

# Info Touch Technologies Corp.<sup>1,8</sup>

**BUY**

**IFT** **\$0.75**

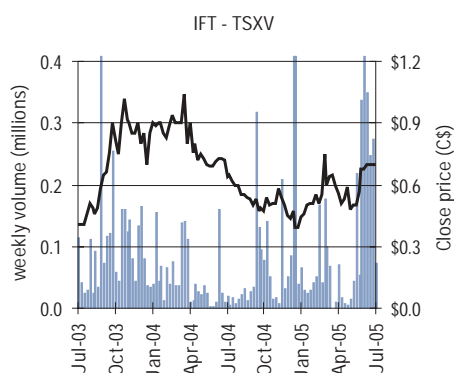
**TARGET** **\$1.70**

## FORECAST

Year-end Jul. 31	2004	2005E	2006E	2007E
Revenue (mm)	\$6.1	\$7.8	\$12.2	\$20.0
P/S	3.0x	2.3x	1.5x	0.9x
EBITDA (mm)	(\$0.6)	(\$0.8)	(\$0.6)	\$1.9
Adjusted EPS (f.d.)	(\$0.06)	(\$0.05)	(\$0.04)	\$0.03
Total projected return including dividends				127%

## SHARE DATA

12-month high/low	\$0.78/\$0.39
Net cash (mm)	(\$0.2)
Shares o/s - basic (mm)	19.8
- f.d. (mm)	24.1
- float (mm)	14.8
Market capitalization (mm) f.d.	\$18.1
Insider holdings (mm):	
Hamed Shahbazi (CEO)	2.0
Other Directors and Officers	0.8
HP (Compaq)	2.1



Prices in this report are as of close on July 15, 2005

## Initiating Coverage

Info Touch operates the largest multi-retailer network of financial services kiosks in North America, branded the TIO Network, geared mainly towards the large and growing under-banked population in the United States.

Global interactive kiosk market CAGR projected at 11% through 2010; under-banked and credit-challenged U.S. population estimated at 70 to 100 million; U.S. illegal immigrants estimated to equal population of New York State.

Marquee collection of location partners includes ExxonMobil, Circle K and Speedway SuperAmerica, and biller partners including Cricket, Qwest and Cox. Application partners include Western Union and GTECH.

Successful business model transformation has driven recurring revenues to 88% of total from 27% in fiscal 2003; recurring revenue growth of 71% year-over-year posted last quarter.

Revenue growth expected to accelerate with recurring transaction revenue forecast to grow at CAGR of 73% through fiscal 2007.

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*Please see important disclosures at the end of this report.*

## Investment Thesis

Info Touch Technologies ([www.infotouch.net](http://www.infotouch.net)) is North America's leading provider of self-service bill payment and automated financial service solutions provided through networked electronic kiosks. The company's services are geared mainly toward the under-banked population in the U.S., which is estimated to be approximately 20% of the U.S. population, or 65 million people. Info Touch's strategy is to provide convenient, affordable, real-time, automated services to the pay-in-person demographic that either does not have a bank account or credit card, or prefers to settle in cash.

Info Touch is not a kiosk company, but an automated self-service financial services company with over 40 man-years invested in its proprietary software platform. The company's core technology competencies are in self-service bill payment processing and in creating automated financial services offerings. The company is rapidly growing its national network of financial self-service kiosks, after having successfully undergone a significant business model transformation during fiscal 2004. Info Touch's TIO Network is the largest multi-retailer network of financial service kiosks in North America, currently numbering approximately 500 units across 22 states, Puerto Rico and British Columbia.

The company has developed an attractive recurring revenue model, driven primarily by customer-funded transaction fees (similar to the convenience fee that is often paid when using an ATM) directly related to the usage of applications at kiosks. Toward the end of fiscal 2003, management made a strategic decision to transform the company business model to a recurring revenue model. Recent financial results have reflected a successful transformation over about a one-year period. Recurring revenue was up 71% year over year and accounted for 88% of revenue in the latest quarter (Q3/F05), versus just 27% in fiscal 2003.

Info Touch works with branded retailers to deploy kiosks in clusters in cities that are identified as having attractive demographics. Four of the top 10 corporate-owned U.S. convenience store chains have partnered with Info Touch. Location partners include Circle K/Alimentation Couche-Tard, ExxonMobil, Marathon Oil (Speedway SuperAmerica), Kum & Go, and Mac's in Canada. The location partners under contract together operate over 15,000 locations, reinforcing the growth potential of the TIO Network. Info Touch's leading convenience retail partners are pushing electronic self-serve financial service centres within their stores to drive greater repeat traffic and store profitability.

Info Touch partners with service providers/billers that are seeking ways to improve collections, lower costs of billing, reduce call centre activity and improve customer convenience. Anchor service providers come from the wireless, cable and utility sectors, and include Cricket Wireless, Qwest, T-Mobile, Memphis Light, Gas & Water, Cox Communications and Western Union. Info Touch's Surfnet Premiere software platform is constructed to deliver automated financial services such as bill payment, money transfer, digital merchandising, prepaid PIN products, maps and directions, cheque cashing and e-coupons. Management has also partnered with premier third-party outsourcing providers for elements of the operating model that were not deemed to be core competencies of the company.

The company addresses a market that is large and growing:

- Frost & Sullivan estimates the 2003 global interactive kiosk market at US\$464 million, and projects a CAGR of 10.7% from 2003 to 2010.
- Financial services represents just 6% of the projected half million kiosks deployed in the U.S. by the end of 2005, and Summit Research Associates identifies Info Touch as the leading bill payment application provider.
- Bear Stearns Asset Management estimates the number of illegal immigrants in the U.S. may be as high as 20 million, approximately equivalent to the population of New York State.
- California State University, Fullerton, estimates that 41% of U.S. Hispanics are under-banked. Hispanic consumers are estimated to represent US\$1 trillion in spending by 2008, and by 2025 the U.S. is expected to have the world's second-largest Hispanic population, second only to Mexico (Strategy Research Corporation). According to Forbes, 28% of Mexico's workforce age population now resides legally and illegally in the U.S.

The company has experienced strong growth in recurring transaction volume and revenue since it began its transformation to a recurring revenue model. Of 156 kiosks deployed in fiscal 2004, all were corporate owned, whereas of the 133 deployed in fiscal 2003, only 15 were corporate owned. We expect total revenue growth to accelerate through our forecast period (projected growth of 27% in fiscal 2005, 56% in fiscal 2006 and 64% in fiscal 2007). Recurring transaction revenue is forecast to post a very healthy CAGR of 73% through fiscal 2007. Info Touch should achieve EBITDA breakeven in Q4/F06 and be EBITDA positive thereafter. We expect a fiscal 2006 EBITDA loss of \$0.6 million on \$12.2 million in revenue and a \$0.04 adjusted EPS loss. We project fiscal 2007 EBITDA of about \$2.0 million on \$20.0 million in revenue along with \$0.03 of adjusted earnings.

The stock's recent strength and higher trading volumes are a result of strong year-to-date results that demonstrate good progress on kiosk deployments and recurring transaction revenue growth, and the addition of new billers and location partners. As we were going to print this report, the company also announced a significant expansion to the ExxonMobil kiosk network. The comparable companies we examined trade at healthy multiples, which we believe is a reflection of the predictability and profit potential of a recurring revenue model. As outlined in detail in this report, the company has a broad collection of marquee location, biller and application partners.

To arrive at our target price, we are using a fiscal 2007 P/S multiple of approximately 2.0 times (equivalent to a P/EBITDA multiple of approximately 20.0 times). This would still rank IFT conservatively on a P/S basis relative to the recurring revenue comparables which trade at a P/S multiple average of 3.8 times and 2.3 times for the transaction processors. We believe this valuation to be justified, given the strong projected recurring revenue growth, our forecast that the company will be EBITDA positive in one year, the likelihood that new location and biller partners will be signed, and additional applications launched. Using this multiple we arrive at our target price of \$1.70. As the company scales, we could foresee potential target price upside due to multiple expansion and estimate revisions. **We are initiating coverage of Info Touch with a BUY rating and a 12-month target price of \$1.70.**

## Corporate Background

Info Touch Technologies is North America's leading provider of self-service bill payment and automated financial service solutions provided through networked electronic kiosks. The company's services are geared mainly toward the under-banked population in the U.S., which is estimated to be approximately 20% of the U.S. population, or 65 million people, according to GE Consumer Finance. Info Touch's strategy is to provide convenient, affordable, real-time, automated services to the pay-in-person demographic that either does not have a bank account or credit card, or prefers to settle in cash. Info Touch is not a kiosk company, but an automated self-service financial services company with over 40 man-years invested in its proprietary software platform.

The company's core technology competencies are in self-service bill payment processing and in creating automated financial services offerings. The company is rapidly growing its national network of financial self-service kiosks, after having successfully undergone a significant business model transformation during fiscal 2004. Info Touch's TIO Network is the largest multi-retailer network of financial service kiosks in North America, currently numbering approximately 500 units across 22 states, Puerto Rico and British Columbia. TIO, which means *uncle* in Spanish, is a Hispanic cultural reference that represents reliability and integrity. TIO is essentially a non-bank financial services network serving the growing population of under-banked U.S. consumers in secure and convenient locations 24/7, primarily offering real-time bill payment services in addition to other cash-preferred services such as wireless top-up, prepaid PIN-based products, cheque cashing, money orders and money transfers.

The company has developed an attractive recurring revenue model, driven primarily by customer-funded transaction fees (similar to the convenience fee that is often paid when using an ATM) directly related to the usage of applications at kiosks. TIO kiosks are installed and operated in retail locations throughout the United States. Info Touch shares in the transaction fees with important stakeholders such as the location partners and application service partners. In the earlier phases of kiosk deployment when the company was capital constrained, Info Touch's business model was to sell the kiosks outright (to either a location partner or a third-party owner/operator). Those kiosk sales would generate sizeable upfront revenue; however, Info Touch was giving up the vast majority of ongoing transaction fees generated by the applications on each kiosk.

Toward the end of fiscal 2003, management made a strategic decision to transform the company business model from a one-time sales model to a recurring revenue model. Management had identified a sizeable market opportunity and determined that a more attractive business model – and one more profitable in the longer term – would be based on revenue directly correlated to kiosk usage activity. This was a major shift for the company and recent financial results have reflected a successful transformation over about a one-year period. Recurring revenue accounted for just 27% of Info Touch's fiscal 2003 total revenue, whereas in fiscal 2004 that amount reached 70%. In the company's latest quarter (Q3/F05), 88% of revenue was recurring.

○ —————  
**Successful business model transformation to recurring revenue model achieved in fiscal 2004.**

While the company now incurs much greater amortization charges owing to corporate ownership of the kiosks (hindering near-term profitability) and has greater capital needs to grow the TIO Network, its operating model is far more attractive. In addition to corporate-owned kiosk transaction revenue, the company also opportunistically derives recurring revenue from managed services and kiosk and software sales to independent service operators (ISO's). Info Touch continues to aggressively expand its TIO Network in order to capitalize on its first mover advantage and its collection of premier location and application service partners.

Based in Vancouver, British Columbia, the company was founded in 1997 by CEO Hamed Shahbazi, a young entrepreneur of Persian and Canadian upbringing. The company has always been at the forefront of self-service automated solutions and originally addressed markets such as public Internet access, information and e-banking kiosks. Historical clients included the CBC, HSBC Bank Canada, Chapters Books, Capital Health, BC Institute of Technology, Concordia University, Future Shop, MCIWorldCom and the U.S. military (Army, Navy and Marines). Leveraging its experience in network operations and retail partnership, management identified an opportunity to serve the under-banked demographic via self-service financial service applications (the main one being bill payment).

Hewlett-Packard (HP), by way of Compaq Computer Corporation, made a strategic investment in the company in 2001, acquiring 20% of Info Touch for US\$500,000 (the position has been diluted down to about 12%). HP became the primary technology and services provider for Info Touch kiosks. HP's interest in Info Touch was driven primarily by the fact that Info Touch's kiosks are powered by business-grade PCs and servers. HP saw an opportunity to not only embed its products in Info Touch deployments but also to leverage Info Touch's software and services expertise in the pursuit of deals with retail clients that were seeking transactional kiosk solutions.

HP's overall decision to invest was triggered when Tosco Corp. (now part of ConocoPhillips Corp.), the previous owner of the large Circle K convenience store chain, awarded Info Touch a contract for e-service kiosks for its locations. HP had also been trying to win the Circle K mandate. A four-year Info Touch-HP strategic alliance that was established alongside the investment expires in August 2005; however, the companies continue to work together on joint customer opportunities.

Info Touch completed its IPO in 1999 on the TSX-V at \$0.50 per share, raising \$1.0 million, and today has about 35 full-time staff. Senior management profiles can be found in Appendix C. The company's capital needs increased once management embarked on transforming the business to a recurring revenue model, and as such it has completed two financings over the past 12 months. In June 2004, Info Touch completed a \$2.1 million private placement of \$0.65 units, which comprised one common share and a 24-month half warrant at \$0.85. In March 2005, the company completed a \$2.1 million private placement of promissory notes that accrue interest at 8.0% per year, mature on March 31, 2008, and carry a \$0.90 conversion price. As kiosk deployments increase, we expect Info Touch will raise additional capital to drive the growth of recurring revenue prior to becoming cash flow positive.

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**HP acquired 20% of Info Touch  
in 2001 (since diluted to 12%).**

### Exhibit 1: ExxonMobil e-Wiz Kiosk Deployment



Source: Info Touch

## Growth Strategy

The company's growth strategy hinges on four components as described below. Simplistically, Info Touch works with branded retailers, deploys kiosks in clusters in cities that are identified as having attractive demographics, and then provides both biller and location partners with financial motivation through a share of the recurring revenue and a number of other benefits, to drive traffic to deployed sites.

## Location Partners

Info Touch partners with marquee retail franchises to install kiosks in convenient, secure, high-traffic locations. The company has focused on partnering with leading gas and convenience store chain retailers. Some of these partners have a national retail presence, while others are the dominant convenience store chain in a given city. Four of the top 10 corporate-owned convenience store chains in the U.S. have partnered with Info Touch (ExxonMobil, Speedway SuperAmerica, Circle K and Kum & Go). Info Touch's list of location or real-estate partners includes Circle K/Alimentation Couche-Tard, ExxonMobil, Marathon Oil (Speedway SuperAmerica), Kum & Go, NOCO Energy, Maverik Country Stores, and Mac's in Canada.

The location partners under contract together operate over 15,000 locations throughout the U.S., reinforcing the growth potential of the TIO Network, which stands at about 500 locations as of last quarter. Info Touch's leading convenience retail partners are pushing electronic self-serve financial service centres within their locations to drive greater repeat traffic and store profitability. ExxonMobil is promoting its E-Wiz centres, while Circle K has adopted the brand Zaplink. We also understand that the company is in discussions with a number of other top 20 convenience store chains in North America.

The current business climate in the convenience/petroleum industry is benefiting Info Touch as profit from tobacco products (typically the top revenue generator for convenience retailers) is under pressure as a result of tax and other pressures. In addition, competition is increasing as big-box retailers, for example, are starting to offer petroleum and convenience items as price leaders in order to generate additional customer traffic. The convenience store/petroleum industry has responded by elevating its food service and financial services capabilities. As an example, on July 11, 2005, 7-Eleven began implementation of a plan to increase the prepared meals-to-go offering in its stores, along with a move back into city centres such as Manhattan. A major constraint of the convenience retailing operating model is the minimal level of store staffing, meaning that there is no capability of executing a services offering that is highly dependent on staff involvement. As such, convenience retailers have been drawn to self-service solutions that operate independently from the rest of the store operation, such as the TIO offering from Info Touch.

## Billers/Service Provider Partners

Info Touch partners with service providers (large mass billers that provide wireless, utility, cable or other services) that are seeking ways to improve collections, lower costs of billing, reduce call centre activity and improve customer convenience. A number of Info Touch's key service provider/biller partners are cellular operators and regional utility companies. Info Touch works with the service provider to develop a suite of user-friendly services and software applications tailored to the target customers.

The company's bill payment application is a differentiated offering in that the TIO Network is directly tied in, essentially in real-time, to the biller's system. This results in virtually real-time payment posting to a customer's account via the TIO Network, as compared with other systems which typically take days to post a payment. Info Touch has in excess of a dozen application service provider partners (of which the majority make use of the bill payment functionality) fully integrated into the company's kiosk management platform. Info Touch's anchor billers come from the wireless, cable and utility sectors. Key service provider/biller partners include Cricket Wireless, Qwest, T-Mobile, Memphis Light, Gas & Water, Cox Communications and Western Union.

Cricket is currently Info Touch's biggest biller partner, accounting for about two-thirds of fiscal 2005 year-to-date revenue. Cricket, the operating subsidiary of Leap Wireless International (LEAP:Nasdaq), is a top 10 wireless carrier in the U.S. with 1.6 million subscribers, two-thirds of which are estimated to be non-banked/cash-paying customers.

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**Location partners are pushing electronic self-serve financial kiosks to drive greater repeat traffic and store profitability.**

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**Info Touch's bill payment application is directly tied in, essentially in real time, to a biller's system.**

Cricket is the company's biggest biller partner.

Cricket's service is offered in 39 markets across 20 states. Based on surveys, 52% of Cricket customers have *cut the cord* and rely solely on Cricket for their phone service. In addition, 93% of Cricket customers reported their Cricket phone was their primary phone, compared with only 49% of traditional wireless customers. Cricket customers talk an average of 1,500 minutes per month, more than double the U.S. wireless industry average. Info Touch processes more than 160,000 payments per month for Cricket. Prior to partnering with Info Touch, Cricket was experiencing up to a 12% posting error rate at a number of their authorized payment centres, costing the company significant time and money. According to Info Touch management, the error posting rate for Info Touch-facilitated payments is less than 0.1%. One of the reasons Info Touch's posting error rate is so small is TIO's bill presentment capabilities; users don't just enter their account number before entering their cash, they are actually asked to confirm their identity. Please see Appendix E for sample graphical user interface (GUI) screen shots for a Cricket bill payment application.

## Financial Services Applications

Info Touch's Surfnet Premiere software platform is constructed to deliver automated financial services such as bill payment, money transfer, digital merchandising, PIN dispensing for prepaid products and services, maps and directions, cheque cashing and e-coupons. The company's primary source of recurring transaction revenue is currently the self-serve bill payment application. Info Touch aims to capitalize on growing the frequency of kiosk pay-per-use by existing users by adding new billers; through the expansion of its user base by adding locations, applications and billers; and through partner marketing programs. Prepaid products and associated services currently offered via TIO include long distance, wireless PINs, wireless top-up and mobile content. Bill payment applications include wireless, utility, cable, land line and retailer payments.

The primary source of recurring revenue is the bill payment application, while other promising applications, such as money order and paycheck cashing, are close to being launched.

Other applications showing good promise are being developed. For example, the provision of money orders is an exciting new application that Info Touch plans to offer in selected markets through its relationship with Western Union. In March 2005, Info Touch announced an agreement to bring the functionality of Western Union's industry-leading money transfer and money order services to kiosks powered by the TIO Network. Under the agreement with Western Union Financial Services, a subsidiary of First Data Corp., Info Touch will offer Western Union money transfer and money order services at convenience retail locations in select markets in Canada and the United States. Western Union and its subsidiary, Orlandi Valuta, together make up one of the world's largest money transfer networks, with approximately 220,000 agent locations in more than 195 countries. Info Touch has already successfully integrated Western Union's money order program into the TIO platform and it has been deployed to Mac's stores in Canada. We expect it will be deployed by calendar year-end to a number of ExxonMobil locations in the U.S.

**Exhibit 2: Maverik Country Store – Kiosk GUI (Main User Screen)**



Source: Info Touch

According to the BBC, Mexican immigrants in the U.S. sent home US\$16 billion in 2004, making the remittances (which grew 24% year-over-year) the country's second-biggest source of income after oil. About 10 million Mexicans live in the U.S., and the over 50 million remittance transactions conducted in 2004 accounted for more than 2% of Mexico's GDP. Paycheque and government-issued-cheque cashing is another new application Info Touch has under development in partnership with a U.S.-based processing service provider that assumes all the risk in the transaction. Overall, Info Touch continues to establish itself as having the leading automated self-serve financial services platform with bill payment being the anchor application. We also understand the company is also working on securing patents for a number of its applications and processes.

**Exhibit 3: Info Touch – Key Partners and Applications**

Location Partners	Service Providers/Billers	Applications
Circle K/Alimentation Couche-Tard	Cricket Wireless	Bill payment
ExxonMobil	Qwest Communications	Prepaid wireless and LD
Marathon Oil (Speedway SuperAmerica)	Memphis Light, Gas & Water	Digital merchandising
Kum & Go	Cox Communications	Money transfer and orders
NOCO Energy	Western Union	e-Coupons
Maverik Country Stores	A top 5 U.S. wireless carrier	Cheque cashing
Mac's	EWI Prepaid (a PIN-based product aggregator)	Maps and directions
Cricket (retail locations)	GTECH	Lottery
	A leading check-cashing service provider	Web surfing and e-mail
	IPP (a third-party bill payment aggregator)	Event ticketing

Source: Info Touch

## Outsourced Partners

To its credit, Info Touch management recognized early on when it embarked on the recurring revenue business model transformation that the company by itself could never possess the required horsepower, bandwidth and expertise to execute all aspects of deployment and operation of the TIO Network. Management set out to identify and partner with the best third-party outsourcing providers for elements of the operating model that were not deemed to be core competencies of the company. Info Touch focuses its efforts on the development of applications, the operation of its proprietary network and business development. While Info Touch does have a field operations team to oversee outsourced partners, ensuring top-rated service is delivered, it relies on three key partners for all other deployment and back-office activities.

All of Info Touch's kiosks are currently manufactured by Denver-based Kiosk Information Systems (KIS), the largest kiosk manufacturer in North America. KIS was the fifth-largest kiosk manufacturer in the world in 2003 (5.2% revenue share, behind leaders NCR, Kodak, Optimal Robotics and IBM), having leapfrogged many competitors in the prior two years. According to KIS, the company manufactures 30,000 kiosks per year. DecisionOne, headquartered in Philadelphia, is responsible for all field site preparation, kiosk installation, repairs and servicing, first-line call centre and support help desk, and second-line remote monitoring. DecisionOne serves leading companies and government agencies with tailored information technology support services that maximize the return on IT investments, minimize capital and infrastructure costs and optimize operational effectiveness. The company has over 5,000 technology professionals, an extensive geographically distributed network of service locations, and a comprehensive set of "OneSource" solutions.

**The outsourcing of the company's back-end financial and field service operations provides for a highly scalable business model.**

Finally, to complete the transformation to a fully scalable business, Info Touch signed an agreement with Palm Desert National Bank (PDNB) in December 2004 to be the exclusive vault cash and cash management services provider. PDNB, established in 1981 and a nationally chartered financial institution, is responsible for funding Info Touch's cash needs through its *reverse cash vault* program for efficient cash collection from bill-accepting kiosks. PDNB's Electronic Banking Solutions (EBS) division handles all vault cash management, balancing and reconciliation; armoured car and collections management; and settlement activities with Info Touch's billers and service providers. PDNB-EBS is a leading ATM industry cash management service provider, handling more than US\$750 million in vault cash and cash management services for about 15,000 ATMs. The outsourcing of Info Touch's back-end financial and field service operations provides for a highly scalable business model.

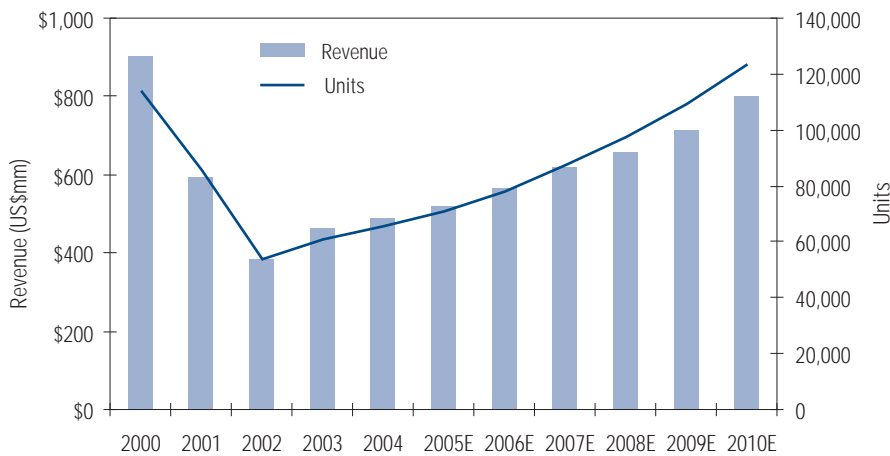
The company sells its automated financial services to both core networks, where Info Touch has significant operational involvement, and managed networks, where Info Touch has limited operational involvement and generates a mix of software licensing, maintenance and transaction fees. Managed network deals are opportunistically pursued by the company as they can represent incremental revenue without significant capital expenditure. As the demand for TIO services grows, management will continue to assess the balance between deploying and operating corporate-owned kiosks with other opportunities where it can further leverage its intellectual property without the need for capital. We expect that in the future, the company will engage with third parties such as (ISOs) and/or ATM network operators that will own and operate TIO kiosks, driving further acceleration of Info Touch's recurring revenue. The company's focus will remain on locations that are consistent with its core network location strategy.

## Market Opportunity

Frost & Sullivan defines an interactive kiosk as a stand-alone or networked self-service computer-based unit, housed in an enclosure, whose primary interface with the customer is a monitor that may or may not be touchscreen based; the accent is on self-service and interactivity of the unit. In the “World Interactive Kiosk Markets” report published in 2004, Frost & Sullivan noted that 2003 marked the beginning of the revival in the fortunes of the interactive kiosk industry. It estimated the 2003 global market at US\$464 million, up 21% over 2002, with a projected CAGR of 10.7% over the 2003 to 2010 period. Not surprisingly, the U.S. accounted for 65% of the global market in 2003 and is expected to grow its share of global revenue to 69% by 2010. The retail interactive kiosk market is expected to continue to represent about 25% of the overall market. Key factors driving growth of kiosk adoption cited in the report include:

- more affordable hardware leads to faster ROI on kiosk sales;
- robust software boosts uptime and slashes maintenance expenditures;
- proliferation of technology stokes acceptance of self-service kiosks;
- recession-proof nature of the kiosk industry ensures sustained growth;
- compelling form factors and design entice users; and
- maturation of applications exhibits a strong value proposition.

**Exhibit 4: Global Interactive Kiosk Market**

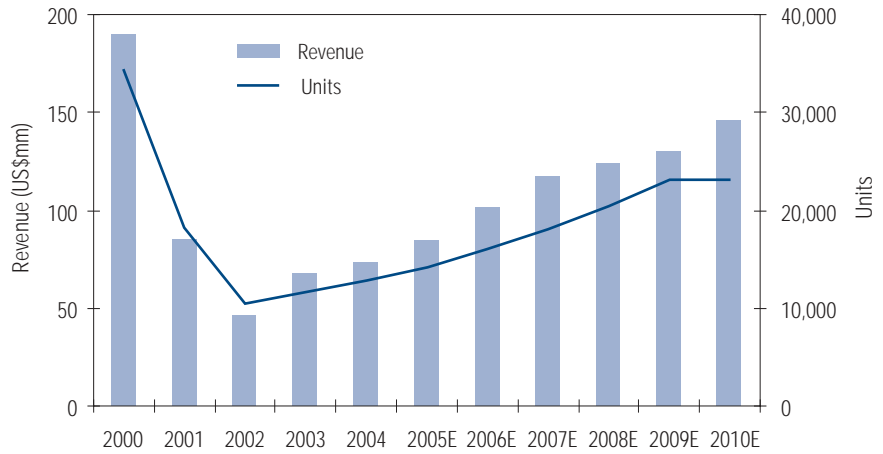


Source: Frost & Sullivan, 2004

The global interactive kiosk market is projected to experience a CAGR of 10.7% through 2010.

The U.S. accounted for over 58% of the retail kiosk vertical market in 2003 and that market share is expected to increase to 66% by 2010. There exists a broad range of retail vertical applications, including point of information, customer loyalty, HR, gift registry, quick-service restaurants, music listening, bill payment and coin counting.

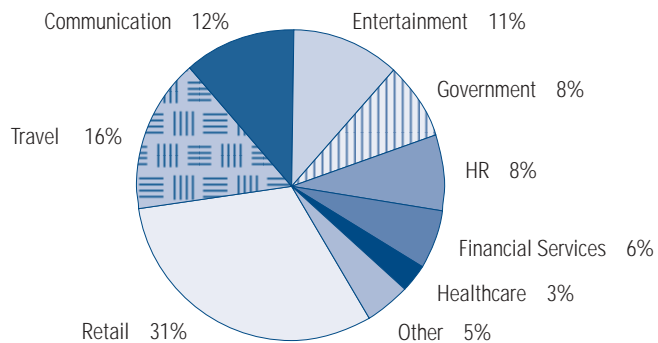
**Exhibit 5: U.S. Retail Interactive Kiosk Market**



Source: Frost & Sullivan, 2004

According to Summit Research Associates, there are over 400,000 kiosks in use today in the U.S., with retail being the leading sector, representing approximately 31% of those units. Many of the units deployed in retail settings are for information purposes: stores guides, product information, registries and catalogue ordering. For 2005, Summit projects that there will be over 500,000 in use throughout the U.S. and believes the installed base by year-end could be even higher owing to the popularity of digital photography (which currently represents nearly 25% of all kiosks deployed). Financial services represent just 6% of the units deployed, with Info Touch being identified as the leading bill payment application provider.

**Exhibit 6: U.S. Kiosk Market Sectors – 2004**



Source: Summit Research Associates, 2005

According to a leading industry consulting firm, Info Touch is the leading bill payment application provider.

As described earlier in the report, Info Touch targets the under-banked and credit-challenged U.S. population, which is estimated at 70 million to 100 million people. Over nine million U.S. households representing 40 million people do not have a bank account, according to Financial Service Centers of America, with about half of them believed to be born outside the United States. Nielsen estimates that 15% of the total U.S. population is under-banked, and according to Pelorus Group (an independent financial services industry market research and consultancy firm), 50 million adult Americans do not possess a credit card. According to a 2005 Bear Stearns Asset Management study entitled *The Underground Labor Force Is Rising to the Surface*, the number of illegal immigrants in the U.S. may be as high as 20 million, almost twice the nine million figure estimated by the U.S. Census Bureau. Undocumented immigrants hold 12 million to 15 million jobs in the U.S., or about 8% of the total employed. If this report is accurate, the number of illegal immigrants in the U.S. is approximately equivalent to the population of New York State.

While there are varying estimates regarding the number of illegal immigrants in the U.S., they all suggest the figure is large and growing. The U.S. Government's Immigration and Naturalization Services (INS) department estimated that as of January 2000, seven million unauthorized immigrants, equal to 2.5% of the population, resided in the U.S. double the number 10 years earlier. The group represented 6.5% of California's population in 2000. The Pew Hispanic Center estimates that about 11 million illegal immigrants live in the U.S. at present, holding seven million jobs, and that 88% of all illegal immigrants live in just six states (California, New York, Texas, Florida, Illinois and New Jersey). The Federation for American Immigration Reform estimates there are 10 million to 12 million illegal aliens currently residing in the United States. The Migration Policy Institute estimates roughly 500,000 illegal aliens are added to that figure every year, and U.S. immigration authorities also estimate there are over one million temporary illegal aliens, such as seasonal workers, in the U.S. at any given time. The Bear Stearns report identifies that cellular phones, the Internet and low-cost travel have allowed immigrants easier illegal access to the U.S. and have increased their ability to find employment while circumventing immigration laws.

Hispanics represent a disproportionately large portion of the unauthorized U.S. resident population and the under-banked U.S. consumer. Mexico accounted for nearly 69% of the total unauthorized U.S. resident population as of January 2000 according to the INS, and Latin America as a whole accounted for 81% according to the Pew Hispanic Center. California State University, Fullerton, estimates that 41% of U.S. Hispanics are under-banked. Hispanic consumers are estimated to represent US\$1 trillion in spending by 2008, and by 2025 the U.S. is expected to have the world's second-largest Hispanic population, second only to Mexico (Strategy Research Corporation). According to *Forbes* (July 2005), 28% of Mexico's workforce age population now resides legally and illegally in the U.S. The economic power of this group is attracting the attention of politicians, businesses and the press. In fact, *BusinessWeek* magazine's cover story for July 18, 2005 was entitled *Embracing Illegals*. According to the cover story report, 32% of all Hispanics lack bank accounts and an even higher portion of the illegal immigrant population. While the anti-immigration lobby in the U.S. is very active, it is evident that authorities are more focused on terrorism than on deporting illegals en masse. Since 9-11, the U.S.

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**The under-banked and credit-challenged U.S. population is estimated at 70-100 million. U.S. illegal immigrants could number as many as 20 million.**

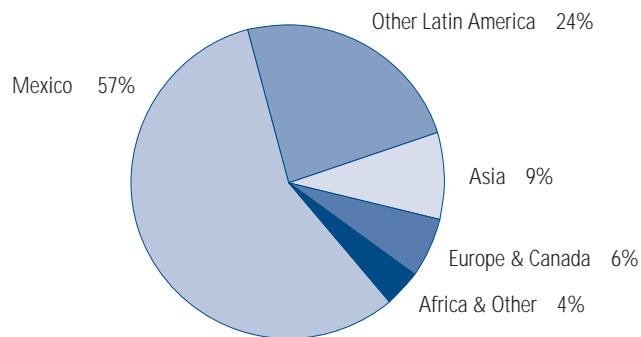
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**28% of Mexico's workforce age population is estimated to reside legally and illegally in the U.S.**

government has focused most of its efforts on catching potential terrorists that might enter the country illegally according to a June 2005 report by the U.S. Government Accountability Office (GAO). In 2004, the report cites that the U.S. Immigration & Customs Enforcement agency brought just three actions against companies for employing illegals, down from 417 in 1999. (SRC)

Not surprisingly, illegal immigrants desire to keep their identities secret for immigration reasons and tax purposes. According the Pew Hispanic Center, 39% of Latino immigrants cited legal status as a concern regarding the opening of a bank account. This leads many immigrants to use cash for the payment of bills.

#### Exhibit 7: Unauthorized U.S. Population by Country of Origin



Source: Pew Hispanic Center, 2005

The prepaid wireless market also represents a large opportunity for Info Touch as the service lends itself well to self-service automated purchase through an electronic kiosk system. Morgan Stanley estimates that 42% of wireless customer applicants in the U.S. are rejected for credit reasons. According to the Yankee Group, 21% of the 2005 U.S. wireless market is expected to be prepaid. In terms of other financial services, Info Touch management has identified money order and money transfer as other potential add-on services. Many immigrants continue to provide financial assistance to their families back in their native countries. According to the World Bank, US\$133 billion was sent home globally by immigrants in 2002. Bear Stearns estimates that annual remittances from the U.S. to Mexico tripled to US\$13 billion between 1995 and 2003. Remittances to Mexico surpassed foreign investment and tourism revenue in 2003, and were second only to oil export revenue.

## Kiosk Economics

While disclosure of Info Touch's detailed operational economics would understandably be sensitive from a competitive standpoint, we believe it is important for a potential investor in Info Touch shares to understand the leverage of the model and the attractive ROI of a kiosk deployment. The full cost of a deployed Info Touch kiosk, including shipping and installation, is approximately US\$7,000, with add-on hardware modules such as a media screen for installation above the retail location teller costing upwards of US\$1,000. It typically takes a newly installed kiosk about eight to 10 months to achieve 80% of its monthly revenue maturity on a per application basis.

For a cellular service bill payment, a typical fee is US\$3.00 per transaction, and US\$1.00 per transaction for a utility bill payment. The service provider/biller partner not only saves money by reducing the human posting errors committed by its collections agents and hence receives fewer calls at its customer call centre, but the TIO offering is also a revenue generator as the partner garners a share of the service fee. The service provider/biller typically collects 25% of the service fee. After subtracting direct costs of operating the kiosks and outsourcing costs of about US\$0.50 to US\$0.75 per transaction, the net fee is then split between Info Touch and the location partner. Info Touch keeps the majority of the net fee, which covers all the other network operating and overhead costs. Both the biller and location partner are financially motivated to drive traffic to the TIO kiosks. Based on 12 transactions per day (or about 360 per month) for a single application, the payback for a deployed kiosk takes approximately 18 months.

Potential deployment locations, markets and application opportunities are categorized as A, B and C quality. Info Touch and its partners carefully evaluate the financial viability of the market and location demographics of each region that is being contemplated prior to making deployment decisions. Management has done an excellent job in evaluating these markets, as the network-wide average number of transactions per month per mature location is over 525. Biller and location partners run promotional programs to build awareness and drive traffic to the kiosks once deployed. For example, a cellular service provider could send text messages to all its subscribers in a given region, or a local utility company could insert promotional collateral into a bill mailing. Once customers are aware of the kiosk's location and try out the system's very user-friendly graphical user interface, there is a high probability that the consumer will return. Info Touch claims that an impressive 86% of its bill payment customers return to use the system. As additional applications and billers are deployed in a region, the ROI on a deployed kiosk can improve further.

### Exhibit 8: Kiosk Economics – Summary

Kiosk hardware cost	US\$7,000-US\$8,000
80% revenue maturity/application	8-10 months
Typical bill payment fee	US\$1-\$3/transaction
Typical biller cut of fee	25%
Payback based on 12 transactions/day	~ 18 months

Source: Info Touch

## Sample Deployments

Closer examination of sample deployments provides greater insight into the success Info Touch is having with its location and biller partners and into the manner in which it expands its relationship once a successful initial rollout is achieved.

According to TradeDimensions, as of 2005 there are 132,000 convenience retail stores in the United States, of which 84,000 are part of chains and 48,000 are *mom & pop* locations.

### CIRCLE K

Info Touch's first-ever financial services kiosk deployment in the U.S. began in September 2001 when 35 units (capitalized by Info Touch) were installed at Circle K outlets in Phoenix, Arizona. Satisfied with the success the Zaplink program achieved over the first 15 months of the project, Circle K purchased an additional 65 units. In June 2003, as Info Touch realigned its business model to a recurring revenue model, an additional 60 machines capitalized by third parties were deployed, expanding the Circle K rollout to Tucson. Across the 150 kiosks deployed today with Circle K in Arizona, Info Touch processes approximately 500 transactions per kiosk per month, making this a profitable region for the company.

The vast majority of bill payment transactions have historically been with Cricket; however, other billers such as Qwest are experiencing growth in transactions and Cox Communications (which has a very large customer base in Arizona) is expected to come on line by the end of calendar 2005. In addition, a POP and advertising program is planned for Circle K's newest market, Albuquerque. In December 2003, Alimentation Couche-Tard acquired Circle K from ConocoPhillips, making it the fourth-largest convenience store operator in North America, with over 4,600 stores at that time. In April 2004, Info Touch announced that Couche-Tard subsidiary Mac's Convenience Stores would expand Zaplink into Canada. Initial deployment was at 34 Vancouver-area Mac's stores. Info Touch and Mac's had previously worked together on various in-store Internet-enabled kiosk projects. While the Vancouver-area Mac's Zaplink deployment is an important showcase installation for Info Touch in its hometown, the focus and major opportunity for the company remains in the U.S.

In October 2003, Circle K launched a self-serve lottery feature on nine Zaplink Web-based kiosks in its Modesto and Sacramento, California stores. This innovative offering was created for Circle K in conjunction with Info Touch, GTECH Holdings Corp. and the California Lottery (the kiosks and development were funded by GTECH). Circle K was the first U.S. retailer to offer customers the convenience of purchasing lottery tickets at a kiosk using a simple Internet protocol solution, in addition to the option of using a cashier.

## Exhibit 9: Circle K Convenience Store – Zaplink Kiosk Deployment



Source: Info Touch

## EXXONMOBIL

Another good example is the initial ExxonMobil E-Wiz deployment of 40 kiosks in Memphis, Tennessee, which began in May 2004. After just two months, the average number of transactions per kiosk per month reached 200 and rose to almost 350 within six months. One year after the initial launch in Memphis, the kiosks are averaging about 675 transactions per month, with the anchor billers being Cricket Wireless and Memphis Light, Gas & Water (MLGW), which was activated in October 2004. Info Touch collects a US\$1.00 processing fee from each utility bill transaction and MLGW does not share in this fee. Memphis represents another profitable region for the company.

Following the successful launch in Memphis, Info Touch announced in January 2005 the rollout of a minimum of 25 E-Wiz kiosks to ExxonMobil TigerMarket and On the Run convenience stores in Nashville, Tennessee (19 have been deployed to date). In May 2005, Info Touch announced the rollout of E-Wiz kiosks at participating On the Run convenience stores in Charlotte, North Carolina. The self-service, cash-accepting electronic kiosks enable convenience store customers to use cash to pay wireless, utility, cable and other bills, as well as purchase prepaid products and services. The expansion followed the successful launch of the E-Wiz program at TigerMarket convenience stores in Memphis and subsequently in Nashville, and there are currently a total of 78 E-Wiz kiosks deployed. The expansion into North Carolina marked the first time E-Wiz terminals were deployed at

**We anticipate that ExxonMobil will roll out E-Wiz kiosks to additional markets.**

ExxonMobil On the Run franchise locations. The company also announced that additional electronic-based payment options and financial services, such as money order purchases, money transfer services, prepaid credit and debit cards, cheque cashing, mobile content and prepaid PIN-based products, are also being considered for the E-Wiz kiosks. We anticipate that ExxonMobil will roll out E-Wiz kiosks to additional markets.

#### **Exhibit 10: ExxonMobil E-Wiz Kiosk and Cheque Cashing Sidecar**

**Unit on Display at ExxonMobil Shareholder Meeting 2005**



Source: Info Touch

#### **OTHER DEPLOYMENTS IN 2005**

**The company has announced numerous other kiosk deployments thus far in 2005.**

The company has also made numerous other announcements during 2005 regarding the expansion of its TIO kiosk network. In January 2005, Info Touch announced a test market deployment of *Speed e-connect* kiosks to 26 Speedway SuperAmerica stores in Dayton, Ohio. Speedway is the third-largest company-owned and -operated convenience store chain in the U.S., with more than 1,600 stores in nine states. On the heels of the successful Dayton test deployment, Info Touch and Speedway announced in July 2005 the deployment of 15 kiosks in the Toledo market.

In February 2005, Kum & Go and Info Touch announced the rollout of self-service bill payment and financial service kiosks starting with 34 locations in Omaha, Nebraska, and Tulsa, Oklahoma. Kum & Go, the 22nd-largest convenience store chain in the U.S., began in 1959 in Hampton, Iowa, and has grown to more than 420 convenience stores in 13 states (Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Colorado, Arkansas, Wyoming and Wisconsin).

NOCO Energy and Info Touch announced in March 2005 the rolling out of self-serve automated touch-screen kiosks at 25 designated NOCO Express convenience stores in Buffalo, New York. With 32 locations in Buffalo and Rochester, NOCO Express is western New York's premier convenience store/gasoline chain.

In May 2005, Info Touch announced an agreement with Maverik Country Stores, Inc. to deploy self-serve automated bill payment and financial services touch-screen terminals at 35 select convenience stores in Salt Lake City, Utah, and Boise, Idaho. Maverik operates about 170 convenience stores in several western U.S. states including Arizona, Colorado, Idaho, Montana, Utah and Wyoming.

## Competition

In Appendix D we present the profiles of a number of comparable companies, which generate transaction revenue and/or are involved in transaction processing. There are many companies that participate in the automated financial services marketplace; however, there exist relatively few with any scale that compete with Info Touch in the self-service kiosk arena. The automated teller machine (ATM) industry is very fragmented and penetration levels are approaching maturity within the U.S., suggesting that ATM companies may be important partners and/or consolidators in Info Touch's market. We expand on three companies that we consider to be Info Touch's main and/or emerging competition. We note that consolidation activity in the industry has been relatively quiet to date, and we expect that to change going forward.

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**ATM companies may be important partners and/or consolidators in Info Touch's market.**

### CASHWORKS ([WWW.CASHWORKSINC.COM](http://WWW.CASHWORKSINC.COM))

Dallas-based and privately held Cashworks was founded in 2001 and was acquired by GE Consumer Finance-Americas in February 2004. Industry rumours suggest that the acquisition price was in the order of US\$36 million and that the company had limited revenue at the time of acquisition. Cashworks specializes in over-the-counter cheque cashing, using a "PayPort" point-of-sale device that sits on the cashier's counter. In April 2004 it replaced Certegy as 7-Eleven's cheque-cashing service provider for 7-Eleven's proprietary "Vcom" self-service kiosks. GE Financial Services has publicly stated that it believes there is a huge unmet demand in the U.S. for basic financial services like payroll cheque cashing, bill payment and money transfer. In addition in October 2004, Cashworks began a rollout of its cheque-cashing solution to Circle K stores. Cashworks was also conducting a clerk-assisted cheque-cashing trial with ExxonMobil; however, ExxonMobil ended the pilot with Cashworks in favour of a self-service solution that Info Touch expects to deploy by calendar year end in partnership with a U.S.-based service provider that assumes all the transaction risk. Cashworks provides its clerk-assisted cheque-cashing solution through 2,700 U.S. merchants and recently announced its first kiosk deployment.

### **INCOMM ([WWW.INCOMM.COM](http://www.incomm.com))**

Atlanta-based Incomm was founded in 1992 and is the largest provider of prepaid services in the United States. The company focuses on pay-as-you-go offerings, including prepaid long distance phone cards, mobile communications, stored-value gift cards and downloadable music (e.g., prepaid Napster cards). Incomm has deployed its solution at over 50,000 retail locations, including Wal-Mart, Kroger, 7-Eleven and Staples. The company acts as an aggregator that works with most major wireless operators (including AT&T Wireless, Verizon and T-Mobile) and sells PINs through a point-of-sale device that resides at the cashier. Incomm has publicly commented that it intends to develop a self-service kiosk solution to offload customer congestion from the cashier desk. Info Touch has established a strategic alliance with Atlanta-based PreSolutions ([www.presolutions.com](http://www.presolutions.com)), Incomm's main competitor. Incomm is a well-capitalized private company with extensive retailer and wireless carrier relationships.

### **CHOICEPAY ([WWW.CHOICEPAYCORP.COM](http://www.choicepaycorp.com))**

ChoicePay is one of the nation's largest electronic bill payment services providers, offering a comprehensive suite of integrated payment channels and options, and technology tools for high-volume billers and their customers. With ChoicePay, customers can make bill payments by cash, cheque, credit card or debit card via the company's telephone interactive response call centre, the Internet or a kiosk network. Headquartered in Tulsa, Oklahoma, ChoicePay is a subsidiary of Tulsa National Bankshares, Inc., a federally regulated bank holding company that also owns Tulsa National Bank. Terminals accept cash or cheque payments, offer assistance in English or Spanish, print transaction receipts and are accessible around the clock, depending on the operating hours of the kiosk location.

ChoicePay launched its new proprietary kiosk offering *Xpress Kiosk* at five retail locations in Tulsa in April 2005. ChoicePay is the current bill payment provider for 7-Eleven. Its solutions reside on 7-Eleven's 1,100 Vcom kiosks. The 7-Eleven Vcom kiosk is a proprietary solution that uses NCR equipment that we understand is quite expensive. 7-Eleven began the Vcom program in 1998 with a pilot at 98 stores in Texas and Florida. In total, 7-Eleven's capital investment for the 1,100-unit program was approximately US\$55 million. Through third-party service providers, 7-Eleven plans to offer various services at the kiosks, including ATM, money order and transfer, cheque cashing, prepaid phone cards, stored-value cards and bill payment.

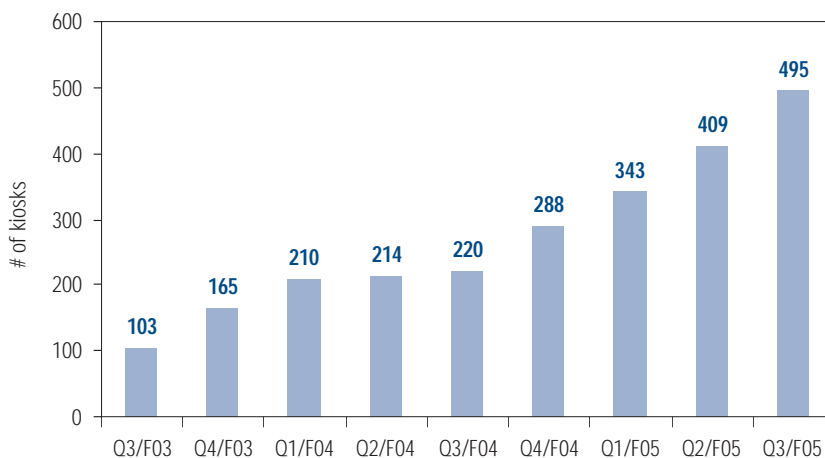
## Financial Performance

The company has experienced strong growth in recurring transaction volume and revenue since it began its transformation to a recurring revenue model through corporate ownership of deployed kiosks. Of 156 kiosks deployed by the company in fiscal 2004, all were corporate owned, whereas of the 133 deployed in fiscal 2003, only 15 were corporate owned. Consistent with this, recurring revenue began a period of strong growth. In fiscal 2003 recurring revenue was just 27% of total revenue, rising to 70% in fiscal 2004 and 88% in the most recent quarter (Q3/F05).

Transaction revenue is derived and recognized from pay-per-use customer fees as a transaction is completed. A wireless or cable bill payment fee is typically US\$3.00, whereas a utility bill payment fee is in the order of US\$1.00. In some markets, the utility bill payment fee is likely to increase. A portion of the transaction fee is remitted to location and biller partners as described earlier in the report and is recorded in COGS. Info Touch's back-office partner Palm Desert National Bank collects the proceeds of pay-per-use bill payments and other transactions performed at its kiosks. These funds, historically recorded as Cash Held Pending Distribution on Info Touch's balance sheet, are paid out to service provider/biller partners in accordance with contractual agreements.

As seen in Exhibits 11 through 13, Info Touch has posted very strong growth in the number of deployed kiosks, bill payment transaction volume and transaction revenue over the past 18 months as the company executed its business model transformation. In Q2/F04, Info Touch had just two applications being offered with one biller (Cricket) and three location partners. Over the following six quarters, Info Touch's results substantiate a dramatic expansion of its offerings and market presence. In Q3/F05 the company had 11 applications with seven billers and nine location partners. These results demonstrate the scalability of Info Touch's recurring revenue business model driven by kiosk deployment, applications and billing partners. We expect continued growth in recurring transaction revenue as more kiosks are deployed, new billers are added, and additional applications are developed.

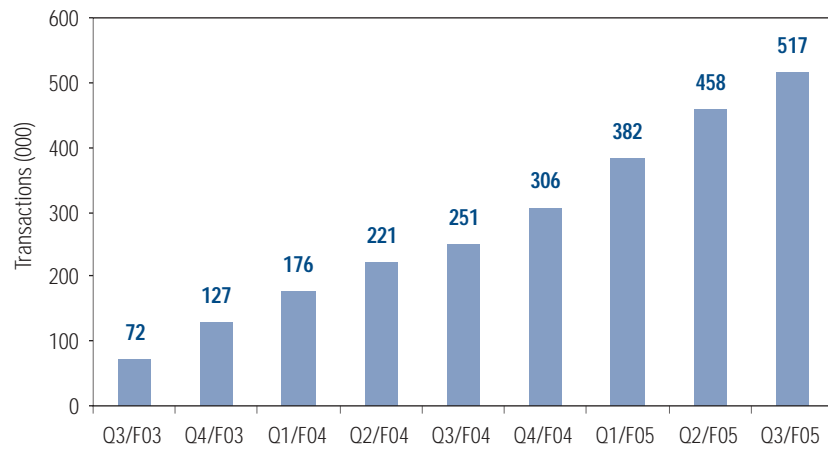
### Exhibit 11: Info Touch – Number of TIO Network Kiosks



Source: Info Touch

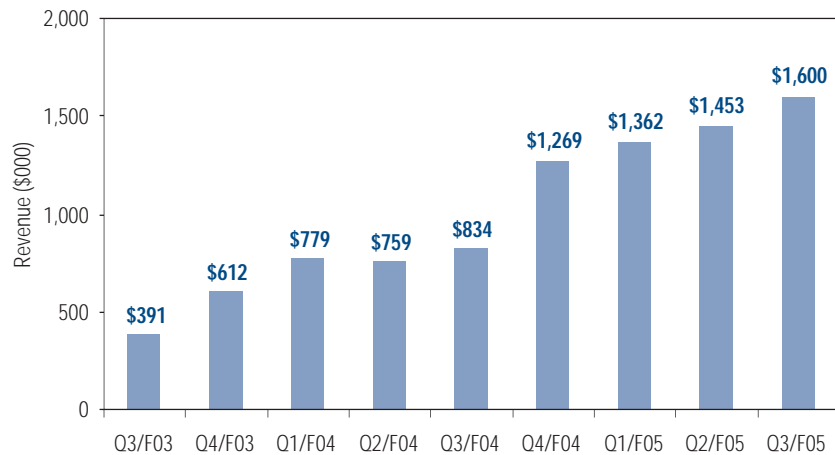
Info Touch has posted very strong growth in kiosks deployed, bill payment transaction volume, and recurring transaction revenue over the past 18 months

**Exhibit 12: Info Touch – Number of Bill Payment Transactions per Quarter**



Source: Info Touch

**Exhibit 13: Info Touch – Recurring Transaction Revenue per Quarter**



Source: Info Touch

## Fiscal 2004 Results

At the end of fiscal 2003, management made a major strategic decision to shift the company's revenue model from a one-time sales model (heavily dependent on kiosk hardware sales) to a recurring revenue model (based on transaction fees). Larger one-time sales generate greater near-term margin and therefore once the revenue model shift had begun, near-term profitability was expected to suffer in order to gain greater visibility on revenue and improve the longer-term financial health of the company. In just one fiscal year, management was able to successfully execute the strategic plan regarding corporate ownership of kiosks in order to optimize the company's share of lifetime recurring transaction revenue. Not surprisingly, fiscal 2004 revenue of \$6.1 million declined 10% and Info Touch reported a net loss of \$1.3 million, versus a \$0.9 million profit in fiscal 2003. Info Touch maintained ownership of all of the 156 kiosks deployed in fiscal 2004, versus just 15 of 133 deployed in fiscal 2003.

The dramatic shift in revenue model is much more apparent upon examination of the sales breakdown. Fiscal 2003 kiosk hardware sales were 50% of total revenue, or \$3.4 million, whereas in fiscal 2004 they accounted for only 6%, or less than \$0.4 million. Given that it takes eight to 10 months for a new kiosk deployment to reach 80% of its mature transaction volume per application, Info Touch's improved recurring revenue performance is staggered by about three quarters following a deployment. That said, transaction revenue more than doubled and represented 59% of total revenue in fiscal 2004 (or \$3.6 million), versus 22% (or \$1.5 million) in fiscal 2003. Total recurring revenue (transaction plus maintenance services) increased 134% to \$4.3 million (or 70% of fiscal 2004 revenue) from \$1.9 million (or 27% of fiscal 2003 revenue). Almost \$600,000 of the increased loss in fiscal 2004 was attributed to three elements that were not as significant in fiscal 2003. Owing to increased corporate ownership of kiosks, amortization rose to \$0.24 million from \$0.08 million, stock option expense jumped to \$0.1 million from zero, and legal fees to \$0.25 million, compared to almost nil.

## Q3/F05 Results

Info Touch's Q3/F05 (April 30) results reported June 15, 2005 reflected continued acceleration in kiosk deployment and recurring transaction revenue. During the quarter, 86 kiosks were deployed (versus 66 in Q2), bringing the total in the T10 network to 495. The kiosk deployment rate grew 125% year-over-year, total transaction volume increased 106% year-over-year and total recurring revenue grew 71% year-over-year. Q3 revenue increased by 34% to \$2.0 million and a net loss of \$587,000 was reported (which included a 152% increase in amortization expense to \$145,000 and \$71,000 in interest charges that were virtually nil in the year-ago period). The company also recorded a \$0.1 million bad debt expense in the quarter related to a prior legacy solution deal. Transaction services represented 82% of the total, versus 57% in Q3/F2004, and revenue from the sale of kiosk systems was negligible. Total recurring revenue of \$1.7 million, or 88% of the total, was up 71%. Self-service bill payment transaction volume grew 107% year-over-year to 517,000 as the number of kiosks enabled for this application grew 81% to 398. Sequential transaction

Kiosk hardware sales were 50% of total revenue in fiscal 2003, 6% in fiscal 2004 and virtually nil in Q3/F05.

Q3/F05 recurring revenue grew 71% year over year.

volume growth was an impressive 13% as deployed kiosks mature. The company completed a \$2.1 million convertible debenture financing during the quarter. Info Touch ended the quarter with \$2.1 million in cash and about the same amount in debt. We note that approximately \$0.43 million of the debt is actually forward revenue sharing commitments.

On a year-to-date basis, total revenue increased 31% to \$6.0 million and has been primarily derived from transaction services (73% of the total, versus 51% in the prior nine-month period). Bill payment transaction volume grew 109% to 1,357,000. Total recurring revenue increased 64% and accounted for \$4.8 million, or 79% of the total, versus 63% in the prior nine-month period.

## Financial Projections

As stated above, Info Touch's results over the past 18 months clearly demonstrate the scalability of the company's recurring revenue business model driven by kiosk deployment, applications and billing partners. We expect continued growth in recurring transaction revenue as new kiosks are deployed, more billers are added, and additional applications are developed.

We expect the company will continue to roll out kiosks with premier location and service provider partners at a rate of about 30 per month, with the rate starting to accelerate in the second half of fiscal 2006 (to the mid 30s per month) and then again in fiscal 2007 (to the low 40s per month by fiscal year-end). The total number of TIO kiosks in operation could more than triple over the next two fiscal years. Info Touch has deployed kiosks to only about 500 of its location partners' 15,000 stores in the U.S. We do not expect all those other locations to be economically viable for deploying a kiosk. Even if we assume a worst-case scenario where Info Touch signs no additional biller or location partners going forward, we estimate that Info Touch has enough *runway* of viable sites to occupy its deployment capacity through the end of calendar 2006 (well into fiscal 2007).

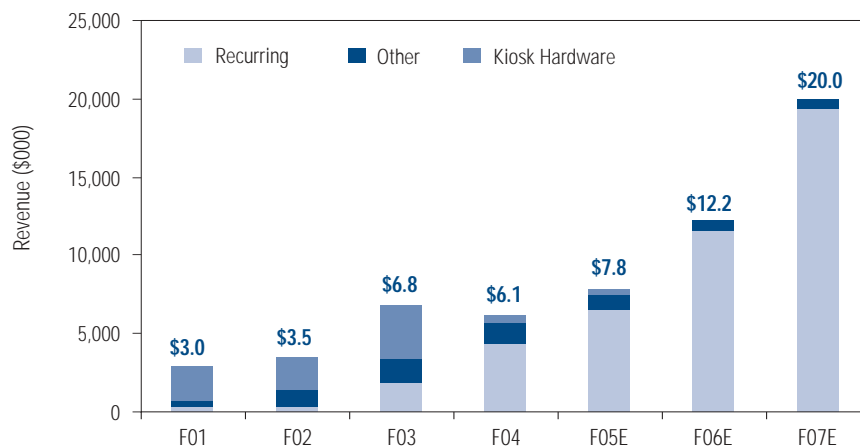
As presented in our detailed financial model in Appendix B beginning on page 31, we expect Info Touch's total revenue growth to accelerate through our forecast period. We forecast total revenue to grow by 27% in fiscal 2005, 56% in fiscal 2006 and 64% in fiscal 2007. Recurring transaction revenue is forecast to experience a very healthy CAGR of 73% over our three-year forecast period (fiscal 2005 through fiscal 2007). Based on our projections, the company's EBITDA loss should narrow in the first three quarters of fiscal 2006. We anticipate that Info Touch will achieve EBITDA breakeven in Q4/F06 and continue to be EBITDA positive on a quarterly basis thereafter. For fiscal 2006, we expect an EBITDA loss of \$0.6 million on \$12.2 million in revenue and an adjusted EPS loss of \$0.04. We project positive EBITDA of just under \$2.0 million in fiscal 2007 on \$20.0 million in revenue (9.5% EBITDA margin) along with adjusted earnings of \$0.03 (adjusted for amortization and stock-based compensation).

Continued growth in recurring transaction revenue expected as new kiosks are deployed, more billers are added, and additional applications are launched.

We anticipate Info Touch will achieve EBITDA breakeven or better starting in one year (Q4/F06).

To fund its growth, we anticipate the company will need to secure \$10 to \$15 mm of capital over the next 12 to 18 months. We have modelled the raising of \$12.5 million of cash through equity offerings during fiscal 2006, but note that the company has other capital-raising options available to fund the purchase and deployment of kiosks. The capital raising we have modelled is more than we project the company to require prior to becoming cash flow positive toward the end of fiscal 2007; however, we believe greater fiscal strength could accelerate the business even further. Please see Appendix B for our detailed financial model.

#### Exhibit 14: Info Touch – Revenue Split History and Projections



Source: Info Touch, GMP

Recurring transaction revenue forecast to post a CAGR of 73% from fiscal 2005 through fiscal 2007.

## Valuation and Recommendation

After having slipped during the second half of calendar 2004, Info Touch's share price has recovered during the first half of 2005 to about the level the stock was trading at one year ago. We believe the recent strength and higher trading volumes are a result of strong year-to-date results that demonstrate good progress on kiosk deployments and recurring transaction revenue growth, as well as the addition of new billers and location partners. The company has also announced a number of new and expanded kiosk rollouts thus far in 2005. In addition, management has leveraged the company's recent progress into a renewed investor relations effort to broaden the awareness of the Info Touch story. There are a number of opportunities and risks associated with the Info Touch story, as summarized in Exhibit 15 on page 28.

## Exhibit 15: Info Touch – Opportunities and Risks

Opportunities	Risks
<ul style="list-style-type: none"> <li>• Under-banked population in U.S. growing</li> <li>• Billers looking for ways to reduce collection and call-centre costs</li> <li>• Location operators looking to drive repeat visitors</li> <li>• Kiosk hardware costs dropping as functionality improves</li> <li>• Limited penetration to date of locations of partners under contract</li> <li>• New applications such as money transfer, money orders and cheque cashing</li> <li>• Convergence with mature and highly penetrated ATM industry</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing capital requirements to fund growth of corporate-owned kiosks</li> <li>• Location owners deciding to go it alone</li> <li>• Service fee sustainability</li> <li>• Strategic partner demand for greater share of service fee</li> <li>• Scaling and control of outsourced deployment and back-office operations</li> <li>• Potential entry of larger players with established brands</li> <li>• Reliance on promotional programs of location and service partners</li> </ul>

Source: GMP

In Appendix A on page 29 we have presented the financial information and relative valuation metrics of a number of publicly listed transaction processing comparables, along with other companies that have successfully developed a recurring revenue business model. The comparable companies we examined trade at healthy multiples, which we believe is a reflection of the predictability and profit potential of a recurring revenue model, as well as the sizeable market opportunity available. The multiple averages are summarized below in Exhibit 15. On average, companies with a successful recurring revenue model trade above the transaction processing group. We believe this may have to do with the commoditized nature of standard financial transactions and the fact that many of these companies compete on cost. We view IFT as a blend of these two types of companies. In addition, IFT has a first-mover advantage in the industry, with its proven TIO solution deployed to about 500 retailer locations. As outlined in detail in this report, the company has a broad collection of marquee location, biller and application partners. Given this, we believe IFT warrants a valuation multiple that is closer to that of the recurring revenue model group of comparables.

As we were going to print with this report, ExxonMobil and Info Touch announced a major expansion to the E-Wiz kiosk network deployment. Additional units are being deployed to new markets in Chicago, Florida and California. ExxonMobil also stated in its press release that the expansion is expected to continue in additional markets in 2006. With this E-Wiz network expansion, it is possible that ExxonMobil's deployment of Info Touch kiosks and resident applications could double over the next six months.

**Exhibit 16: Info Touch – Comparable NFY Multiples Summary**

	P/S	P/E	P/EBITDA	EV/S	EV/EBITDA
Transaction processors	2.3x	17.5x	8.7x	2.3x	8.6x
Recurring revenue model	3.8x	40.7x	21.8x	3.3x	17.7x
Overall average	3.2x	28.8x	15.5x	2.9x	13.3x
Info Touch	0.9x	25.0x	9.6x	0.9x	9.7x

Source: GMP, I/B/E/S

To arrive at our target price, we are using a relatively conservative fiscal 2007 P/S multiple of 2.0 times (equal to a P/EBITDA multiple of about 20.0 times). This would still rank IFT conservatively on a P/S basis relative to the recurring revenue comparables which trade at a P/S multiple average of 3.8 times and 2.3 times for the transaction processors. We believe this valuation to be more than justified, given the strong projected growth of recurring transaction revenue, our expectation that the company will be EBITDA positive on a quarterly basis in one year, the likelihood that new location and biller partners will be signed, and additional applications launched. Using this multiple we arrive at our target price of \$1.70. As the company scales, we could foresee potential target price upside due to multiple expansion and estimate revisions.

**We initiate coverage of Info Touch with a BUY rating and a 12-month target price of \$1.70.**

As the company scales, we could foresee potential target price upside due to multiple expansion and estimate revisions.

## Appendix A: Comparables

	Ticker	Price July 15	Market Cap (mm)	Net Cash (mm)	Net Cash/ Shr (f.d.)	EV (mm)	Fiscal Year	Last Qtr Rpt'd	Last Qtr Sales YOY	Growth Seq.	Sales Est. (mm)		Earnings	
											CFY	NFY	CFY	NFY
<b>InfoTouch</b>	<b>IFT-V</b>	<b>\$0.75</b>	<b>\$18.1</b>	<b>(\$0.2)</b>	<b>(\$0.01)</b>	<b>\$18.3</b>	<b>Jul</b>	<b>Q3/05-Apr</b>	<b>34.0%</b>	<b>0.8%</b>	<b>\$12.2</b>	<b>\$20.0</b>	<b>(\$0.04)</b>	<b>\$0.03</b>
<b>Transaction Processor Comparables</b>														
First Data	FDC-N	\$40.13	\$31,413.8	(\$699.8)	(\$0.89)	\$32,113.6	Dec	Q2/05-Jun	3.3%	5.3%	\$10,366.3	\$11,806.7	\$2.33	\$2.65
Total System Services	TSS-N	\$23.96	\$4,725.6	\$96.0	\$0.49	\$4,629.6	Dec	Q1/05-Mar	22.7%	13.9%	\$1,195.3	\$1,306.8	\$0.95	\$1.09
Checkfree	CKFR-Q	\$34.32	\$3,193.5	\$349.3	\$3.75	\$2,844.2	June	Q3/05-Mar	23.2%	2.9%	\$752.5	\$827.0	\$1.43	\$1.54
Global Payments	GPN-N	\$63.75	\$2,556.6	(\$39.8)	(\$0.99)	\$2,596.4	May	Q3/05-Feb	20.3%	3.7%	\$781.0	\$868.4	\$2.35	\$2.70
Certegy	CEY-N	\$38.00	\$2,388.6	(\$173.2)	(\$2.76)	\$2,561.9	Dec	Q1/05-Mar	(0.4%)	(6.9%)	\$1,132.3	\$1,237.7	\$1.84	\$2.11
eFunds	EFD-N	\$18.00	\$917.4	\$298.7	\$5.86	\$618.7	Dec	Q1/05-Mar	(18.9%)	(12.5%)	\$474.3	\$518.0	\$0.95	\$1.16
iPayment	IPMT-Q	\$36.86	\$672.0	(\$166.0)	(\$9.10)	\$837.9	Dec	Q1/05-Mar	104.3%	61.0%	\$670.9	\$720.5	\$1.85	\$2.15
Global Access	GAXC-U	\$1.42	\$26.4	(\$0.4)	(\$0.02)	\$26.8	Dec	Q1/05-Mar	68.6%	(1.9%)	\$20.0	\$28.0	\$0.06	\$0.14
<b>Recurring Revenue Model Comparables</b>														
Salesforce.com	CRM-N	\$22.80	\$2,653.2	\$125.5	\$1.08	\$2,527.6	Jan	Q1/06-Apr	66.7%	17.6%	\$302.7	\$443.3	\$0.16	\$0.31
Websense	WBSN-Q	\$52.91	\$1,309.0	\$267.6	\$10.81	\$1,041.5	Dec	Q1/05-Mar	38.9%	7.9%	\$147.8	\$179.2	\$1.48	\$1.75
Concur Technologies	CNQR-Q	\$10.04	\$363.4	\$14.0	\$0.39	\$349.4	Sep	Q2/05-Mar	30.8%	6.4%	\$72.4	\$87.8	\$0.18	\$0.33
@Road	ARDI-Q	\$3.02	\$173.3	\$110.8	\$1.93	\$62.6	Dec	Q1/05-Mar	11.7%	0.4%	\$84.7	\$96.2	(\$0.08)	\$0.06
Kintera	KNTA-Q	\$4.40	\$131.0	\$39.4	\$1.32	\$91.6	Dec	Q1/05-Mar	207.9%	22.1%	\$49.0	\$82.5	(\$0.91)	(\$0.04)
LivePerson	LPSN-Q	\$2.94	\$116.0	\$12.7	\$0.32	\$103.3	Dec	Q1/05-Mar	21.6%	6.8%	\$22.7	\$30.4	\$0.05	\$0.11
Descartes	DSGX-Q	\$2.45	\$108.3	\$26.1	\$0.59	\$82.2	Jan	Q1/06-Apr	(14.7%)	2.5%	\$46.0	\$49.1	\$0.06	\$0.07

## Appendix A: Comparables (cont'd)

Company	Price/Sales		EV/Sales		P/E		P/EBITDA		EV/EBITDA	
	CFY	NFY	CFY	NFY	CFY	NFY	CFY	NFY	CFY	NFY
<b>InfoTouch</b>	<b>1.5</b>	<b>0.9</b>	<b>1.5</b>	<b>0.9</b>	<b>nm</b>	<b>25.0</b>	<b>nm</b>	<b>9.6</b>	<b>nm</b>	<b>9.7</b>
<b>Transaction Processor Comparables</b>										
First Data	3.0	2.7	3.1	2.7	17.3	15.1	9.3	8.5	9.5	8.7
Total System Services	4.0	3.6	3.9	3.5	25.1	22.0	11.5	10.2	11.2	10.0
Checkfree	4.2	3.9	3.8	3.4	24.1	18.3	12.9	12.0	11.5	10.7
Global Payments	3.3	2.9	3.3	3.0	27.2	23.6	12.4	10.9	12.6	11.1
Certegy	2.1	1.9	2.3	2.1	20.6	18.1	9.5	8.5	10.2	9.1
eFunds	1.9	1.8	1.3	1.2	18.9	15.5	8.8	7.5	5.9	5.0
iPayment	1.0	0.9	1.2	1.2	19.9	17.1	6.4	5.9	8.0	7.3
Global Access	1.3	0.9	1.3	1.0	23.7	10.1	9.1	6.4	9.2	6.5
<b>Average (excl. IFT)</b>	<b>2.6</b>	<b>2.3</b>	<b>2.5</b>	<b>2.3</b>	<b>22.1</b>	<b>17.5</b>	<b>10.0</b>	<b>8.7</b>	<b>9.8</b>	<b>8.6</b>
<b>Recurring Revenue Model Comparables</b>										
Salesforce.com	8.8	6.0	8.3	5.7	139.9	74.3	108.6	47.8	103.5	45.5
Websense	8.9	7.3	7.0	5.8	35.8	30.3	23.9	20.0	19.0	15.9
Concur Technologies	5.0	4.1	4.8	4.0	57.4	30.5	43.7	24.0	42.0	23.0
@Road	2.0	1.8	0.7	0.7	nm	47.9	75.4	20.7	27.2	7.5
LivePerson	2.7	1.6	1.9	1.1	nm	nm	136.2	5.2	95.2	3.7
Kintera	5.1	3.8	4.5	3.4	55.5	26.0	27.3	13.6	24.3	12.2
Descartes	2.4	2.2	3.6	2.7	40.8	35.0	21.7	21.7	16.5	16.4
<b>Average (excl. IFT)</b>	<b>5.0</b>	<b>3.8</b>	<b>4.4</b>	<b>3.3</b>	<b>65.9</b>	<b>40.7</b>	<b>62.4</b>	<b>21.8</b>	<b>46.8</b>	<b>17.7</b>
<b>Total average (excl. IFT)</b>	<b>3.7</b>	<b>3.2</b>	<b>3.4</b>	<b>2.9</b>	<b>38.9</b>	<b>28.8</b>	<b>34.4</b>	<b>15.5</b>	<b>27.1</b>	<b>13.3</b>

### Notes:

CFY = Current fiscal year; NFY = Next fiscal year

IFT estimates in C\$; all other companies in US\$

IFT CFY reflects F2006 estimates; IFT NFY reflects F2007 estimates

IFT EPS (f.d.) estimates adjusted for amortization of property and equipment, and stock-based compensation

All other estimates from I/B/E/S and in US\$, except where noted

EPS are fully diluted and exclude amortization and non-recurring charges

nm = not meaningful

Source: Company reports, GMP, I/B/E/S

## Appendix B: Info Touch – Financial Statements – Income Statement (\$000)

Year-end July 31

	F03	Q1/F04	Q2/F04	Q3/F04	Q4/F04	F04	Q1/F05	Q2/F05	Q3/F05	Q4/F05E	F05E	Q1/F06E	Q2/F06E	Q3/F06E	Q4/F06E	F06E	F07E
Transaction revenue	1,523	779	759	834	1,269	3,641	1,362	1,453	1,600	1,650	6,065	2,153	2,605	2,996	3,379	11,132	18,951
Maintenance revenue	328	194	180	174	148	696	134	113	119	95	461	119	117	118	119	472	476
Kiosk systems revenue	3,408	127	138	41	65	371	237	81	7	5	330	1	-	-	-	1	-
Proserv, software, other revenue	1,574	441	529	414	51	1,435	384	298	234	58	973	155	156	158	159	628	606
<b>Total revenue</b>	<b>6,833</b>	<b>1,541</b>	<b>1,606</b>	<b>1,463</b>	<b>1,533</b>	<b>6,142</b>	<b>2,117</b>	<b>1,945</b>	<b>1,960</b>	<b>1,809</b>	<b>7,830</b>	<b>2,427</b>	<b>2,878</b>	<b>3,271</b>	<b>3,657</b>	<b>12,234</b>	<b>20,032</b>
Cost of sales	2,945	674	804	739	1,077	3,295	1,262	1,246	1,266	1,303	5,076	1,697	2,034	2,295	2,580	8,606	13,644
Gross profit	3,887	866	801	724	456	2,847	855	699	694	506	2,754	731	844	976	1,078	3,628	6,388
Operating expenses:																	
General and administration	1,828	511	516	633	(80)	1,581	446	414	483	470	1,814	488	498	510	494	1,990	2,018
Legal and professional	-	-	-	-	602	602	64	124	121	127	435	117	127	124	102	470	509
Research and development	-	-	-	-	215	215	70	88	112	127	397	138	155	154	146	594	710
Selling and marketing	911	220	219	231	344	1,014	216	250	227	235	927	299	299	307	293	1,198	1,265
Total operating expenses	2,739	732	735	864	1,081	3,412	796	876	943	959	3,573	1,041	1,079	1,096	1,035	4,251	4,503
<b>EBITDA</b>	<b>1,148</b>	<b>134</b>	<b>66</b>	<b>(141)</b>	<b>(625)</b>	<b>(565)</b>	<b>58</b>	<b>(177)</b>	<b>(249)</b>	<b>(453)</b>	<b>(820)</b>	<b>(310)</b>	<b>(235)</b>	<b>(120)</b>	<b>43</b>	<b>(623)</b>	<b>1,886</b>
Amortization of property and equipment	81	36	54	58	97	245	108	123	145	175	550	225	270	310	345	1,150	1,775
Amortization of deferred financing costs	-	-	-	-	-	-	-	-	4	12	16	12	12	12	12	48	48
Bad debt expense	85	-	-	12	378	390	(4)	14	100	15	125	15	15	15	15	60	60
Foreign exchange loss (gain)	61	34	(1)	(26)	56	63	109	(13)	18	-	113	-	-	-	-	-	-
Interest expense (income)	3	(1)	-	1	7	7	8	46	71	128	253	138	149	160	174	621	806
(Gain) loss on disposal of property and equipment	-	-	-	(2)	-	(2)	(16)	(0)	1	-	(16)	-	-	-	-	-	-
Reprted net income	918	65	13	(183)	(1,162)	(1,268)	(146)	(345)	(587)	(783)	(1,862)	(701)	(682)	(617)	(504)	(2,503)	(804)
<b>Reported EPS - basic</b>	<b>\$0.07</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$0.01)</b>	<b>(\$0.07)</b>	<b>(\$0.08)</b>	<b>(\$0.01)</b>	<b>(\$0.02)</b>	<b>(\$0.03)</b>	<b>(\$0.04)</b>	<b>(\$0.09)</b>	<b>(\$0.03)</b>	<b>(\$0.03)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.09)</b>	<b>(\$0.02)</b>
<b>Reported EPS - fully diluted</b>	<b>\$0.05</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$0.01)</b>	<b>(\$0.07)</b>	<b>(\$0.08)</b>	<b>(\$0.01)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.03)</b>	<b>(\$0.08)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>(\$0.08)</b>	<b>(\$0.02)</b>
Adjusted net income	999	122	83	(111)	(1,024)	(930)	(38)	(201)	(404)	(563)	(1,206)	(431)	(372)	(287)	(139)	(1,228)	1,051
<b>Adjusted EPS - basic</b>	<b>\$0.07</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>(\$0.01)</b>	<b>(\$0.06)</b>	<b>(\$0.06)</b>	<b>(\$0.00)</b>	<b>(\$0.01)</b>	<b>(\$0.02)</b>	<b>(\$0.03)</b>	<b>(\$0.06)</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>(\$0.00)</b>	<b>(\$0.05)</b>	<b>\$0.03</b>
<b>Adjusted EPS - fully diluted</b>	<b>\$0.06</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>(\$0.01)</b>	<b>(\$0.06)</b>	<b>(\$0.06)</b>	<b>(\$0.00)</b>	<b>(\$0.01)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.05)</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>(\$0.00)</b>	<b>(\$0.04)</b>	<b>\$0.03</b>
# of shares (000) - basic	13,396	14,256	15,340	15,532	16,269	15,038	19,759	19,766	19,802	19,877	19,782	26,144	26,219	26,294	33,344	26,917	33,494
# of shares (000) - fully diluted	15,303	16,578	16,578	15,532	16,269	16,338	19,759	19,766	24,131	24,206	21,080	30,473	30,548	30,623	37,673	31,246	37,823

## Appendix B: Info Touch – Financial Statements – Income Statement Ratios (\$000)

Year-end July 31	F03	Q1/F04	Q2/F04	Q3/F04	Q4/F04	F04	Q1/F05	Q2/F05	Q3/F05	Q4/F05E	F05E	Q1/F06E	Q2/F06E	Q3/F06E	Q4/F06E	F06E	F07E
<b>Ratios (% of revenue)</b>																	
Transaction	22%	51%	47%	57%	83%	59%	64%	75%	82%	91%	77%	89%	91%	92%	92%	91%	95%
Maintenance	5%	13%	11%	12%	10%	11%	6%	6%	6%	5%	6%	5%	4%	4%	3%	4%	2%
Kiosk systems	50%	8%	9%	3%	4%	6%	11%	4%	0%	0%	4%	0%	0%	0%	0%	0%	0%
Proserv, software, other	23%	29%	33%	28%	3%	23%	18%	15%	12%	3%	12%	6%	5%	5%	4%	5%	3%
General and administration	27%	33%	32%	43%	(5%)	26%	21%	21%	25%	26%	23%	20%	17%	16%	14%	16%	10%
Legal and professional	0%	0%	0%	0%	39%	10%	3%	6%	6%	7%	6%	5%	4%	4%	3%	4%	3%
Research and development	0%	0%	0%	0%	14%	4%	3%	5%	6%	7%	5%	6%	5%	5%	4%	5%	4%
Selling and marketing	13%	14%	14%	16%	22%	17%	10%	13%	12%	13%	12%	12%	10%	9%	8%	10%	6%
Gross margin	57%	56%	50%	49%	30%	46%	40%	36%	35%	28%	35%	30%	29%	30%	29%	30%	32%
EBITDA margin	17%	9%	4%	(10%)	(41%)	(9%)	3%	(9%)	(13%)	(25%)	(10%)	(13%)	(8%)	(4%)	1%	(5%)	9%
Adjusted net margin	15%	8%	5%	(8%)	(67%)	(15%)	(2%)	(10%)	(21%)	(31%)	(15%)	(18%)	(13%)	(9%)	(4%)	(10%)	5%
<b>Sequential Growth %</b>																	
Transaction		27%	(3%)	10%	52%		7%	7%	10%	3%		31%	21%	15%	13%		
Maintenance		113%	(7%)	(3%)	(15%)		(9%)	(16%)	5%	(20%)		25%	(2%)	1%	1%		
Kiosk systems		(91%)	9%	(70%)	59%		265%	(66%)	(91%)	(23%)		(80%)	na	na	na		
Proserv, software, other		32%	20%	(22%)	(88%)		652%	(22%)	(22%)	(75%)		165%	1%	1%	1%		
Total revenue		(37%)	4%	(9%)	5%		38%	(8%)	1%	(8%)		34%	19%	14%	12%		
Total recurring revenue		38%	(4%)	7%	41%		6%	5%	10%	2%		30%	20%	14%	12%		
<b>Year-over-Year Growth %</b>																	
Transaction	304%	406%	107%	114%	107%	139%	75%	92%	92%	30%	67%	58%	79%	87%	105%	84%	70%
Maintenance	na	169%	120%	111%	62%	112%	(31%)	(37%)	(32%)	(35%)	(34%)	(11%)	3%	(1%)	25%	2%	1%
Kiosk systems	57%	(12%)	(8%)	(98%)	(95%)	(89%)	87%	(41%)	(83%)	(92%)	(11%)	(100%)	na	na	na	(100%)	na
Proserv, software, other	60%	40%	66%	(32%)	(85%)	(9%)	(13%)	(44%)	(44%)	14%	(32%)	(60%)	(48%)	(32%)	173%	(35%)	(4%)
Total revenue	93%	125%	75%	(47%)	(38%)	(10%)	37%	21%	34%	18%	27%	15%	48%	67%	102%	56%	64%
Total recurring revenue	391%	331%	109%	113%	101%	134%	54%	67%	71%	23%	51%	52%	74%	81%	100%	78%	67%

## Appendix B: Info Touch – Financial Statements – Balance Sheet (\$000)

Year-end July 31

	F03	Q1/F04	Q2/F04	Q3/F04	Q4/F04	F04	Q1/F05	Q2/F05	Q3/F05	Q4/F05E	F05E	Q1/F06E	Q2/F06E	Q3/F06E	Q4/F06E	F06E	F07E
<b>Current Assets</b>																	
Cash & cash equivalents	1,011	1,405	1,149	448	1,349	1,349	1,250	876	2,085	722	722	4,516	3,577	2,604	8,728	8,728	7,327
Cash held pending distribution	472	3,026	1,369	1,372	1,845	1,845	1,185	-	-	-	-	-	-	-	-	-	-
Accounts receivable	324	354	444	688	97	97	437	2,052	2,205	2,512	2,512	2,427	2,878	3,053	3,373	3,373	4,436
Prepaid expenses and deposits	129	135	150	705	170	170	183	197	234	259	259	240	248	252	238	238	267
Inventory	-	207	186	77	352	352	491	600	789	789	789	788.77	788.77	788.77	788.77	788.77	788.77
	1,935	5,128	3,299	3,289	3,813	3,813	3,546	3,725	5,312	4,282	4,282	7,972	7,491	6,698	13,128	13,128	12,818
Property and equipment	499	874	872	1,035	1,884	1,884	1,840	1,762	2,301	2,822	2,822	3,412	4,007	4,612	5,242	5,242	7,892
Deferred financing costs	-	-	-	-	-	-	-	-	133	121	121	109	97	85	73	73	25
<b>Total Assets</b>	<b>2,434</b>	<b>6,003</b>	<b>4,171</b>	<b>4,324</b>	<b>5,697</b>	<b>5,697</b>	<b>5,386</b>	<b>5,487</b>	<b>7,746</b>	<b>7,224</b>	<b>7,224</b>	<b>11,492</b>	<b>11,594</b>	<b>11,394</b>	<b>18,442</b>	<b>18,442</b>	<b>20,735</b>
<b>Current liabilities</b>																	
Accounts payable & accrued liabilities	1,213	897	723	944	956	956	1,174	1,016	1,459	1,549	1,549	1,862	2,148	2,340	2,530	2,530	4,132
Payable to deployment partners	472	3,026	1,369	1,372	1,845	1,845	1,185	1,797	2,135	2,305	2,305	2,262	2,762	3,009	3,340	3,340	4,605
Current portion of capital lease obligation	-	-	-	-	-	-	102	115	119	123	123	127	132	136	141	141	13
Current portion of long term debt	70	197	199	202	33	33	35	83	142	118	118	94	71	47	24	24	-
Customer deposits and deferred revenue	472	466	423	414	438	438	345	372	359	362	362	359	360	360	358	358	369
Deferred lease inducement	42	24	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,269	4,609	2,721	2,932	3,271	3,271	2,841	3,383	4,214	4,456	4,456	4,705	5,473	5,892	6,392	6,392	9,118
Capital lease obligation	-	-	-	-	-	-	257	217	185	153	153	120	85	49	13	13	-
Convertible promissory notes	-	-	-	-	-	-	-	-	1,718	1,780	1,780	1,845	1,912	1,981	2,055	2,055	2,370
Long term debt	141	514	514	514	635	635	605	528	427	356	356	285	214	143	72	72	-
	141	514	514	514	635	635	862	745	2,330	2,289	2,289	2,249	2,211	2,173	2,139	2,139	2,370
<b>Shareholders' equity</b>																	
Capital stock	5,344	5,918	5,946	6,054	7,684	7,684	7,706	7,706	7,727	7,727	7,727	12,427	12,427	12,427	19,477	19,477	19,477
Warrants	30	225	225	225	599	599	599	599	599	599	599	599	599	599	599	599	599
Equity portion of convertible promissory notes	-	-	-	-	-	-	-	-	371	371	371	371	371	371	371	371	371
Contributed surplus	1,420	1,441	1,457	1,473	1,545	1,545	1,562	1,584	1,621	1,666	1,666	1,711	1,751	1,771	1,791	1,791	1,871
Deficit	(6,770)	(6,705)	(6,692)	(6,875)	(8,037)	(8,037)	(8,184)	(8,529)	(9,116)	(9,884)	(9,884)	(10,570)	(11,237)	(11,839)	(12,327)	(12,327)	(13,071)
	25	880	936	878	1,790	1,790	1,683	1,359	1,201	478	478	4,538	3,911	3,329	9,910	9,910	9,246
<b>Total Liab. &amp; Shareholders' Equity</b>	<b>2,434</b>	<b>6,003</b>	<b>4,171</b>	<b>4,324</b>	<b>5,697</b>	<b>5,697</b>	<b>5,386</b>	<b>5,487</b>	<b>7,746</b>	<b>7,224</b>	<b>7,224</b>	<b>11,492</b>	<b>11,594</b>	<b>11,394</b>	<b>18,442</b>	<b>18,442</b>	<b>20,734</b>

## Appendix B: Info Touch – Financial Statements – Cash Flow Statement (\$000)

Year-end July 31

	F03	Q1/F04	Q2/F04	Q3/F04	Q4/F04	F04	Q1/F05	Q2/F05	Q3/F05	Q4/F05E	F05E	Q1/F06E	Q2/F06E	Q3/F06E	Q4/F06E	F06E	F07E
<b>Operating Activities</b>																	
Net income (loss)	918	65	13	(183)	(1,162)	(1,268)	(146)	(345)	(587)	(783)	(1,862)	(701)	(682)	(617)	(504)	(2,503)	(804)
Amortization of property and equipment	82	36	54	58	97	245	108	123	145	175	550	225	270	310	345	1,150	1,775
Bad debt expense	84	-	-	12	378	390	(4)	14	100	15	125	15	15	15	15	60	60
Amortization of deferred financing cost	-	-	-	-	-	-	-	-	4	12	16	12	12	12	12	48	48
Accrued interest: convertible promissory notes	-	-	-	-	-	-	-	-	20	62	83	65	67	69	74	275	315
Stock-based compensation	-	21	16	16	41	95	17	21	38	45	121	45	40	20	20	125	80
Interest accretion on long term debt	-	-	-	-	10	10	-	-	-	-	-	-	-	-	-	-	-
Loss/(gain) on disposal of property and equipment	-	-	-	(2)	-	(2)	(16)	(0)	1	-	(16)	-	-	-	-	-	-
Operating cash flow	1,085	122	83	(99)	(636)	(530)	(42)	(188)	(280)	(474)	(983)	(339)	(278)	(191)	(38)	(845)	1,474
Net change in non-cash working capital	5	(440)	(297)	(487)	329	(895)	(360)	(37)	348	(90)	(139)	352	309	240	195	1,096	1,634
<b>Cash prov'd by (used in) operations</b>	<b>1,090</b>	<b>(318)</b>	<b>(214)</b>	<b>(586)</b>	<b>(307)</b>	<b>(1,425)</b>	<b>(402)</b>	<b>(224)</b>	<b>68</b>	<b>(564)</b>	<b>(1,122)</b>	<b>13</b>	<b>31</b>	<b>49</b>	<b>157</b>	<b>251</b>	<b>3,108</b>
<b>Investing Activities</b>																	
Purchase of property and equipment	(398)	(429)	(69)	(227)	(946)	(1,671)	(140)	(46)	(684)	(696)	(1,565)	(815)	(865)	(915)	(975)	(3,570)	(4,425)
Net proceeds on disposition of prop. and equip.	-	-	-	-	2	2	92	1	-	-	92	-	-	-	-	-	-
<b>Cash prov'd by (used in) investing</b>	<b>(398)</b>	<b>(429)</b>	<b>(69)</b>	<b>(227)</b>	<b>(944)</b>	<b>(1,669)</b>	<b>(48)</b>	<b>(45)</b>	<b>(684)</b>	<b>(696)</b>	<b>(1,473)</b>	<b>(815)</b>	<b>(865)</b>	<b>(915)</b>	<b>(975)</b>	<b>(3,570)</b>	<b>(4,425)</b>
<b>Financing Activities</b>																	
Issuance of common shares and units	163	825	28	109	2,197	3,158	22	-	21	-	43	5,000	-	-	7,500	12,500	-
Issuance of convertible promissory notes	-	-	-	-	-	-	-	-	2,100	-	2,100	-	-	-	-	-	-
Share and unit issuance costs	(11)	(56)	-	-	(163)	(220)	-	-	(168)	-	(168)	(300)	-	-	(450)	(750)	-
Proceeds from capital lease	-	-	-	-	-	-	405	-	-	-	405	-	-	-	-	-	-
Repayment of obligation under capital lease	-	-	-	-	-	-	(46)	(27)	(27)	(32)	(133)	(33)	(35)	(36)	(37)	(141)	(13)
Repayment of long term debt	-	-	-	-	-	-	(30)	(77)	(101)	(71)	(280)	(71)	(71)	(71)	(71)	(284)	(72)
Long term debt	141	373	-	-	122	495	-	-	-	-	-	-	-	-	-	-	-
<b>Cash prov'd by (used in) financing</b>	<b>292</b>	<b>1,142</b>	<b>28</b>	<b>109</b>	<b>2,155</b>	<b>3,433</b>	<b>350</b>	<b>(104)</b>	<b>1,824</b>	<b>(103)</b>	<b>1,968</b>	<b>4,596</b>	<b>(106)</b>	<b>(107)</b>	<b>6,942</b>	<b>11,325</b>	<b>(84)</b>
Net change in cash from operations	985	394	(256)	(704)	904	338	(100)	(373)	1,208	(1,363)	(627)	3,794	(939)	(973)	6,124	8,006	(1,402)
Cash, beginning of period	27	1,011	1,405	1,150	445	1,011	1,350	1,250	877	2,085	1,350	722	4,516	3,577	2,604	722	8,728
Cash, end of period	1,011	1,405	1,150	445	1,350	1,350	1,250	877	2,085	722	722	4,516	3,577	2,604	8,728	8,728	7,327

## Appendix C

### Senior Management Profiles

#### HAMED SHAHBAZI, COFOUNDER, CHAIRMAN, PRESIDENT AND CEO

- BAsC (Engineering), University of British Columbia
- Negotiation for Business Executives, Harvard Law School
- Chief architect of Info Touch's business and market vision
- Eight years in kiosk industry
- Integral to securing clients and strategic alliances
- Recipient of Business in Vancouver's 40Under40 Award
- Named to Hall of Fame of *PROFIT 100* magazine (youngest leader on 2003 *PROFIT 100* list)
- Founder and chairman of the World Development Foundation
- Unicef BC Volunteer of the Year nominee 1996–97

#### JOSE GUERRERO, CHIEF FINANCIAL OFFICER

- CPA, MA
- Joined Info Touch in April 2000
- More than 20 years' experience in senior financial and operating positions
- Finance director, Johnson & Johnson Mexico
- General controller, Wal-Mart Mexico
- Project manager, Marubeni Corporation (Fuyo Group) Mexico and Japan
- Administration and finance manager, Samsung Corporation Korea and Mexico
- Executive positions with Mexico Health Ministry
- Certified in project management at Simon Fraser University

#### JAMES SANDERS, CHIEF OPERATING OFFICER

- Joined Info Touch in June 2002 as COO
- Responsible for third-party outsourcing partnerships, field deployments and operations
- More than 20 years' experience in senior management positions with leading technology and insurance companies in Canada and the U.K.

- Senior executive responsible for services, Tiny Computers, U.K.'s largest PC manufacturer
- Senior executive responsible for customer service, Kwik Fit Insurance Service (Edinburgh, U.K.)
- Head of customer service, DX Communications (Glasgow, U.K.)

### **JOSEPH NAKHLA, CHIEF MARKETING OFFICER**

- Six years with Butler Survey (Satellite Equipment and Electronics)
- Joined Info Touch in May 1998; responsible for creating and implementing policies and procedures in sales and marketing departments
- Responsible for distribution strategy and building strategic partnerships
- Studied civil and structural engineering at British Columbia Institute of Technology

### **STEVE BARHA, CHIEF INFORMATION OFFICER**

- Joined Info Touch in July 2004
- Responsible for leading Info Touch's development team and driving the company's professional services and R&D programs, including strategic leadership of the company's fundamental architecture and product suite
- Previously, founding CEO of Santra Technology, the pioneer of Web services performance monitoring
- Senior management positions at THINQ Learning Solutions, TELUS Enterprise Solutions (formerly Columbus Group Communications) and Emerge Online

### **CHRIS ERICKSEN, SENIOR VICE PRESIDENT, SERVICES**

- Over 12 years' experience in advertising, marketing and graphic communications
- Joined Info Touch in March 2001
- Post-graduate studies at the Emily Carr College of Art and Design
- Started Chris Ericksen Design in 1994 with customers including major Canadian and U.S. companies
- Responsible for development of third-party applications and transactional relationships
- Involved in Info Touch marketing, branding and partner communication

## Appendix D

### Comparable Profiles

**Certegy (CEY:NYSE):** Certegy provides credit and debit processing, check risk management, cash access, merchant processing and e-banking services to over 6,500 financial institutions, 117,000 retailers and 100 million consumers worldwide. The company is headquartered in St. Petersburg, Florida and has operations in the United States, United Kingdom, Ireland, France, Chile, Brazil, Australia, New Zealand, Thailand and the Caribbean. In 2004, Certegy generated over US\$1 billion in revenue.

**CheckFree (CKFR:NASDAQ):** CheckFree was founded in 1981 and provides financial electronic commerce services and products to organizations around the world. CheckFree's Electronic Commerce solutions allows financial services providers and billers to offer their customers the ability to receive and pay their household bills online or in person through retail outlets.

**eFunds (EFD:NYSE):** For over 30 years, eFunds Corporation has specialized in electronic payments and risk management. The company offers electronic funds transfer software and processing, risk management and related outsourcing solutions to financial institutions, electronic funds transfer networks, retailers, telecommunications providers, and government agencies around the world. eFunds currently employs over 4,000 people and has offices in the United States, Australia, India, United Kingdom and Canada.

**First Data (FDC:NYSE):** First Data provides electronic commerce and payment solutions to businesses and consumers worldwide. The company serves over 4.1 million merchant locations, 1,400 card issuers and millions of consumers. First Data's portfolio of services and solutions includes credit, debit, private-label, smart and stored-value card issuing and merchant transaction processing, money transfer, money orders, as well as Internet commerce and mobile solutions. Western Union and its subsidiary, Orlandi Valuta are First Data's flagship business with more than 225,000 Agent locations in more than 200 countries and territories.

**Global Access (GAXC:OTC):** Global Access was founded in 2001 and is headquartered in Ponte Vedra Beach, Florida. The company is a rapidly growing, independent, electronic financial transaction processing company specializing in consumer cash-oriented transactions. The company is comprised of three business units which include the ownership, sale, distribution and maintenance of ATM's, ATM transaction processing and most recently, stored-value cards and e-payroll services. GAXC provides consumers access to cash through a rapidly expanding independent network of ATMs located at retail outlets, convenience stores, supermarkets and workplaces throughout the country. In addition, GAXC provides outsourcing of ATMs and processing services to small, independent banks and credit unions. The Company currently owns and operates over 3,500 ATM's in 42 states and provides proprietary ATM branding and processing for over 70 financial institutions with approximately 650 branded sites nationwide. In addition, the company targets potentially new ATM users with web-based solutions to provide financial services to the un-banked customer, such as payroll distribution products, money transfer and pre-paid products/services.

**Global Payments (GPN:NYSE):** Global Payments is a provider of electronic transaction processing services for consumers, merchants, ISO's, financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, Latin America and Europe. Global Payments offers processing solutions for credit and debit cards, business-to-business purchasing cards, gift cards, electronic check conversion and check guarantee, verification and recovery, as well as terminal management. The company also provides consumer money transfer services from the U.S. and Europe to destinations in Latin America, Morocco, the Philippines and India. The company processes over 2.7 billion transactions per year and services more than one million merchant locations.

**iPayment (IPMT:NASDAQ):** iPayment is a provider of credit and debit card-based payment processing services to over 130,000 small merchants across the United States. iPayment's payment processing services allow merchants to process both traditional card-present, or "swipe," transactions, as well as card-not-present transactions, including transactions over the internet or by mail, fax or telephone. The small merchants that the company serves typically generates less than US\$250,000 of charge volume per year and have an average transaction volume of US\$75.

**TSYS (TSS:NYSE):** Based in Columbus, Georgia, TSYS is 81%-owned by Synovus Financial Corporation (SNV:NYSE). For over 20 years, TSYS has offered outsourced payment services and a range of issuer- and acquirer-processing technologies that support consumer-finance, credit, debit and prepaid services for financial institutions and retail companies in North America, Europe and the Asia-Pacific. Through its wholly owned subsidiary, Vital Processing Services, TSYS is able to provide end-to-end payment solutions to merchants who process millions of debit, credit and other card transactions every year.

## Appendix E: Cricket Bill Payment

### Sample TIO Kiosk Screen GUI Shots

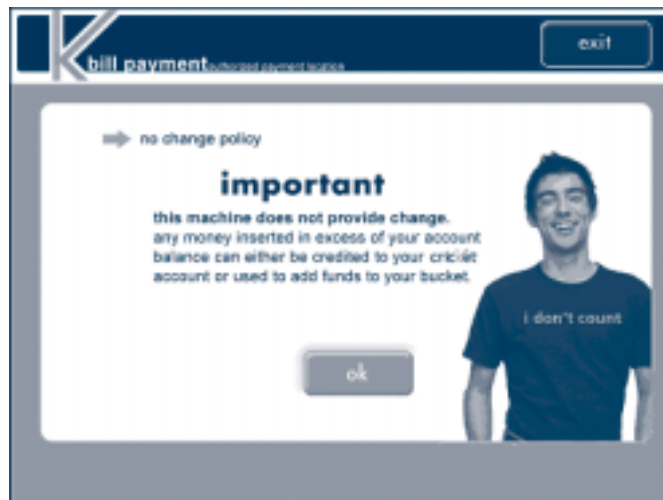
#### STEP 1 OF 9



#### STEP 2 OF 9



#### STEP 3 OF 9



STEP 4 OF 9

The screenshot shows a mobile application interface for bill payment. At the top, there is a header with a large 'K' logo, the text 'bill payment', and a smaller subtitle 'enhanced payment service'. An 'exit' button is in the top right corner. The main content area has a prompt: 'please enter your phone number - then hit ok'. Below this is a text input field containing the example '(208) 353-1798'. To the right of the input field is a numeric keypad with buttons for digits 1-9, 0, and 'clear'. Each digit button also has a small label: 1 (one), 2 (ABC), 3 (DEF), 4 (GHI), 5 (JKL), 6 (MNO), 7 (PQRS), 8 (TUV), 9 (WXYZ), 0 (call), and 'clear'. A 'back space' button is located below the keypad. At the bottom right, there is a 'continue' button.

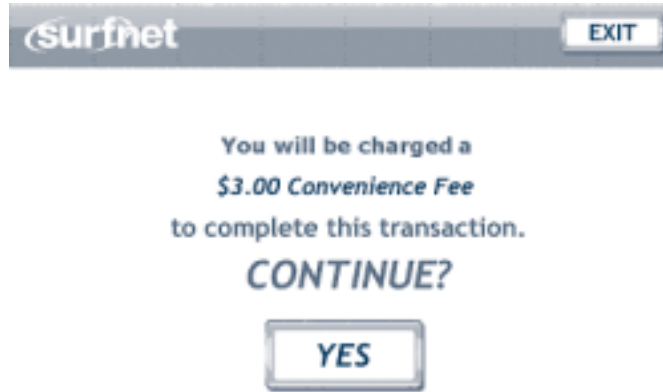
STEP 5 OF 9

The screenshot shows the next step in the bill payment process. The header and 'exit' button are identical to the previous screen. The prompt now reads: 'enter your zip code or cricklet account number - then hit ok'. The text input field contains the example '83705'. The numeric keypad and 'back space' button are the same as in Step 4. A 'continue' button is located at the bottom right.

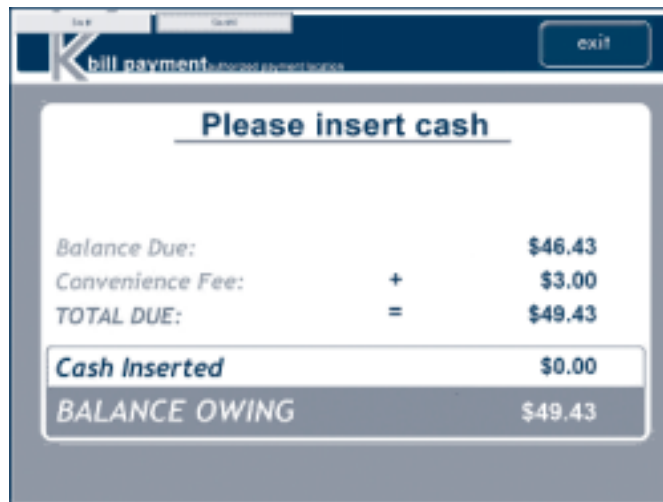
STEP 6 OF 9

The screenshot shows the account verification step. The header and 'exit' button are consistent. The prompt asks 'is this your account?'. Below this is a box containing the following information: 'customer: RACHEL SHYDER', 'phone #: 2083531798', and 'account #: 42025626044'. To the right of this box is a photograph of a woman, Rachel Snyder, with the text 'i don't count' overlaid on the image. Below the information box, there is a paragraph of text: 'your cricklet payments will post in 30 minutes or less between the hours of 8am-8pm Pacific Time. If it is after 8pm your payments will not post until the following morning after 8am.' At the bottom of the screen, there are two buttons: 'no' on the left and 'yes' on the right.

STEP 7 OF 9



STEP 8 OF 9



STEP 9 OF 9



Source: Info Touch

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**Hold.** Small cap stocks ranked Hold will have a total return potential of 0% to 15%; large cap stocks ranked Hold will have a total return potential of 0 to 10%.

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