

# Cinemage

## Business Plan Overview



### BUSINESS PLAN OVERVIEW

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### Art:

A medium of expression where the individual and culture come together.

### Cinemage:

A medium of delivery where art and the individual come together.

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## Welcome to Cinemage

In today's world where 'instant' has become the norm, we expect to have what we want when we want it. No muss. No fuss. Of course, we all know that life doesn't always work that way...but what is certain is that the *potential* for 'instant', where life is easier and faster, is greater now than ever before. So much so, that making life easier and faster has become the 21<sup>st</sup> century's mantra.

And as the 21<sup>st</sup> century unfolds, we, as consumers, have adopted the mantra. We're a little more demanding and a little more savvy than in the past. Six to eight weeks for delivery is now recognized as a tactic rather than a service. And all that leisure time that we were supposed to have because of technology ...well...now we know better!

At Cinemage, we can't guarantee more leisure time but we can make life a little easier. Cinemage delivers visual art to consumers as near to 'instant' as technologically possible. We offer people the chance to view, select and arrange to have an image delivered at the point of purchase. No muss. No fuss. Just a little easier and faster.

### Visual Art: The Market

In general, we think of visual art as paintings or sculptures that people purchase either from an art gallery, studio or a show. This is especially applicable to 'fine' art - original pieces and exclusive limited edition prints - however, there is another category of art that is more widely available; 'decorator' art.

Decorator art is found almost everywhere – from department stores to small, specialized boutiques. As an element of interior design, it's used in home, office and hotel decorating, and is in such demand that the business of supplying and servicing the decorator art market is now valued at over \$19 billion.

In contrast to decorator art, fine art is not widely available. Supply is limited and resales usually only occur through auctions or direct from the owner. Mass reproduction (other than the masters) is generally frowned upon as the integrity of the piece can suffer from poor quality reprints and over exposure can diminish the perceived value of the pieces.

Of course maintaining the integrity of their work is the requisite of all artists. Fortunately, for painters, improvements in printing technology – Giclée in particular - have finally improved to the point where paintings, whether considered fine art or not, can be printed and displayed in a remarkably original-like condition for less cost. As a result, the opportunity now exists for artists to sell higher quality reproductions for less than the original but for more than typical print formats. And because it's a reproduction, they can either print it as a 'limited edition' or mass produce it for anyone who would love to own it.

But having the printing capability only solves one half of the sales equation. The other half, finding a way to display and deliver the painting so that the world can find, view and purchase it, still eludes many artists. In fact, it's a problem that plagues all but the elite in the art community.

### Print-On-Demand Publishing

Prior to the mid-nineties, only about 1% of manuscripts submitted to book publishers made it to print. It wasn't that publishers were elitist but rather limited by distribution and marketing constraints. It was a numbers game. Best sellers offset the costs of those that didn't sell well. And, of course, not many books that made it to print were best sellers. It wasn't until print-on-demand publishing became viable that the writers were able to publish their own work in small runs and it wasn't until the Internet that a viable means of distribution made it cost effective to sell in single quantity. Trafford Publishing (Victoria BC) recognized the potential for this market and now leads the world in print-on-demand publishing. Now the other 99% of writers can make their mark.



And now, Cinemage has created a similar solution for the consumer art market; High quality, print-on-demand paintings made available over the Internet. No muss. No fuss.

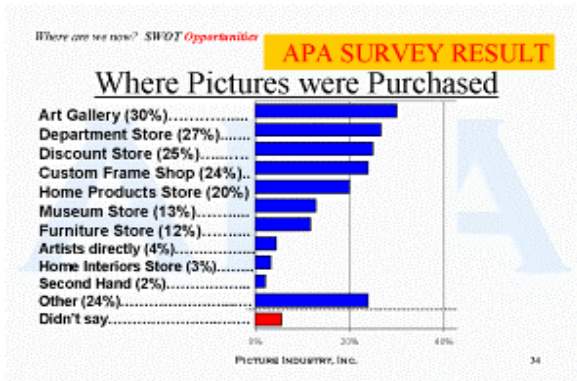
### Consumer Art

*"While home decorating will always play a role in why people buy art, today the majority of art consumers view the process as a more important decision than simply matching one's home decor or color scheme. Art buyers today connect emotionally with the art they buy through the theme. That personal connection with the art takes precedence over whether it fits a particular space on the wall?"* (Source: APA Survey analysis)

Art consumers want to feel passionate about their art...after all it's an expression of who we are. Of course, passion is subjective. We feel it or we don't. And when we have it we want to act. If we see it and we like it, we buy it. Where we buy is where we feel the passion...

### Where They Buy

Finding art that we feel passionate about usually requires a great deal of effort and can be a time consuming process. Our proximity to galleries, shops and other art outlets, as well as our ability to free up our schedules to frequent these venues, will determine whether we find our 'masterpiece'. In an ideal world, we would be able to find our 'masterpiece' when and where we want. No muss. No fuss.



According to the Art Publishers Association (APA) survey (2003), the majority of consumers indicated that they purchased pictures at Art Galleries (30%); Department Stores (27%); Discount Stores (25%); Custom Frame Shops (24%); Home Product Stores (20%); Museum Store (13%); and Furniture

Stores (12%). Purchasing direct from the Artist only accounted for 4% of art consumption.

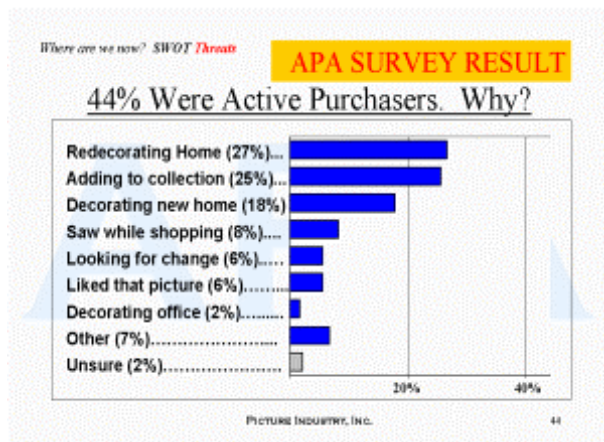
### Who Buys

... the study (APA-2003) indicates two emerging market segments which offer opportunities for art marketers...art connoisseurs and home decorators.

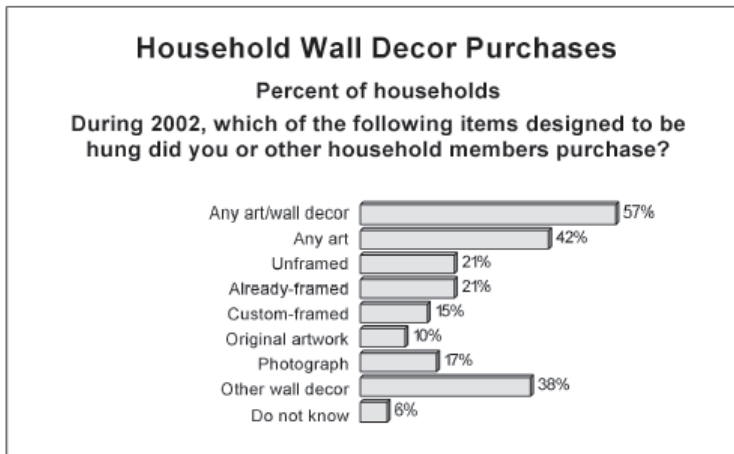
*Art connoisseurs, representing over one-fourth of the total art market, are projected to be the most active buyers. "Their appetite for art is undiminished by world events, as they have been the most active segment buying art in the first quarter of 2003. This segment is comprised mainly of affluent and highly educated baby boomers who view themselves as collectors, who shop primarily in art galleries and framing shops and for whom decorating takes a back seat."*

*Home decorators make up 28 percent of the market. "This segment is largely budget-minded young marrieds who have a need to buy art to fill empty walls in new homes. Many home decorators expect to buy more art in the coming year and are likely to continue frequenting mass merchants and home furnishings and furniture stores for the already-framed prints they favor."*

There is a third market segment, the commercial decorator art market. It's driven by designers who specify design items for new or renovated hotel and office interior space. They typically purchase art from wholesalers and framing retailers.



### What They Buy



*The survey found that 55 percent of consumers are more interested in buying art today than they used to be.*

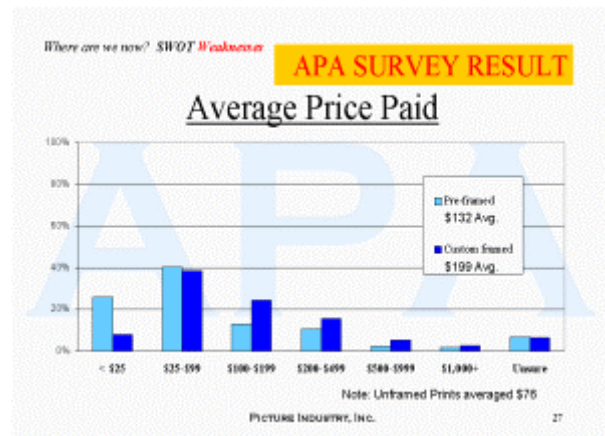
*Fifty-four percent said art they buy and display is an important outlet for creative expression.*

*And 53 percent said the way a piece makes them feel is more important than whether it matches their decor.*

### What They Pay

The survey also found that the majority of art purchases were priced between \$35 and \$99 (US). The average price paid for:

- ◆ Pre-framed - \$132
- ◆ Custom framed - \$199
- ◆ Unframed prints - \$76.



### Growing Demand

In 2002, there was a 13.9% increase in art sales to consumers over 2000. This represented total art sales of \$29.4 B (US) **<appendix 1>**. Recent trends indicate a compounded annual growth rate of 9%. Much of this growth can be attributed to the building boom that has encompassed North America. It's expected to continue to drive demand (especially) for decorator art in the home, office and hotel markets.

Transitioning baby boomers will also have an impact on the art market as these 'art connoisseurs' begin to reinvent themselves. Over 76 million (US) and 10 million (Cdn) boomers will be retiring over the next 20 years. It's estimated that they have a total net worth of over \$20 trillion (US) and over 50% of them plan to change residences either prior or during retirement. In art and other markets boomers will continue to influence market trends.

### The Cinimage Solution

Over the past 9 years, Cinimage has been developing a solution for advancing the sale and distribution of art. The result is a sophisticated and robust software management system and recently added point-of-sale kiosk that makes displaying and purchasing digital art an easy and simple process. And best of all, it can be available where consumers buy art: galleries, stores, framing shops...or, consumers can simply access it from the comfort of their own home over the Internet.

The Cinimage System is unique, in that it combines both supply and demand functionality in one package. No muss. No fuss. To date, we have not discovered any other system with comparable features and functionality and believe that we are, therefore, the *first-to-market* within the visual arts community. This advantage in combination with our partnerships and business development model will, we believe, help to make Cinimage the market leader for the print-on-demand art business. After all, we're just a little faster and easier.

### Our Engine

At the core of the Cinimage System is our software 'engine'. The 'engine' includes an e-commerce function and has been in continuous operation at the Cinimage corporate office for the past five years. Three years ago, we recognized that advancements in technology and increased manufacturing by major printer suppliers would lead to lower costs for large format printers. As a result, we developed and added the Cinimage Prints-On-Demand (POD) feature to our 'engine'. This development has proved to be our most advantageous yet. Integrating POD into an already robust management system has opened the door to marketing discussions with Hewlett Packard, one the leading printer manufacturers and a proponent of introducing new printing technologies to the visual arts community.

### The Cinimage Kiosk System...

...setting up in the Hewlett Packard booth  
Graphics Canada – Nov 10<sup>th</sup> to 12<sup>th</sup> 2005



### The Printers



Large format printers have become most affordable over the past few years. Entry level printers can now be purchased for approximately \$2,500 (CDN) while the larger printers designed for production printing range between \$10,000 and \$20,000 (CDN). This means that high quality art reproduction is now financially viable.

The major companies in this market include: Hewlett Packard (HP); Epson; Canon; Mimaki; ColorSpan; Iris and Roland. As with most products, user acceptance depends on preference, quality and overall value. Some printers within the corporate product mixes are great and others less so (according to FLAAR, a non-profit organization working in conjunction with the University of Michigan and dedicated to analyzing and testing products used in fine and visual art reproduction). But one thing is certain, advancements in printing methods and technologies are here to stay.

### Giclée Printing

...they (traditionalists – companies that sell only originals, serigraphs, or lithographs) see their market being eroded by giclee,...They notice that inkjet printers can output directly to artist's canvas, essentially the same canvas that the original painting is on. Traditionalists notice how well giclee reproduces the original: you can see the brush strokes, and even some of the surface characteristics of the original painting on the giclee prints. Of course the attempts by old-fashioned artists and galleries to stem the tide are fruitless (as every new art style has seen in centuries). Out with the old and in with the new: the new is giclee. (Source: Helmut Preiss – FLAAR (non-profit) Reports: Giclee on Canvas & Watercolor Paper – October 2005)

Cinimage recognized the trend towards high-quality giclée printing early on and we developed the Cinimage System with giclée specifically in mind.

### Digital Imaging

If they don't already own one, almost everyone is at least familiar with digital cameras...and that is digital imaging in action. Instead of film, the image is captured and saved onto a memory chip or onto a hard drive on a computer. Image quality is based on the mega-pixels...the higher the mega-pixels the better the image. Of course the better the image, the better the quality as you 'blow' the image up. Now printing large-scale digital images while maintaining the image quality is not only feasible but preferable (giclée).

As with most technology, digital imaging has advanced so that image quality and price are moving inversely – quality is increasing and prices are decreasing. This trend, will follow along the same path as other technology trends, and will continue as advancements are made.

### The Virtual Image Gallery

The final piece in the puzzle...Cinimage's Virtual Image Gallery. It has 11,000 images from over 143 artists. The Gallery meets a wide range of consumer tastes and is constantly being updated. They include paintings, photography, drawings, and heritage images.

We've categorized them on our website into three primary areas:

1. Fine Art Prints
2. Photography
3. World Heritage Exchange

### Fine Art Prints

This section includes oils, watercolours and drawings from over 145 artists.



Nicholas Bott



Nicholas Bott



Anne Marie Gibel



Annie Wilkinson

### Photography



### World Heritage Exchange



### The Cinimage Business Model

Cinimage refined its business model to coincide with developments in technology and changes in the marketplace. From our conceptual beginning to our current products and services, we have formed relationships that we felt would be significant for future growth. We felt it was especially important to know those who were in the 'know' especially in the world of visual art. They include small companies such as independent art galleries and retail outlets; large corporations; educational institutions; and public art galleries.

What follows are just a few of those we have met along the way.

### Major Museums & Galleries

#### The National Gallery of London

The National Gallery of London spawned the concept of digital art reproductions using computers and a large format Hewlett Packard printer. The project, VISEUM, links the gallery with their gift shop via a kiosk, from which a visitor can purchase a reproduction of any work in the gallery's collection. Hewlett Packard (Europe) was a partner in the project and provided a considerable amount of financing to see it through to completion. Cinimage collaborated with the gallery on the VISEUM project from 1995 to 1997. The collaboration was an important step for Cinimage in that it helped to determine the most efficient model to use in setting up the Cinimage System.

#### Hewlett Packard (Canada)

HP Canada has continued along the path that HP Europe pioneered and has expressed a serious interest in having a similar program available in Canada and eventually worldwide. Rather than having a single gallery client, the Canadian program targets museums and galleries across the country. Cinimage is collaborating with HP Canada on this project. We have created a museum and gallery 'package' using the Cinimage System in conjunction with HP's large format printers. HP Canada is promoting the Cinimage System to their reseller network.

#### Heritage Canada

Heritage Canada has been in touch with HP to discuss the museum and gallery 'package' which, if suitable, they could advocate to museums and galleries across Canada. This is in the discussion phase and will require more dialogue to reach any form of implementation however, it does indicate a 'market' interest in the concept.

These initiatives have resulted in several more galleries expressing interest: the Art Gallery of Ontario, the Vancouver Art Gallery, and the Royal BC Museum.

### The Art Gallery of Ontario & The Vancouver Art Gallery

Both the Art Gallery of Ontario and the Vancouver Art Gallery have responded positively to a proposal to locate Prints-On-Demand facilities in their institutions.

### The Royal BC Museum

The Royal BC Museum is planning to issue a specific Request for Proposal for a Prints-On-Demand system.

### Our Smaller Galleries and Framing Shops

#### Gallery Pilot Projects

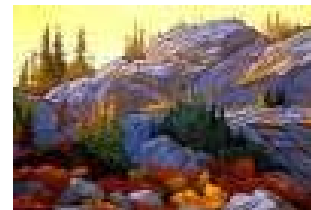
Cinimage has undertaken trials in six framing and gallery locations across Western Canada. These sites have providing technical and market insight. They are located in Vancouver, Kelowna, Calgary, Grande Prairie, Medicine Hat and St. Albert.

These locations have shown that other visual art markets may prove to be significant as potential clients: professional photographers and photo studios; and personal digital imaging...both important sources for the decorator market.

The Canadian market has 2,500 galleries and museums, and 7,000 framing shops. Integrating the Cinimage System into even 3% of these galleries can result in significant market share.

### How We Get There

As with all tasks there is an easy way and a hard way to get things done. We've decided that the best way is the one with the least resistance: *enter the market with a traditional approach.*

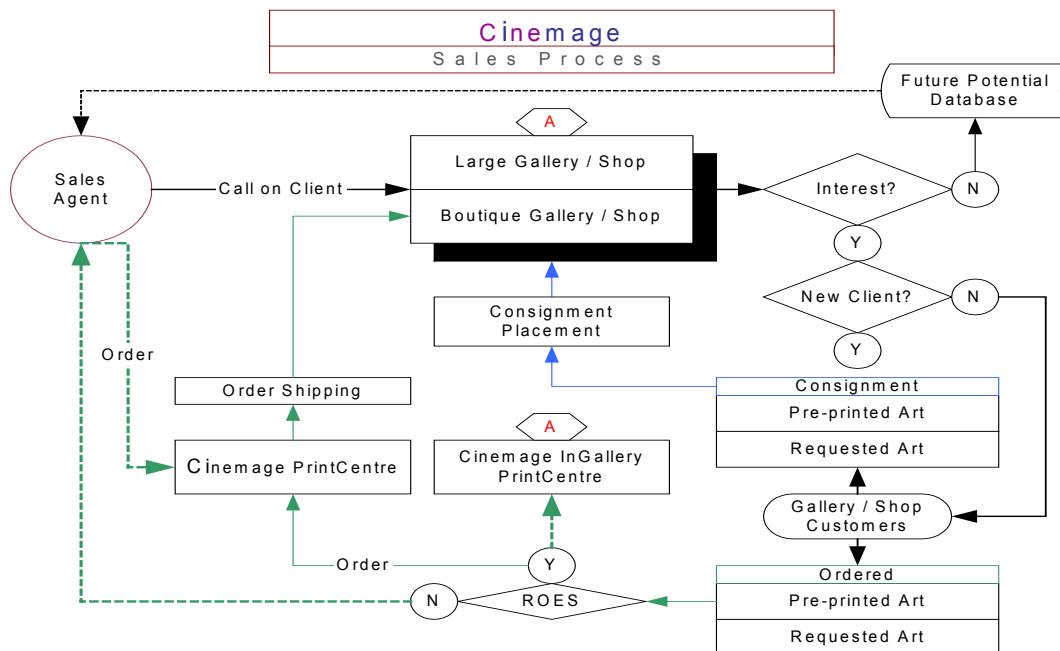


Beyond our major gallery and HP initiatives, Cinimage will engage commissioned sales agents to call on galleries and framing shops within specified territories to promote the Cinimage System. Inherent in this approach is an educational and branding initiative as well as an opportunity to glean grassroots market information.

This approach is the industry standard and all galleries or shops are used to working within this model. It will help to reduce any concerns that they may have over changes to their current system. After we solidify our relationship, prove our capabilities and our quality, we believe that the galleries / shops will be open to exploring new methods of placement and order processing. This, of course will be our lead into placing the Cinimage System into larger galleries and establishing a print-and-ship order system for smaller galleries / shops.

### The Sales Process

- ◆ The sales agent will place consignment art with the gallery / shop from the Cinimage display selection. The art will either be...
  - ◆ Selected, preprinted and available for immediate placement or...
  - ◆ Available as a request from the images on the Cinimage Image Gallery.
- ◆ The agent will have scheduled personal and telephone follow-ups with the gallery / shop to ensure customer service. Information received from follow-ups will help to determine future demand and supply criteria.
- ◆ If a gallery has a significant volume of business then a print-on-demand order system we call our Retail Order Entry System (ROES) can be installed onsite to allow customers to place direct orders. Galleries that demonstrate expertise and sales volume will have to option of having a complete system, including printer, established onsite for direct order fulfillment.
- ◆ Most orders will be fulfilled from designated PrintCentres, galleries or shops who act as official Cinimage print fulfillment agents. These 'agents' will be located in key centres throughout the territories and will provide the sales agent will a centralized location to pick-up consignment pieces or fulfill 'Print & Ship' orders.



### Building the Business

Cinimage is launching an aggressive business development program that will help us to methodically grow the business while maintaining control over quality and customer service. Our plan is to merge or acquire a leading gallery or framing shop in each region and expand operations to include the distribution of our print and systems products. Regional centres would also serve as focal point for identifying, attracting and licensing talented local artists as contributors to the inventory in the Cinimage Image Gallery.

Cinimage Corporation, our public company, will be used to acquire positions in the galleries or shops. Each acquisition will be offered some combination of:

- Cash for an equity position
- Cash for expansion financing
- Cinimage shares for an equity position

Any deal reached will require a collaboration agreement with 'shotgun' clause to allow parties to exit should that be necessary.

The initial regions under consideration are:

#### Regional Territory

Northern Alberta  
Southern Alberta  
Northern BC  
South Central BC  
Coastal BC

#### Location

Grande Prairie, Alberta  
Calgary, Alberta  
Prince George, BC  
Kelowna, BC  
Vancouver, BC

Each regional centre will act as the Cinimage PrintCentre, fulfilling regional orders. As a result they would require the appropriate printing, warehousing and shipping capabilities and facilities. Other functions may include retail & systems sales, and maintenance support.

The initial step to successfully achieving this program will be to identify candidate businesses that meet our criteria. To that end, we've already identified a potential lead candidate however, we are only in preliminary conceptual discussions to determine whether or not this program will be a suitable fit for both parties.

Once identified, a successful candidate will require a management with respect to the merger or acquisition. We will hire an appropriate business development manager whose job will be to manage the entire process. This will require someone who has 'hands on' experience in the industry and business acumen.

### Strategic Partnerships

#### Marketing Affiliations

- Hewlett Packard
- Phoenix Media Direct Inc.

#### Artists

- Over 143 artists who supply image content to the Virtual Image Gallery

#### Dealer Installations

- Emile's Custom Framing Kelowna, BC
- Time Frame Gallery Vancouver, BC
- Direct Art Prince George, BC
- Fast Frames Calgary, AB
- Framing & Art Centre Medicine Hat, AB
- Prints Galore St. Albert, AB

#### R&D Stage Collaborations

- CANARIE (Canadian Advanced Network for Research, Industry and Education)
- Communications Research Centre, Industry Canada, Ottawa
- DeTeBecom, Berlin, Germany
- European Union VISEUM Project, under Advanced Computer & Telecom Services
- Rnet BC (Research Networking Association of BC)
- Museum of Anthropology (UBC)
- Vancouver Museum
- Vancouver Art Gallery
- National Gallery of London, London, England
- The Louvre, Paris, France

In addition to the above, Cinimage is in negotiations with a lithographic print distributor, which would add significant immediate inventory to our Virtual Image Gallery.

We are also negotiating with print and framing operations to explore the potential of adding them as PrintCentres.

### The Competition

#### Art in Motion (AIM)

This Burnaby BC based company has established itself as a major supplier of wall décor art and framing internationally. The company reports that it has 7,500 customers in 70 countries and total revenue of \$90 million in 2004. North America accounts for the majority of their business: 6,800 customers of whom 100 are major retailers. Internationally they have 600 regional distributors serving 70 countries (they only offer unframed prints internationally). They also have 50 licensing clients who use AIM images on their own products.

- They claim their strength is their ability to control the entire supply channel by offering exclusive art from only their licensed artists, framing facilities and direct shipping. Competitors in their market (1,200 companies) offer non-exclusive art that may be offered by others in the space.
- AIM targets consumers who purchase reproductions priced between \$20 - \$400. Sales are made directly through distributors and supported by catalogue and trade shows.
- Average delivery of finished product to their distributors / clients takes 3 weeks.
- In August 2004, the company was forced to give a client major discounts because of a fault in their frame design: pictures could not be stacked in their warehouse.

#### AIM - Our Analysis

Art in Motion is a leader in their segment of the market. Their sales / distribution model adheres to one of a strict, twentieth century 'manufacturer to distributor to retailer to customer' flow. This is a standard model for supply however, this model doesn't allow for the potential of the Internet where customers control the demand side and where shipping or delivery can be just-in-time or given the right parameters, immediate. AIM could potentially lose its market position to a company with more flexibility.

#### Other Competitors

The Internet and digital imaging technology has had a significant impact on the decorator art industry and consumer expectations.

Various web sites offer art for purchase but the image lacks digital quality to print a superior art reproduction. Mail order fulfillment is slow and expensive.

Art selection and variety is limited from framing and home furnishing retailers because of the cost of holding large inventories and image availability due to offset printing limitations. These retailers often use hard copy catalogues to provide greater selection. The inventory they do carry may not sell because they misjudge consumer needs. Wholesalers of

unframed and framed art are constantly upgrading their inventories with new art content to generate more sales with retailers.

### The Cinimage Advantage



The Cinimage Giclée process offers a new standard for high quality art prints because of advances in digital image printing technology. The image can be printed on a variety of substrates like canvas or art paper to create an original-like feel. With the development of permanent new inks digital printing surpasses traditional lithographic and photographic processes.

Testing has shown at the National Gallery in London, that gallery visitors appreciate the opportunity to purchase a Giclée print of a Master rather than a lower priced but lower quality poster.

No product in the world matches the Cinimage System in its ability to link the artist immediately with the art buyer and to supply gallery quality art reproduction on demand.

### Cinimage Revenue Streams

The Cinimage System is technically developed and market tested. Revenue is being generated from the initial 6 framing shop test base.

Our Virtual Gallery of 143 artists and over 5,000 art images is constantly being increased but now can supply art prints to meet a wide range of consumer tastes.

A variety of hardware, software and order entry configurations have been developed to flexibly maximize sales opportunities.

Cinimage software, services, substrates and accessories represent additional sales potential. Revenue streams include...

- Sales of downloads for prints
- Sales of prints (Print and Ship)
- Sales of pre-printed and pre-framed works
- Sales of value-added software and services
- Sales of substrates and accessories
- Sales of operational contract
- Sales of Systems.
  - a. Print Stations
  - b. Imaging Stations
  - c. Retail Order Entry Stations
  - d. Retail Venue Kiosk Station

### Cinimage Strategic Advantages

- **Proprietary Technology System**  
The Cinimage System is unique. It integrates the collection of art content, storage, retrieval, kiosk order entry, and e-commerce related to the purchase and distribution of visual art to decentralized printers convenient to the art buyer. Cinimage continues to be the only supplier of this integrated technology system.
- **Scaleable Business Model**  
Product development investments have created a core software engine that can handle higher transaction volume for fast growth, high margins and capturing a significant market share. The product is ready for market with further investment needed only for improvements based on customer feedback.
- **Hewlett Packard Partnership**  
HP is the world leader in digital imaging technology. They have successfully established a Print on Demand application at London's National Gallery and plan to offer this to worldwide galleries using the Cinimage System. HP and Cinimage are jointly developing a kiosk product for his large opportunity. As well HP is promoting Cinimage to their re-seller network. The partnership increases the credibility of our solution and will facilitate wide market acceptance.
- **First Mover Advantage**  
Cinimage can establish a dominant brand and positive reputation, establishing consumer loyalty and a sustainable competitive advantage. It can gain unique channel access and pick the best agents, wholesalers, and retailers. Cinimage can obtain exclusive use of new art content because of its value to artists.
- **Market Test Success**  
Cinimage has completed a field test with six framing galleries to confirm the business model, technology reliability and product improvement priorities. The marketing plan will leverage this information for a confident large-scale commercial roll out.
- **Public Company Structure**  
The public company structure offers an effective financing vehicle to meet the company's growth requirements. Investors are looking for a high potential business that offers capital gain possibilities with a liquidity option.
- **Management Team**  
The Cinimage management team has the sales, marketing, and technology and financing skills to implement the business plan and achieve a significant financial return for the stakeholders. The Advisory and Director Boards provide a diverse blend of additional support on an as needed basis.

### Management

#### Edgar Froese, BSc, BFA – President & CEO

Edgar founded the company in 1992. He brings 35 years experience in the software, data network and imaging and industries. He was a founding staff member of the UBC Computing Centre, where he did pioneering work in the founding of the Internet in Canada. He has worked as a consultant to the BC Government and was a founding Director of Rnet. Mr Froese provides technical architectural direction for the company and is responsible for product development financing and public company administration. His efforts have been instrumental in positioning Cinimage for high growth commercialization of the Cinimage System.

#### Jon Nightingale I.S.P. Manager of Product Evolution

Mr Nightingale has over 25 years experience in software product support. As a technical writer he has produced and edited a variety of software product descriptive materials. Prior to joining Cinimage, Mr. Nightingale worked for 20 years for U.B.C. and was Manager of Administration for Computing and Communication. Mr. Nightingale has been closely involved in the development of the Cinimage. He plays a key role in the preparation of product support materials and services.

### BOARD OF DIRECTORS

Edgar Froese, Executive Chairman

George Lai CGA, Principal of George Lai and Company

Ralph Balcom, President of Balcom Financial Corporation

Janet Chilvers, Twiggberries B&B

### EXECUTIVE ADVISORY COMMITTEE

Joe Dolchewski

George Lai

Thomas Lamb

Worth Johnson

Corry Silbernagel

Garth Johnson

Director of Information Services (UBC)-retired

Certified General Accountant

Barrister and Solicitor

Director of Network Services (SFU)

Consultant, Mergers & Acquisitions

Business Consultant

### Risk Factors

- **Economic conditions change significantly and reduce sales of wall décor and fine art products.** In past the art market has been considered a relatively stable segment regardless of economic conditions. The Cinimage System is designed to be an on-demand, minimal inventory system and therefore has cost controls inherent in the system.
- **Growth projections are slower to be realized.** The Cinimage System is scalable and therefore can accommodate rapid or slow growth.
- **Failure to secure and sign acquisition targets.** The expansion plan can be amended to form agreements with suitable candidates on a 'licensed' basis. This will require more service from our sales agent to ensure that the Cinimage services and products are being properly promoted.
- **Growth is more rapid than anticipated.** Cinimage's relationship with HP and our other partners could produce more demand for Kiosk Systems. This growth would be managed and rolled out to accommodate regional schedules.

### Financial Overview

Cinimage revenue projections are based on a phased roll out to the framing shop and art gallery market using Hewlett Packard re-sellers. Revenue will result from the sale of:

- Images Sales
- Print Sales
- Equipment
- Maintenance
- Software Sales
- Consumable

The Canadian market has 2500 galleries and museums and 7000 framing shops. The revenue forecast is based on a Year 1 3% market penetration using HP reseller distribution.

Year 2 revenue is a combination of growing reseller sales to independent framing shops, chain framing retailers (Regent Framing, Michael's) and high-end home furnishing stores. Cinimage will handle direct print sales to wholesalers and consumers as well as software licence sales.

Year 3 sales efforts will focus on consolidating and expanding market share established in Year 2.

### Funding Requirements

Cinimage has invested \$5.1 M to date in product development, market research, test marketing, infrastructure development and partnership development. **Over the next three years**, Cinimage seeks to raise another:

- \$1 million in Limited Partnership sales for Sales & Marketing Costs.
- \$3 million in BC VCC sales with a 30% Tax Credit for Content Production.
- \$5 million in Cinimage Private Placements for Internet operations, Working Capital, and Mergers and Acquisitions.
- \$7.5 million in 11.5% Participating bonds to finance equipment installations and print inventory.

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### In Summary



Cinimage is poised to take advantage of a transition in the marketplace. Recent innovations in technology and the Internet give control to the user, in our case the consumer. Conventional systems are still the norm, however, consumers will soon be used to having control over selection of products and services and will come to demand that as a 'convenience'. The Cinimage System already offers that convenience and puts control where it should be...in the hands of the consumer.

In short,

*"We offer people the chance to view, select and arrange to have an image delivered at the point of purchase. No muss. No fuss. Just a little easier and faster."*

### Reports and Market Information



APPENDIX I

Art & Wall Purchasers Survey Report – APA 2003 (US)  
8 Page Report



APPENDIX II

Baby Boomers Retire: The Trends (US)



APPENDIX III

Not So Retiring Seniors: Web Trends (US)



APPENDIX IV

Top Spending Metros in Home Décor (US)



APPENDIX V

Museums & Art Galleries Attendance – 2003 (CDN)  
19 Page Report