

## 12.2 Transfer by You

The franchise granted herein is personal to you and, except as stated below, you shall not transfer, assign, sub franchise or convey this Agreement or any interest hereunder. As used in this Agreement, the term "transfer" includes your voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in:

- (a) this Agreement;
- (b) the Franchise entity including any shares in a corporate Franchisee;
- (c) the Location governed by this Agreement; or
- (d) all or a substantial portion of the assets of the Location.

If the Franchisee is a corporation, you agree to provide us with your written confirmation in a form prescribed by us, of the directors, officers and shareholders of such corporation.

## 12.3 Transfer from a Sole Proprietorship to a Corporate Entity

Should you wish to transfer your franchise from a sole proprietorship to a corporate entity wholly-owned by you, you must first comply with the following:

- (a) you must make written application to us requesting the transfer of assets, which is to be accompanied by a signed Sale or Transfer of Assets Agreement. You will also be required to submit a \$500 processing fee with your application;
- (b) your Franchise Agreement must be in good standing in all respects, as determined by us;
- (c) you must provide to us evidence of ownership of the corporate entity. You will provide to us any such documentation we request in order to evidence such ownership; and
- (d) you must execute our then current form of personal guarantee whereby you will personally guarantee the performance of all obligations in the Franchise Agreement.

## 12.4 Pre-Conditions to Franchisee's Transfer

You shall not engage in a transfer unless you obtain written consent from Island Ink-Jet and you and the proposed transferee comply with the following requirements:

- (a) you must be in full compliance with the terms of this Agreement including the payment of all amounts due and owing pursuant to this Agreement by you to the Company or to third parties whose debts or obligations Island Ink-Jet has guaranteed on behalf of Franchisee, if any;
- (b) the terms of the transfer will be governed by the Franchisor's then current Customer Service Center Transfer policies. Once you have determined that you would like to transfer your franchise rights, you must request from us our current Customer Service Center Transfer Package. This should be done at least 60 days prior to the completion of any proposed transfer;
- (c) the proposed transfer includes the transfer of an operating Location;

- (d) the proposed transferee agrees to operate the Location as an Island Ink-Jet Location and agrees to sign the then current form of franchise agreement for the remaining term of the original agreement (which may contain terms substantially different than those contained in this Agreement) and attends and graduates from Initial Training Program, which training must be completed by the transferee prior to the transfer becoming is effective;
- (e) you provide written notice to Island Ink-Jet at least 30 days prior to the proposed effective date of the transfer, and include information reasonably detailed to enable Island Ink-Jet to evaluate the terms and conditions of the proposed transfer, and which at a minimum includes a written offer from the proposed transferee;
- (f) the proposed transferee provides information to the Company sufficient for the Company to assess the proposed transferee's business experience, aptitude and financial qualification, and the Company approves the proposed transferee as a franchisee, such approval not to be unreasonably withheld;
- (g) you execute a general release, in a form satisfactory to the Company, of any and all claims against the Company, and its respective officers, directors, employees and agents;
- (h) prior to the sale completing, you or the transferee must update the Location to the then current standards of appearance and operations, as we may determine;
- (i) you or the proposed transferee pays to the Company a transfer fee in an amount equal to \$5,000, which fee is required to cover the Company's reasonable expenses related to the transfer, including legal and accounting fees, credit and other investigative charges, and evaluation of the assignee; provided, however, that no transfer fee will be charged for a transfer by you to a corporation wholly-owned by you, between your partners of a partnership or to your spouse upon your death or disability; if the transaction is an asset sale, the transferee shall purchase all of your assets used in the Location in accordance with applicable bulk sales legislation; and
- (j) you agree to abide by all post termination covenants set forth herein, including without limitation the covenant not to compete set forth in Section 6.3.

## 12.5 Company's Approval of Transfer

The Company has 30 days from the date of the written notice to approve or disapprove, in writing, your proposed transfer. You acknowledge that the proposed transferee shall be evaluated for approval by the Company based on the same criteria as is then currently being used to assess new franchisees of the Company and that the proposed transferee shall be provided with such disclosures as may be required by state or federal law.

## 12.6 Right of First Refusal

In the event you wish to engage in a transfer, you agree to grant to the Company a ten (10) day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written notice set forth in Section 12.4(e); provided, however, the following additional terms and conditions shall apply:

- (a) the right of first refusal will be effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which the Company shall have a new ten (10) day right of first refusal;
- (b) the 10 day right of first refusal period will run concurrently with the period in which the Company has to approve or disapprove the proposed transferee;

(c) there shall be deducted from the purchase price the amount of any commissions or fees that would otherwise have been payable to any broker, agent or other intermediary in connection with the sale of such property to the transferee and there shall be deducted the amount of any transfer fees set out in Section 12.4(i);

(d) the Company shall have the right to substitute cash for any other form of consideration specified in the offer and to pay in full the entire purchase price at the time of closing; and

(e) if the Company chooses not to exercise its right of first refusal, you shall be free to complete the transfer subject to compliance with Sections 12.3 and 12.4.

## 12.7 Your Death or Disability

Upon your death or permanent disability (or an individual owning 50 percent or more of, or controlling, a Franchise entity), the personal representative of such person shall transfer your interest in this Agreement or such interest in the Franchise entity to a third party approved by Island Ink-Jet. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within one (1) year following the date of death or permanent disability (unless extended by probate proceedings), and shall be subject to all terms and conditions applicable to transfers contained in this Section 12; provided, however, that for purposes of this Section, there shall be no transfer fee charged by the Company. Failure to transfer the interest within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you (or the owner of fifty (50) percent or more of, or controlling, a Franchise entity) from supervising the management and operation of the Location for a period of one hundred twenty (120) days from the onset of such disability, impairment or condition.

## 13. TERMINATION OF THE FRANCHISE

### 13.1 By the Company Without Opportunity to Cure

You will be deemed to be in default and we may, at our option, terminate this Agreement and all rights granted by this Agreement, without affording you an opportunity to cure the default, effective immediately upon delivery of notice of termination to you, upon the happening of any of the following events:

(a) **Failure to Open Business.** If you fail to develop the Location or open the Location for business as provided in Paragraphs 3.1 or 3.2 or fail to satisfactorily complete the training program as provided in Paragraph 4.2;

(b) **Unauthorized Disclosure.** If you or any person under your control or for whom you are in law responsible discloses to any unauthorized person, or copies or reproduces, the contents of or any part of the Operating Manual or any other trade secrets or confidential information of the Company;

(c) **Fraud or Conduct Affecting the Marks.** If you commit fraud in connection with the purchase or operation of the Location or otherwise engage in conduct that materially impairs the goodwill associated with the Marks;

(d) **Abandonment.** If you cease to operate the Location or otherwise abandon the Location for a period of five (5) consecutive days, or any shorter period that indicates an intent by you to discontinue operation of the Location, unless and only to the extent that full operation of the Location is suspended or terminated due to fire, flood, earthquake or other similar causes beyond your control and not related to the availability of funds to you;

- (e) **Insolvency; Assignments.** If you become insolvent or are adjudicated a bankrupt; or any action is taken by you, or by others against you under any insolvency or bankruptcy legislation or proceedings are initiated to wind up the Franchisee (if a corporate entity), or if you make an assignment for the benefit of creditors, or a receiver is appointed for you;
- (f) **Unsatisfied Judgments, Levy, Foreclosure.** If any material judgment (or several judgments which in the aggregate are material) is obtained against you and remains unsatisfied or of record for forty five (45) days or longer (unless execution upon such judgment is stayed by court order or by agreement between the judgment creditor and the judgment debtor); or if execution or attachment is made against your business or any of the property, real or personal, used in the operation of the Location by a creditor of yours;
- (g) **Criminal Conviction.** If you (or any of your shareholders, partners, or members if a company) is convicted of a criminal offense, a crime involving moral turpitude, or any crime or offense reasonably likely to materially and unfavorably affect the Marks, and the associated goodwill and reputation thereof;
- (h) **Financial Reporting.** If you underreport Gross Sales by three percent (3%) or more in any report, financial statement, tax return or schedule, unless you demonstrate that such understatement resulted from inadvertent error;
- (i) **Misuse of Marks.** If you misuse or fail to follow the Company's directions and guidelines concerning use of the Marks and fail to correct the misuse or failure within 10 days after notification from the Company;
- (j) **Repeated Non-compliance.** If you received three notices of material default from the Company within a 12 month period, regardless of whether the defaults were cured by you;
- (k) **Right to Possession of Property.** If you are in default under any lease or sublease covering the Location, or defaults under any other agreement related to use or operation of the Location; or
- (l) **Unauthorized Transfer.** If you sell, transfer or otherwise assign the franchise, an interest in the franchise or franchise entity, this Agreement, the Location or a substantial portion of the assets of the Location owned by you without complying with the provisions of Section 12.

This Agreement will automatically terminate on delivery of notice of termination to you if any part of this Agreement relating to non-competition during the term of this Agreement, or to the preservation of any of the Marks, Confidential Information, trade secrets or secret formula is for any reason declared invalid or unenforceable and if as a result, we believe in our sole opinion that the continuation of this Agreement would not be in the best interests of the Island Ink-Jet concept.

I have read §13.1 and each of its subsections, understand them and agree to the terms of each.

Franchisee Initials: \_\_\_\_\_

### 13.2 By the Company With Opportunity to Cure

We have the right to terminate this Agreement upon written notice to you if you (or any of your Principal Owners):

- (a) fail to pay any amounts due the Company or its affiliates and do not correct such failure within ten (10) days after written notice of such failure to pay is delivered to you;

(b) fail to prepare and submit any statement or report as required under Section 11 and do not correct such failure within ten (10) days after written notice of such failure to comply is delivered to you; or

(c) fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure we prescribe from time to time, or to timely pay amounts due to persons other than us or our affiliates, and do not correct such failure within ten (10) days after written notice of such failure to comply or pay is delivered to you.

### 13.3 Statutory Notice

If any law applicable to this Agreement requires notice, additional notice, or a longer notice period than specified herein, this Agreement shall be deemed to be automatically amended to conform to the requirements of such law.

## 14. RIGHTS OF THE COMPANY AND OBLIGATIONS OF FRANCHISE OWNER UPON TERMINATION OR EXPIRATION OF THE FRANCHISE

### 14.1 Payment of Amounts Owed to the Company

You agree to pay to us within five (5) days after the effective date of termination or expiration (without renewal) of the Franchise such royalty payments, advertising contributions, amounts owed for products purchased by you from us or our affiliates, interest due us on any of the foregoing and all other amounts owed to us and our affiliates which are then unpaid. You must contemporaneously with such payment furnish a complete accounting of all such amounts owed to our affiliates and us.

### 14.2 The Marks

You (and your Principal Owners) agree that upon the termination or expiration (without renewal) of the Franchise you will:

(a) not directly or indirectly at any time or in any manner identify yourself or any business as a current or former Island Ink-Jet Location, or as a franchise owner or licensee of or as otherwise associated with the Company, or use the Marks, any colorable imitation thereof or other indicia of an Island Ink-Jet Outlet in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with the Company;

(b) promptly destroy or return to us (whichever we specify) all signs, sign-faces, advertising materials, forms, invoices and other materials containing the Marks or otherwise identifying or relating to an Island Ink-Jet Outlet;

(c) promptly take such action as may be required to cancel all fictitious or assumed name, "doing business as" or equivalent registrations relating to your use of the Marks;

(d) promptly notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number and any regular, classified or other telephone directory listings associated with the Marks and to authorize transfer of same to or at the direction of the Company. You acknowledge that as between the Company and you, we have the sole rights to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize the Company, and hereby appoint the Company and any officer of the Company as your attorney, to direct the telephone company and all listing agencies to transfer same to the Company or at its direction, should you fail or refuse to do so, and the telephone company and all listing agencies may accept such direction or this Agreement as conclusive of

the exclusive rights of the Company in such telephone numbers and directory listings and its authority to direct their transfer, and

(e) furnish to us within thirty (30) days after the effective date of termination or expiration evidence satisfactory to us of your compliance with the foregoing obligations.

### 14.3 Confidential Information

You agree that upon termination or expiration (without renewal) of the Franchise, you will immediately cease to use in any business or otherwise the Confidential Information disclosed to you pursuant to this Agreement and will return to us all copies of the Operating Manual for Island Ink-Jet that have been loaned to you by us.

## 15. GOVERNING LAW

### 15.1 Choice of Law

Except to the extent governed by the US Trademark Act, 15 U.S.C. §§ 1051 et seq., this Agreement shall be interpreted and construed under the laws of the State of Nevada applicable to agreements made and to be entirely performed in such State, without regard to, and without giving effect to, the application of any Nevada conflict law rules; provided, however, that the application of Nevada law shall not abrogate or reduce any of your rights provided for under the existing laws of any other jurisdiction which by their terms apply and supersede Nevada law.

### 15.2 Venue

Any arbitration proceedings shall be held in the State of Nevada. Any other proceeding brought by the Company against you may be brought in the state or federal courts located in the State of Nevada or in which the Company has its principal place of business. Although this Agreement contemplates that any proceeding initiated by you shall be subject to arbitration in the State of Nevada, if nevertheless you initiate litigation and a court of competent jurisdiction sustains your right to do so, then you hereby agrees that such litigation shall be brought and conducted in the judicial district in which the Company has its principal place of business. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

### 15.3 Dispute Resolution

All disputes between the parties with respect to the validity, interpretation or performance of the provisions of this Agreement shall be submitted by the parties to non-binding mediation. The parties shall, acting in good faith and reasonably, commence the mediation proceedings and ensure its efficient progress. The mediation proceedings shall be conducted by one mediator, which mediator shall be mutually agreed upon by the parties within thirty (30) days following the receipt by one party of a written notice to nominate a mediator from the other party. Failing such appointment within such time period, either party may apply to a judge of the Nevada State Court sitting in the municipality of Las Vegas, Nevada to nominate a mediator. The mediation shall be conducted in the State of Nevada for period of time not to exceed eight (8) hours. The cost of such mediation shall be borne equally by the parties. For the purposes of the mediation proceedings, each party shall be represented by a director or senior officer with authority to settle the dispute. Any notice given pursuant to this Section 15.3 shall set forth, in reasonable details, the object of the dispute to be submitted to mediation.

In the event that no agreement is reached by the parties in mediation, each party will be entitled upon written notice to the other party to require that the dispute, controversy or claim be referred to and settled by final and binding arbitration in accordance with the provisions of the Federal Arbitration Act. The arbitration will be conducted by a single arbitrator acceptable to each of the parties to be nominated within thirty (30) days of such written notice. If the parties are unable to agree on an arbitrator within such thirty

(30) day period, either party may apply to a judge of the Nevada State Court sitting in the municipality of Las Vegas, Nevada to nominate an arbitrator. The laws applicable to the arbitration procedure shall be the laws of the State of Nevada and the substantive law governing this Agreement shall be the laws of the State of Nevada and the laws of the United States applicable therein, except as to trade-mark matters which shall be governed by the laws of the Exclusive Territory. The parties shall confer upon the arbitrator the powers to fill gaps, cure contractual omissions and to perform all other activities which s/he may deem necessary and/or opportune. The place of arbitration shall be determined by the arbitrator, in the United States. The Company and you hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of any actual damages sustained by it. The award of the arbitrator shall be the sole and exclusive remedy between the parties regarding any claims and counter-claims presented to the arbitration panel. The parties undertake to fully and punctually abide by the award rendered by the arbitrator. Failing such voluntary compliance, judgment upon the award or any other appropriate procedures may be entered or sought in any court having jurisdiction thereof to secure enforcement of said award. The final award will be payable in US dollars free of any tax, deduction or offset, and the costs, fees or taxes incidental to the enforcement of the arbitration award shall be charged in accordance with the decision of the arbitrator against a party resisting enforcement. Payment of the award, including interest from the date of breach and violation, shall be made in accordance with the relevant provisions of this Agreement.

Nothing contained in this Agreement will bar our right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to the your;

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

We will also be able to seek injunctive relief to prohibit any act or omission by the you, or your officers, directors or employees, that constitutes a violation of any applicable law, is dishonest or misleading to the public, or which may impair the goodwill associated with the Trade-marks. It is agreed to by both parties that all reasonable attorney's fees will be paid by the losing party to the prevailing party

## 16. SECURITY INTEREST

### 16.1 Collateral

Subject to security granted to the bankers of the Franchisee and to the landlord of each Location, to secure payment and performance of any and all obligations from time to time owing by you to the Company or any affiliate of the Company, including payment of any amount which may not have been paid for in full on or prior to delivery of such products, or owing by you to the Company or any affiliates of the Company including in respect of inventory, goods and products from time to time purchased by you, you hereby grant to the Company a security interest ("Security Interest") in the Outlet, including inventory, furniture, equipment, signage, and realty (including your interests under all real property and personal property leases) and together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds and products thereof, wherever located and used in connection with the Location. All items in which a security interest is granted hereby are referred to as the "Collateral." Franchisor will subordinate its financial interest to a legitimate financial institution used to finance the operation of the outlet(s), in whole or in part.

## 16.2 Indebtedness Secured

The Security Interest is to secure payment of the following (the "Indebtedness"):

- (a) All amounts due under this Agreement including without limitation products purchased from us, Royalty Fees, together with interest, fees and other charges provided for herein whether payable to the Company;
- (b) All sums which the Company may, at its option, expend or advance for the maintenance, preservation and protection of the Collateral, including without limitation, payment of rent, taxes, levies, assessments, insurance premiums and discharge of liens, together with interest thereon, or in any other property given as security for payment of the Indebtedness;
- (c) All expenses, including reasonable lawyer's fees, which the Company incurs in connection with collection of any or all Indebtedness secured hereby or in enforcement or protection of its rights hereunder; and
- (d) All other present or future, direct or indirect, absolute or contingent, liabilities, obligations and your Indebtedness to the Company or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement.

## 16.3 Additional Documents

You will from time to time as required by the Company join with the Company in executing any additional documents including a general security agreement and one or more financing statements (and any assignments, extensions or modifications thereof) in form satisfactory to the Company to give effect to the Security Interest being granted to the Company by Section 16.

## 16.4 Possession of Collateral

Upon default and termination of your rights hereunder, the Company shall have the immediate right to possession and use of the Collateral. However, this interest is subordinate to the interest of a legitimate financial institution used to finance the operation of the outlet(s), in whole or in part.

## 16.5 Remedies of the Company in Event of Default

You agree that upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured hereby shall, at the option of the Company and without notice, be and become due and payable forthwith, and the Company shall then have the rights, options, duties and remedies of a secured party under, and you shall have the rights and duties of a debtor under the personal property security legislation of the State of Nevada, including without limitation the Company's right to take possession of the Collateral and of anything found therein, and the right without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted in the Company's sole discretion, and the conduct of such sale is agreed to be commercially reasonable. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth below. In the United States, the Uniform Commercial Code (UCC) will supersede any provisions of this agreement where there is a conflict.

## 17. MISCELLANEOUS PROVISIONS

### 17.1 Taxes

You agree to pay to the Company, as and when same are due, all goods and services tax, and sales tax imposed on the Company in respect of any amounts payable by you to the Company (which shall,



however, not include income tax otherwise payable by the Company) under this Agreement or with respect to the provision of any goods or services whatsoever by the Company to you, whether characterized as goods and services tax, sales tax, value added tax, business transfer tax or otherwise.

### **17.2 Modification**

No amendment, waiver or modification of this Agreement shall be effective unless it is in writing and signed by the Company and you. You acknowledge that the Company may modify its standards and specifications and operating and marketing techniques set forth in the Operating Manual unilaterally under any conditions and to the extent in which the Company, in its sole discretion, deems necessary to protect, promote, or improve the Marks and the System.

### **17.3 Entire Agreement**

This Agreement, and all documents to be executed by you or your Principal Owners and referenced in this Agreement, contain the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. You agree and understand that the Company shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation and that no modifications of this Agreement shall be effective except those in writing and signed by all parties. The Company does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement. You further acknowledge and agree that no representations have been made to you by the Company regarding projected sales volumes, market potential, revenues, profits of your Location, or operational assistance other than as stated in this Agreement.

### **17.4 Agreement Effective**

This Agreement shall not be effective until accepted by the Company as evidenced by dating and signing officers of the Company.

### **17.5 Review of Agreement**

You acknowledge that you have had the opportunity to submit this Agreement for professional review and advice of your choosing prior to freely executing this Agreement.

### **17.6 Lawyers' Fees**

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

### **17.7 Equitable Relief**

You and each of the Principal Owners, if any, acknowledge that your failure to comply herewith would cause the Company irreparable harm which may not be compensated by way of damages, and, therefore, upon application by the Company, the Company shall be entitled to obtain declarations, temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement including but not limited to your use of the Marks, your obligations or your Principal Owner upon termination and expiration of this Agreement and assignment of the franchise and ownership interest in the franchise, and to prohibit any act or omission by you or any Principal Owner, director, officer or employee of yours, that constitutes a violation of any applicable law, by-law, or regulation, is dishonest or misleading to your customers or prospective customers, or to the public, or which may impair the goodwill associated with the Marks. If we secure any such injunction, declaration or order of specific performance, you agree to pay to

us any damages incurred as a result of the breach of any provision, our full solicitor and client costs and all reasonable expenses we may have incurred to enforce this Agreement.

#### **17.8 No Waiver**

No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by the Company or you shall be considered to imply or constitute a further waiver by the Company or you of the same or any other condition, covenant, right, or remedy.

#### **17.9 Invalidity**

If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification (subject to the last paragraph of Section 13.1).

#### **17.10 Notices**

All notices required to be given under this Agreement shall be given in writing, by registered mail, facsimile transmission, or by an overnight delivery service providing documentation of receipt, at the address set forth in the first paragraph of this Agreement or at such other addresses as the Company or you may designate from time to time, and shall be effectively given five days after it is mailed, postage prepaid, or when received or delivered, as may be applicable.

#### **17.11 Cross Default**

Should you or the Principal Owners, or any partnership or joint venture or corporation in which you or your Principal Owners have a controlling equity interest, be a franchisee pursuant to another franchise agreement with the Company respecting another franchised business using the Marks, a default, as specified in Clause 13.1 of this agreement, shall constitute a default under such other franchise agreement and vice versa, with like remedies available to the Company and should such other franchise agreement cease to be valid, binding and in full force and effect for any reason then the Company may, at its option terminate this Agreement and this Agreement shall be forthwith surrendered by you and terminated, and likewise should this Agreement cease to be valid binding and in full force and effect for any reason, the Company may at its option terminate the other franchise agreement and the other franchise agreement shall be forthwith surrendered and terminated.

#### **17.12 Time**

Time shall be of the essence of this Agreement and of every part hereof.

#### **17.13 Joint and Several Liability**

In the event that there is more than one of you, or if you should consist of more than one legal entity, your liability hereunder shall be both joint and several. A breach hereof by one such entity or by you shall be deemed to be a breach by both or all.

17.14 Acknowledgment

BEFORE SIGNING THIS AGREEMENT, YOU SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. YOU ACKNOWLEDGE THAT:

- a) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND
- b) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND
- c) NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, SUPPLIED TO YOU IS BINDING ON THE COMPANY IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

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

ISLAND INK-JET SYSTEMS (US) INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

[INSERT FRANCHISEE CORPORATE NAME]

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

====OR====

SIGNED, SEALED and DELIVERED BY )  
[INSERT FRANCHISEE NAME] in the )  
presence of: )

\_\_\_\_\_) )  
Signature )

\_\_\_\_\_) )  
[INSERT FRANCHISEE NAME]

\_\_\_\_\_) )  
Name )

\_\_\_\_\_) )  
Occupation )

\_\_\_\_\_) )  
Address )  
\_\_\_\_\_)

SCHEDULE 1

TERRITORY

The Territory herein is defined as [INSERT TERRITORY]

SCHEDULE 2

US FRANCHISE PACKAGES

KIOSK LOCATION

	Minimum	Maximum
Franchise Fee	\$29,000	
Kiosk <sup>(4)</sup>	\$27,000	\$35,000
Total Electronics, Office and Tech. Supplies (fluctuates)	\$5,000	\$7,500
Inventory (fluctuates) <sup>(2)</sup>	\$4,000	\$6,000
Shipping - Kiosk/Elec/Inv (fluctuates) <sup>(3)</sup>	\$2,500	\$6,000
Training (IFSC)	\$4,600	
Administration and Review Fee	\$2,500	
<b>Total Price<sup>(1)</sup></b>	<b>\$74,600</b>	<b>\$90,600</b>

INLINE LOCATION

	Minimum	Maximum
Franchise Fee	\$29,000	
Total Electronics, Office and Tech. Supplies (fluctuates)	\$5,000	\$7,500
Inventory (fluctuates) <sup>(2)</sup>	\$4,000	\$6,000
Shipping (Inventory & Electronics) (fluctuates) <sup>(3)</sup>	\$250	\$2,000
Training (IFSC)	\$4,600	
Administration and Review Fee	\$2,500	
<b>Total Price<sup>(1)(5)</sup></b>	<b>\$45,350</b>	<b>\$51,600</b>

(1) Applicable taxes are not included in the Franchise Package price.

(2) The inventory cost is based on today's market value and inventory product list. Due to fluctuations in market value and additions or deletions of stock, the actual price for inventory may increase or decrease. The final determinate price will be invoiced to the Franchisee upon opening of the location.

(3) Customs charges may be higher if franchisee provides incorrect information.

(4) Cost may increase due to local, state or landlord's requirements.

(5) The total cost does not include the cost of buildout, signage or millwork, all of which is the responsibility of the Franchisee and is to be paid directly to vendors.

SCHEDULE 3  
TRADE-MARKS

ISLAND INK-JET (Word Mark)

Registration #2785602 registered November 25, 2003

REFILL...NOT LANDFILL (Word Mark)

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

WATCH YOUR COLORS SOAR! (Word Mark)

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

THE REFILL GUYS (Word Mark)

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

**ISLAND INKJET**

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

(Design Mark)



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

(Design Mark)



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

(Design Mark)

SCHEDULE 4 TO THE FRANCHISE AGREEMENT

MULTI-STATE ADDENDA

Attached



AMENDMENT TO THE FRANCHISE AGREEMENT  
ISLAND INK-JET SYSTEMS (US) INC.

FOR THE STATE OF CALIFORNIA

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- The California Franchise Relations Act provides rights to the Franchisee concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 2.3 and 13.
- Sections 2.3. (c) 4) and 12.3. (6) of the Franchise Agreement require Franchisee to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under California Franchise Investment Law and California Franchise Relations Act.
- Section 6.3 of the Franchise Agreement contains a covenant not to compete that extends beyond the expiration or termination of the Franchise Agreement; this covenant may not be enforceable under California law.
- Section 13.1.5) of the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 15.1 of the Franchise Agreement requires litigation or arbitration to be conducted in the State of Nevada; the requirement may not be enforceable for claims arising under the California Franchise Investment Law or the California Franchise Relations Act.
- Section 15.1 of the Franchise Agreement is amended to provide that in the event of a conflict of law, California law will prevail.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the California Investment Law and/or the California Franchise Relations Act are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

Island Ink-Jet Systems (US) Inc.:

Franchisee:

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**FOR THE STATE OF HAWAII**

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- The Hawaii Franchise Investment Law provides rights to you concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement, and more specifically, Sections 2.3 and 13 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- Sections 2.3(c)4 and 12.3(6) of the Franchise Agreement require Franchisee to sign a general release as a condition of renewal and transfer of the franchise, such release shall exclude claims arising under the Hawaii Franchise Investment Law.
- Section 13.1.5 of the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independent of the Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc:**

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**FOR THE STATE OF ILLINOIS**

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- Item 8.1 of the Franchise Agreement shall be amended to add the following:

An escrow requirement has been imposed by the Illinois Attorney General's office based on the Franchisor's financial condition. The escrow agreement is on file with the Illinois Attorney General's Office. All fees generated from the sale of franchisee to be located in Illinois will be held in the US Bank Corporate Trust account; ABA091000022 # 98526100. The contact information for the US Bank Corporate Trust is: Susan Selsor, US Bank Corporate Trust, 60 Livingston Avenue, St. Paul, Minnesota, 55107.

- Section 13 of the Franchise Agreement shall be amended to add:

The conditions under which the Franchise Agreement can be terminated and the effects of termination may be governed by Illinois law (815 ILCS 705/19 and 705/20).

- Section 15.1 of the Franchise Agreement shall be amended to add:

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after the Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

- Section 15.1 of the Franchise Agreement shall be amended to add:

The Franchise Agreement will be governed by Illinois law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.:**

**Franchisee:**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**FOR THE STATE OF INDIANA**

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2.5, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- Sections 2.3.(c)4) and 12.3.(6) of the Franchise Agreement do not provide for a prospective general release of claims against Franchisor, which may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.
- Section 6.3 of the Franchise Agreement is amended subject to Indiana Code 23-2-2.7-1(a) to provide that post-term non-competitor covenants shall have a geographical limitation of the territory granted to Franchisee.
- Section 7.3 of the Franchise Agreement is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 15.1 of the Franchise Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.
- Sections 15.2 and 15.3 of the Franchise Agreement is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.
- Section 15.2 of the Franchise Agreement is amended to provide that arbitration between Franchisor and Franchisee, shall be conducted in Indiana or a site mutually agreed upon.

2. Each provision of this amendment shall be effective only to the extent that the jurisdictional requirements of the Indiana law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.**  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

Franchisee: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

FOR THE STATE OF MARYLAND

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, MD. Code Ann., Bus. Reg. §§14-201-14-233, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- Sections 2.3.(c)4) and 12.3.(6) of the Franchise Agreement require Franchisee to sign a general release as a condition of renewal, sale and/or assignment/transfer of the franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.
- Section 8.1 of the Franchise Agreement which states the Franchise and Development Fees shall be paid to the franchisor upon signature of the Agreement and five days prior to the opening of the business; all fees generated from the sale of franchise to be located in Maryland will be held in the US Bank trust account #1004506. The escrow agreement is on file with the Maryland Division of Securities for examination. Before signing a contract to purchase this franchise, you should check with the bank or savings institution to determine the current status of the trust account.
- Section 13.1.5 of the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 15.1 of the Franchise Agreement requires litigation or arbitration to be conducted in the State of Nevada; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.
- Section 15.1 of the Franchise Agreement requires that the franchise be governed by Nevada Law; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.
- Any representations made by the franchisee disclaiming the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.:**

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**FOR THE STATE OF MINNESOTA**

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_  
20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_  
to amend and revise said Franchise Agreement as follows:

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement agree as follows:

- Sections 2 and 12 of the Franchise Agreement shall be amended to add that with respect to franchises governed by Minnesota Law, the Franchisor will comply with the Minnesota Franchise Law which requires, except in certain specified cases, that a Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.
- Sections 2.3.(c)4) and 12.3.(6) of the Franchise Agreement do not provide for a prospective general release of claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.
- Section 5 of the Franchise Agreement shall be amended to add that as required by Minnesota Franchise Law, Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
- Section 15.1 of the Franchise Agreement shall be amended to add that Franchisor shall not in any way abrogate or reduce Franchisee's rights as provided for under the Minnesota Franchise Law including the right to submit matters to the jurisdiction of the courts of Minnesota.
- Section 17.7 of the Franchise Agreement shall be amended to add that the Franchisor may seek injunctive relief. According to Minn. Rule 2860.4400J, Franchisee cannot consent to the franchisor obtaining injunctive relief.
- Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Offering Circular or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.:**

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

FOR THE STATE OF NEW YORK

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- Sections 2.3.(c)4) and 12.3.(6) of the Franchise Agreement require Franchisee to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under the General Business Law of the State of New York.
- Under Section 12.1 of the Franchise Agreement, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.
- Section 7.3 of the Franchise Agreement is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 15.1 of the Franchise Agreement requires that the franchise be governed by the laws of the State of Nevada; such a requirement will not be considered a waiver of any right conferred upon the Franchisee by Article 33 of the General Business Law of the State of New York.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York Law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc:**

**Franchisee:**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**FOR THE STATE OF NORTH DAKOTA**

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Amendment, Chapter 51-19, Sections 51 -19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

- All franchise fees and other funds paid to Franchisor by North Dakota franchisees shall be held in escrow until such time as Franchisor has met its obligations to Franchisee and until such time as Franchisee is open for business.
- Under Sections 2.3.(c)4) and 12.3.(6) of the Franchise Agreement, the execution of a general release upon renewal or transfer will be inapplicable to franchises operating under the North Dakota Franchise Investment Law to the extent that such a release executes claims arising under the North Dakota Franchise Investment Law.
- Section 6.3 of the Franchise Agreement is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by North Dakota law.
- Sections 14.1 of the Franchise Agreement shall be amended to state:  
If Franchisor or Franchisee is required to enforce this Agreement via judicial or arbitration proceedings, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and legal fees in connection with such proceeding.
- Section 15.2 of the Franchise Agreement is amended to add that any action may be brought in the appropriate state or federal court in North Dakota with respect to claims under the North Dakota Franchise Law.
- Section 15.3 of the Franchise Agreement shall be amended to state that arbitration involving a franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator will determine the location.
- Section 15.1 of the Franchise Agreement shall be amended to state that in the event of a conflict of laws, to the extent required by the North Dakota Franchise Law, the provision of North Dakota law shall prevail.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of North Dakota law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.:**  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

Franchisee: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_



FOR THE STATE OF RHODE ISLAND

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1 – 14, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- Sections 2.3.(c)4) and 12.3.(6) of the Franchise Agreement require Franchisee to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.
- Sections 15.1 and 15.2 of the Franchise Agreement shall be amended to state that restricting jurisdiction or venue to a forum outside the state of Rhode Island and or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.**

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**FOR THE STATE OF SOUTH DAKOTA**

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the South Dakota Franchise Law, S.D.C.L. 37-5A, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- Section 6.3 of the Franchise Agreement is amended to state that the covenant not to compete upon termination or expiration of the Franchise Agreement may be unenforceable, except in certain circumstances provided by law.
- Sections 15.1 and 15.2 of the Franchise Agreement are amended to state that restricting jurisdiction or venue to a forum outside the State of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The South Dakota Franchise Investment Act.
- Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make royalties payments contained in the Offering Circular and Franchise Agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure said default prior to termination.
- In the event that either party shall make demand for arbitration, the location shall be determined according to the terms as set forth by the American Arbitration Association under Section 11 of the Arbitration Rules for Commercial Financial Transactions.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the South Dakota Franchise Law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.:**

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

FOR THE STATE OF WASHINGTON

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§19.100.010 – 19.100.940, the Franchise Agreement for **Island Ink-Jet Systems (US) Inc.** shall be amended as follows:

- The Washington Franchise Investment Protection Act provides rights to Franchisee concerning non-renewal and termination of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
- Under Sections 2.3.(c)4 and 12.3.(6) of the Franchise Agreement, Franchisee is required to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under the Washington Franchise Investment Protection Act.
- Section 15.1 of the Franchise Agreement requires litigation or arbitration to be conducted in the State of Nevada; the requirement shall not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.
- Section 15.1 of the Franchise Agreement requires that the franchise be governed by Nevada law, such a requirement may be unenforceable in the event of a conflict with the Washington Franchise Investment Protection Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.:**  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

**Franchisee:**  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

**FOR THE STATE OF WISCONSIN**

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 will supersede any conflicting terms of the Franchise Agreement.

2. This provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provisions are met independent of this Amendment. To the extent this addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

**Island Ink-Jet Systems (US) Inc.:**

**Franchisee:** \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

FOR THE STATE OF VIRGINIA

This Amendment to the Franchise Agreement is agreed to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **Island Ink-Jet Systems (US) Inc.** and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

- Section 13.1.5 of the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and understands and consents to be bound by all of its terms.

Island Ink-Jet Systems (US) Inc.:

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**SCHEDULE 5 TO THE FRANCHISE AGREEMENT**

**FRANCHISEE COMPLIANCE CERTIFICATION**

As you know, **Island Ink-Jet Systems (US) Inc** (the "Franchisor") and you are preparing to enter into a Franchise Agreement for the establishment and operation of an Island Ink-Jet Outlet. The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of Franchisor, or by employees or authorized representatives of \_\_\_\_\_ ("Broker") that have not been authorized, or that were not disclosed in the Uniform Franchise Offering Circular or that may be untrue, inaccurate or misleading.

In the event that you are intending to purchase an existing Island Ink-Jet Outlet from an existing Franchisee, you may have received information from the transferring Franchisee, who are not employees or representatives of Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Island Ink-Jet Outlet from an existing Franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

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

3. Have you received and personally reviewed the Franchise Agreement and each Addendum related agreement attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

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

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5. Have you received and personally reviewed the Franchisor's Uniform Franchise Offering Circular (UFOC) that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

Witness Initial: \_\_\_\_\_ Franchisee Initial: \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

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

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8. Have you discussed the benefits and risks of establishing and operating an Island Ink-Jet Outlet with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Has any employee of the Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the revenues, project cost, (project cost), profits or operating costs of an Island Ink-Jet Outlet operated by the Franchisor or its Franchisees, that is contrary to the information contained in the UFOC?

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Has any employee of the Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Island Ink-Jet Outlet will generate, that is contrary to the information contained in the UFOC?

Yes \_\_\_\_\_ No \_\_\_\_\_

Witness Initial: \_\_\_\_\_ (Franchisee) Initial: \_\_\_\_\_

13. Has any employee of the Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Island Ink-Jet Outlet that is contrary to or different from, the information contained in the UFOC?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Has any employee of the Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating an Island Ink-Jet Outlet?

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

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

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

Witness Initial: \_\_\_\_\_ (Franchisee) Initial: \_\_\_\_\_

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. Representations made in this document by applicant are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE APPLICANT:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Dated



## SCHEDULE 6

### CONTINUING PERSONAL GUARANTEE

In consideration of, and as an inducement to, the execution by Island Ink-Jet Systems (US) Inc., a company incorporated pursuant to the laws of the State of Nevada (the "Franchisor") of a franchise agreement dated [INSERT FRANCHISE AGREEMENT DATE] for [INSERT FRANCHISE LOCATION] (the "Franchise Agreement") between Franchisor and undersigned hereby personally and unconditionally, jointly and severally:

- 1) guarantees to Franchisor and its Affiliates and each of their respective successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that the undersigned will be personally bound by, and punctually pay and perform, each and every agreement and obligation set forth in the Franchise Agreement;
- 2) agrees to be personally bound by, and personally liable for, any breach of any provision in the Franchise Agreement.
- 3) agrees to be personally bound by, and personally liable for, each obligation of the Franchisee to Franchisor and its Affiliates.
- 4) agrees that neither Franchisor nor its Affiliates need to bring suit first against Franchisee or any of the undersigned in order to enforce the provisions of this Continuing Personal Guarantee (the "Guarantee"), and each may enforce this Guarantee against any or all of the undersigned as it chooses in its sole and absolute discretion.

Each of the undersigned waives presentment, demand, notice of dishonor, protest, non-payment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under this Guarantee and/or otherwise and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Franchisee and Franchisor, and the settlement, compromise or adjustment thereof.

Further, each of the undersigned consents and agrees that:

- 1) his or her direct and immediate liability under this Guarantee will be joint and several and shall not be relieved or diminished by any release or compromise of any liability of any of the undersigned or of any party or parties primarily or secondarily liable under the Agreement, this Guarantee and/or otherwise;
- 2) such liability will not be diminished, relieved or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time-to-time grant to the Franchisee and/or to any other person, including without limitation the acceptance of any partial payment of performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guarantee, which will be continuing and irrevocable;
- 3) the liabilities and obligations of the undersigned, whether under this Guarantee or otherwise, will not be diminished or otherwise affected by the termination, rescission, expiration, renewal or modification of the Franchise Agreement;
- 4) the undersigned will comply with the Post Termination Provisions of the Franchise Agreement; and
- 5) the provisions of §15.3 of the Franchise Agreement are incorporated in and will apply to this Guarantee as if fully set forth herein and shall apply to any dispute involving the Franchisor and any of the undersigned; provided that in all events the undersigned agrees to pay all expenses paid or incurred by the Franchisor in enforcing the provisions of this Guarantee against the undersigned and in collecting or attempting to collect any amounts due hereunder, including reasonable attorney's fees.

In connection with the execution of this Guarantee and with the Franchisor permitting the Franchise Agreement to be awarded to the Franchisee, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned hereby grants a General Release of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against the Franchisor and/or any or all of the Franchisor's Affiliates, excepting only those claims solely related to the offer and sale of the Franchise, where such releases are expressly prohibited by applicable law.

Terms not defined in this Guarantee shall have the same meanings as in the Franchise Agreement.

IN WITNESS WHEREOF, each of the undersigned has here unto affixed his or her signature on the same date as the Franchise Agreement has been executed.

GUARANTOR(S) NAME	GUARANTOR(S) SIGNATURE	PERCENTAGE OF OF FRANCHISEE
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %

Corporate Franchisee:

\_\_\_\_\_, a \_\_\_\_\_ (specify jurisdiction of formation)  
\_\_\_\_\_ (specify if it's a corporation, LLC, LLP or otherwise).

By: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT**

**THIS ADDENDUM** dated [INSERT DATE] to **Island Ink-Jet Systems (US) Inc.** Franchise Agreement dated [INSERT DATE OF FRANCHISE AGREEMENT] (the "Agreement") by and between **Island Ink-Jet Systems (US) Inc.** a corporation incorporated pursuant to the laws of the State of Nevada, with an office at 244-4<sup>th</sup> Street, Courtenay, British Columbia, Canada V9N 1G6 (hereinafter "Company") and [INSERT FRANCHISEE NAME] of [INSERT FRANCHISEE ADDRESS] (hereinafter "Franchisee").

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

[INSERT AMENDMENTS]

**IN WITNESS WHEREOF**, the parties hereto have executed this Addendum on this \_\_\_\_ day of \_\_\_\_\_, 200\_\_.

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

**[INSERT FRANCHISEE CORPORATE NAME]**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

====OR====

SIGNED, SEALED and DELIVERED BY )  
[INSERT FRANCHISEE NAME] in the )  
presence of: )

\_\_\_\_\_) )  
Signature )

\_\_\_\_\_) )  
[INSERT FRANCHISEE NAME]

\_\_\_\_\_) )  
Name )

\_\_\_\_\_) )  
Occupation )

\_\_\_\_\_) )  
Address )