     | 1/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 1/0/0                   | 1/2/2                            |

| State          | Transfers    | Cancelled Or Terminated | Not Renewed  | Reacquired By Company | Left The System Other | Total From Left Columns | Franchises Operating At Year End |
|----------------|--------------|-------------------------|--------------|-----------------------|-----------------------|-------------------------|----------------------------------|
| Michigan       | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 2/2/0                            |
| Minnesota      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 4/4/4                            |
| Missouri       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/3/1                            |
| Montana        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/1/0                            |
| Nebraska       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/2/2                            |
| Nevada         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| New Jersey     | 0/0/0        | 0/1/0                   | 0/0/0        | 0/0/1                 | 0/0/0                 | 0/1/1                   | 0/0/2                            |
| New Hampshire  | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 1/2/1                            |
| New York       | 0/0/0        | 5/1/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 5/1/0                   | 1/2/0                            |
| Ohio           | 0/0/0        | 2/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 2/0/0                   | 4/7/4                            |
| Oregon         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 4/3/2                            |
| Pennsylvania   | 0/0/0        | 7/1/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 7/1/0                   | 4/1/1/6                          |
| South Carolina | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Tennessee      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Utah           | 1/2/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/2/0                   | 10/10/8                          |
| Washington     | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 8/7/4                            |
| Wisconsin      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 3/3/0                            |
| Wyoming        | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/0                            |
| <b>Total</b>   | <b>1/5/0</b> | <b>24/4/1</b>           | <b>0/0/0</b> | <b>0/0/1</b>          | <b>0/0/0</b>          | <b>25/9/2</b>           | <b>72/86/44</b>                  |

We began franchising in May 2002. Exhibit F contains a list of franchisees who have had an Outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date. Exhibit J contains a list of existing franchisee locations and their contact information. Prospective Franchisees are required to contact a minimum of 4 franchised operators appearing in Exhibit J List of Existing Franchisees. Certification of Franchisee Contact List is attached to this Offering Circular as Exhibit M.

**STATUS OF COMPANY-OWNED OUTLETS  
FOR THE YEARS ENDING AUGUST 31, 2005/2004/2003/4**

| State        | Outlets Closed During Year | Outlets Opened During Year | Total Outlets Operating at Year End |
|--------------|----------------------------|----------------------------|-------------------------------------|
| Washington   | 40/0/1/0                   | 0/0/0                      | 0/40/1                              |
| Indiana      | 40/0/1/0                   | 0/0/40                     | 0/40/1                              |
| New Jersey   | 40/0/1/0                   | 0/40/0/1                   | 0/40/0/1                            |
| Florida      | 40/0/1/0                   | 0/40/0/1                   | 0/40/0/1                            |
| <b>Total</b> | <b>40/0/4/0</b>            | <b>0/20/4/2</b>            | <b>0/40/2/4</b>                     |

**FRANCHISED OUTLETS  
PROJECTED OPENINGS DURING THE UPCOMING  
YEAR ENDING AUGUST 31, 2006/7**

| State      | Franchise Agreements Signed but Outlets Not Open | Projected new Outlets in 2006 | Projected Company Owned Openings in 2006 |
|------------|--|-------------------------------|--|
| Alabama    | 0  | 0                             | 0  |
| Arizona    | 0  | 0                             | 0  |
| Arkansas   | 0  | 0                             | 0  |
| California | 0  | 6                             | 0  |
| Colorado   | 0  | 80                            | 0  |
| Florida    | 0  | 0/15                          | 0  |
| Georgia    | 0  | 1/18                          | 0  |



| State          | Franchise Agreements Signed but Outlets Not Open | Projected new Outlets in 2006 | Projected Company Owned Openings In 2006 |
|----------------|--|-------------------------------|--|
| Idaho          | 0  | 2                             | 0  |
| Indiana        | 0  | 00                            | 0  |
| Iowa           | 0  | 56                            | 0  |
| Kansas         | 0  | 0                             | 0  |
| Kentucky       | 0  | 0                             | 0  |
| Louisiana      | 0  | 0                             | 0  |
| Massachusetts  | 0  | 3                             | 0  |
| Michigan       | 0  | 0                             | 0  |
| Mississippi    | 0  | 0                             | 0  |
| Missouri       | 0  | 7                             | 0  |
| Nebraska       | 0  | 04                            | 0  |
| Nevada         | 0  | 0                             | 0  |
| New Hampshire  | 0  | 20                            | 0  |
| New Jersey     | 0  | 0                             | 0  |
| New Mexico     | 0  | 0                             | 0  |
| New York       | 0  | 040                           | 0  |
| North Carolina | 0  | 0                             | 0  |
| Ohio           | 0  | 746                           | 0  |
| Oklahoma       | 0  | 0                             | 0  |
| Oregon         | 0  | 32                            | 0  |
| Pennsylvania   | 0  | 75                            | 0  |
| South Carolina | 0  | 07                            | 0  |
| Tennessee      | 0  | 46                            | 0  |
| Texas          | 0  | 0                             | 0  |
| Utah           | 0  | 35                            | 0  |
| Washington     | 0  | 3                             | 0  |
| West Virginia  | 0  | 0                             | 0  |
| Wisconsin      | 0  | 404                           | 0  |
| Wyoming        | 0  | 04                            | 0  |
| Total          | 0  | 42388                         | 0  |

Note: Island Canada, our parent company, has issued franchises in Canada, but none in the United States. We offer and issue franchises only in the United States. Our franchise system is operated completely independently from that of Island Canada.

**AREA DEVELOPERS STATUS SUMMARY  
FOR THE YEAR ENDING AUGUST 31, 2005/2004/2003/04  
(numbers current as of October 31, 2006)**

| State         | Transfers | Cancelled-Or Terminated | Not Renewed | Reacquired By-Company | Left The System Other | Total From Left Columns | Franchises Operating At Year-End |
|---------------|-----------|-------------------------|-------------|-----------------------|-----------------------|-------------------------|----------------------------------|
| Arizona       | 0/0/0     | 1/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/0                            |
| California    | 0/0/0     | 0/1/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/1/0                   | 1/0/1                            |
| Colorado      | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Florida       | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Georgia       | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Idaho         | 0/0/0     | 0/1/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/1/0                   | 1/0/0                            |
| Indiana       | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| Iowa          | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Kansas        | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| Maine         | 0/0/0     | 1/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/0                            |
| Massachusetts | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Michigan      | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| Minnesota     | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Missouri      | 0/0/0     | 0/0/0                   | 0/0/0       | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |

| State          | Transfers    | Cancelled-Or Terminated | Not Renewed  | Reacquired By-Company | Left-The System Other | Total-From Left Columns | Franchises Operating-At Year-End |
|----------------|--------------|-------------------------|--------------|-----------------------|-----------------------|-------------------------|----------------------------------|
| Montana        | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/0                            |
| Nebraska       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Nevada         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| New Jersey     | 0/0/0        | 0/1/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/1/0                   | 0/0/1                            |
| New Hampshire  | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| New York       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/1/0                            |
| North Dakota   | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/0                            |
| Ohio           | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/2/0                            |
| Oregon         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Pennsylvania   | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 2/2/2                            |
| South Carolina | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Tennessee      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/0/0                            |
| Utah           | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Washington     | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Wisconsin      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/0/0                            |
| Wyoming        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| <b>Total</b>   | <b>0/0/0</b> | <b>4/3/0</b>            | <b>0/0/0</b> | <b>0/0/0</b>          | <b>0/0/0</b>          | <b>4/3/0</b>            | <b>24/23/7</b>                   |

| State          | Transfers    | Cancelled Or Terminated | Not Renewed  | Reacquired By Company | Left The System Other | Total From Left Columns | Franchises Operating At Year End |
|----------------|--------------|-------------------------|--------------|-----------------------|-----------------------|-------------------------|----------------------------------|
| Arizona        | 0/0/0        | 0/1/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/1/0                   | 0/0/1                            |
| California     | 0/0/0        | 0/0/1                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/1                   | 1/1/0                            |
| Colorado       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Florida        | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/1                            |
| Georgia        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Idaho          | 0/0/0        | 0/0/1                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/1                   | 1/1/0                            |
| Indiana        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| Iowa           | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Kansas         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| Maine          | 0/0/0        | 0/1/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/1/0                   | 0/0/1                            |
| Massachusetts  | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/1                            |
| Michigan       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| Minnesota      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Missouri       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Montana        | 0/0/0        | 0/1/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/1/0                   | 0/0/1                            |
| Nebraska       | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Nevada         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 0/0/0                            |
| New Jersey     | 0/0/0        | 0/0/1                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/1                   | 0/0/0                            |
| New Hampshire  | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 0/1/1                            |
| New York       | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 1/2/1                            |
| North Dakota   | 0/0/0        | 0/1/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/1/0                   | 0/0/1                            |
| Ohio           | 0/0/0        | 2/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 2/0/0                   | 0/2/2                            |
| Oregon         | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Pennsylvania   | 0/0/0        | 1/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 1/0/0                   | 1/2/2                            |
| South Carolina | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Tennessee      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Utah           | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Washington     | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/0                            |
| Wisconsin      | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| Wyoming        | 0/0/0        | 0/0/0                   | 0/0/0        | 0/0/0                 | 0/0/0                 | 0/0/0                   | 1/1/1                            |
| <b>Total</b>   | <b>0/0/0</b> | <b>6/3/2</b>            | <b>0/0/0</b> | <b>0/0/0</b>          | <b>0/0/0</b>          | <b>6/3/2</b>            | <b>15/21/20</b>                  |

We began franchising in May 2002. Exhibit F contains a list of Franchisees and Area Developers who have had an Outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date. Exhibit K contains a list of existing Area Developers locations and their contact information. Prospective Franchisees are required to contact a minimum of 4 franchised operators appearing in Exhibit J List of Existing Franchisees. Certification of Franchisee Contact List is attached to this Offering Circular as Exhibit M.

**AREA DEVELOPERS  
PROJECTED OPENINGS DURING THE UPCOMING  
YEAR ENDING AUGUST 31, 2006<sup>7</sup>**

| State          | Area Development Agreements Signed But Not Open | Projected New Area Developers Through August 31, 2006 <sup>7</sup> |
|----------------|---|--|
| Alabama        | 0   | 0  |
| Arizona        | 0   | 0  |
| Arkansas       | 0   | 0  |
| California     | 0   | 0  |
| Colorado       | 0   | 0  |
| Florida        | 0   | 0  |
| Georgia        | 0   | 0  |
| Idaho          | 0   | 0  |
| Indiana        | 0   | 0  |
| Iowa           | 0   | 0  |
| Kansas         | 0   | 0  |
| Kentucky       | 0   | 0  |
| Louisiana      | 0   | 0  |
| Massachusetts  | 0   | 0  |
| Michigan       | 0   | 0  |
| Mississippi    | 0   | 0  |
| Missouri       | 0   | 0  |
| Nebraska       | 0   | 0  |
| Nevada         | 0   | 0  |
| New Hampshire  | 0   | 0  |
| New Jersey     | 0   | 0  |
| New Mexico     | 0   | 0  |
| New York       | 0   | 0  |
| North Carolina | 0   | 0  |
| Ohio           | 0   | 0  |
| Oklahoma       | 0   | 0  |
| Omaha          | 0   | 0  |
| Oregon         | 0   | 0  |
| Pennsylvania   | 0   | 0  |
| South Carolina | 0   | 0  |
| Tennessee      | 0   | 0  |
| Texas          | 0   | 0  |
| Utah           | 0   | 0  |
| Washington     | 0   | 0  |
| West Virginia  | 0   | 0  |
| Wisconsin      | 0   | 0  |
| Wyoming        | 0   | 0  |
| Total          | 0   | 0  |

**ITEM 21.  
FINANCIAL STATEMENTS**

Our unaudited interim financial statements as of ~~January 31~~October 31, 2006 are attached within Exhibit E. These financial statements are prepared without an audit. Prospective Franchisees or Sellers of franchises should be advised that no certified public accountant had audited these figures or expressed his/her opinion with regard to the content or form.

Our audited financial statements for our fiscal year end of August 31, 2006 are attached within Exhibit E. These financial statements have been audited by a certified public accountant.

Our audited financial statements for our fiscal year end of August 31, 2005 are attached within Exhibit E. These financial statements have been audited by a certified public accountant.

Our audited financial statements for our fiscal year end of August 31, 2004 are attached within Exhibit E. These financial statements have been audited by a certified public accountant.

~~Our audited financial statements for the period of our inception, October 18, 2001, through August 31, 2003 are attached within Exhibit E. These financial statements have been audited by a certified public accountant.~~

**ITEM 22.  
CONTRACTS**

The Island Ink-Jet Franchise Agreement (with exhibits) is attached to this Offering Circular as Exhibit C. The Island Ink-Jet Area Development Agreement (with exhibits) is attached to this Offering Circular as Exhibit J. The General Release titled Termination Agreement with Mutual Release is attached to this Offering Circular as Exhibit M.

We provide no other contracts or agreements for your signature.

**ITEM 23.  
RECEIPT**

Our and your copies of the Franchise Offering Circular Receipt are located on the last 2 pages of this Offering Circular.