

CREATIVE EYE
INFORMATION STATEMENT
Relating to the Purchase of
Membership Interests in the form of Common Stock
in
CREATIVE EYE, INC.

July 1, 2001

Photographers and Illustrators Copyright Agency doing business as Creative Eye, Inc. ("CE") is a Delaware corporation which was formed to act as agent to photographers and illustrators wishing to license/use stock photographs and illustrations. CE will operate on a cooperative basis. It will be owned and controlled by its members, and its net earnings will be returned to the members each year in the form of a patronage refund paid in accordance with the Bylaws of CE.

To become a member, you must purchase one share of common stock at \$100 per share and execute a membership agreement. The common stock merely evidences membership in CE. There is no right to receive dividends on the common stock and it is not transferable.

This Information Statement is being provided to assist you in evaluating the business decision to become a member of CE. The text of the Information Statement is intended only to provide certain facts and highlights regarding CE. It is not intended to be a complete statement of all material features of the organization and is qualified in its entirety by more detailed information contained in the attached Certificate of Incorporation (the "Certificate") and Bylaws. See **"CONSIDERATIONS FOR PROSPECTIVE MEMBERS"** below to read about factors you should consider before becoming a member of CE.

It is the view of CE that the shares of common stock offered do not qualify as securities under the federal and state securities laws or are otherwise exempt from registration under state securities laws. Neither the Securities and Exchange Commission nor any state securities regulatory authority has approved or disapproved the shares of common stock being offered or passed upon the accuracy or adequacy of this Information Statement and any representation to the contrary is a criminal offense. [NOTE: This section is subject to revision based on state securities laws requirements.]

No person has been authorized by CE to give any information or to make any representations concerning CE other than as contained in this Information Statement or the other written materials delivered with this Information Statement and, if given or made, must not be relied upon as having been authorized by CE.

CE has agreed to make available to representatives of each prospective member the opportunity to ask questions of, and receive answers from, the Board of Directors of CE (the "Board") concerning the new organization and to obtain, to the extent CE possesses such or can acquire it without unreasonable effort or expense, any additional information which is necessary to verify the accuracy of the information set forth in this Information Statement.

Questions, inquiries, and requests for information may be directed to Creative Eye, Inc. by mail addressed to John Greim, Chairman Creative Eye, 14 E. Third Street, Moorestown, NJ 08057 email: jgreim@mira.com.

Each prospective member must rely on its own evaluation of CE, including the merits and risks involved, in making a decision to join this organization as a cooperative member. EACH PROSPECTIVE MEMBER SHOULD CONSULT HIS OR HER OWN PROFESSIONAL ADVISORS AS TO LEGAL, TAX, AND OTHER MATTERS CONCERNING CE.

I. THE NEED FOR CE

Photographers and illustrators (referred to herein as the "Creators") are currently operating in a highly competitive marketplace, which is experiencing significant market pressure and consolidation of market opportunities. Currently, two companies in the industry, whose services include stock image distribution and in the near future assignment and editorial services, are controlling the industry. It is logical to assume that these companies will also seek control over additional markets upon product expansion. The impact of these companies on the Creators is to their disadvantage, causing the Creators to suffer from a decrease in control over both the supply and distribution of images worldwide. The result is a devastating impact on the financial viability of these Creators and the market which sustains them.

As a result of these market pressures, the concept of a cooperative came to be. The prospective members of CE are photographers and illustrators located worldwide. The goal of the cooperative is to focus on creating a collective market force, such that the photographers and illustrators stand together to compete in the market and regain control over the sale and distribution of their images. The principal objectives of the cooperative aim to dilute the negative market pressures the Creators are experiencing by developing viable services that place them in a more competitive position. CE will allow the Creators to control the quality and volume of supply of images to the marketplace, and the core distribution channel of their images. Furthermore, CE will establish standards by which the services operate and buyers participate. The result is increasing control over the market in which the Creators participate.

II. BUSINESS

CE is a cooperative owned and controlled by its members who benefit from a business model that will allow the photographers and illustrators to collectively own and utilize systems that will negotiate, transact and/or distribute their images and will collect licensing fees on their behalf. CE's impact on the industry will be directly proportional to the level and commitment of its membership. Principles of the cooperative include democratic control, return of surplus to members, cooperation, collective representation and establishment of market standards.

The concept behind the cooperative is to:

- Provide for a collective power in the marketplace, creating standards for the industry.
- Provide the means by which photographers and illustrators can change the conditions of the industry in which they work.
- Establish an organization that will place control in the Creators' hands.
- Work to maintain value for Creators' images
- Enforce rights and copyright protection.
- Preserve Creators' independence.
- Provide a means by which Creators' can establish pricing.
- Facilitate the voice of Creators, allowing for input and participation in the organizations growth and development.

CE will offer an umbrella of services including: a stock agency, an assignment/editorial program and a purchasing program – which is aimed at providing better purchasing power with equipment suppliers. Stock will be the first service the cooperative offers to its members, assignment and purchasing will follow. A member can choose to participate in any or all services. In all cases, the Creators will maintain control over their copyright and participate on a non-exclusive basis.

CE will be headquartered in Moorestown, New Jersey, where primary support for the cooperative is being provided. All services, product development, marketing, management and support will reside with the cooperative.

III. CONSIDERATIONS FOR PROSPECTIVE MEMBERS

A prospective member should consider the following factors and should review carefully this entire Information Statement and the documents referenced herein before deciding to become a member.

Limited Liability. Although all of the following are risk factors for the prospective member to consider prior to deciding to become a member of the Cooperative, a prospective member's total risk is limited to their initial Capital Contribution and Initiation Fee (as defined in the Membership Agreement) required to become a member of the Cooperative. Members will not be personally liable to the

Cooperative or any other party for liability incurred by the Cooperative other than the repayment of costs incurred by the Cooperative for additional services provided to Members by the Cooperative as set forth in the Membership Agreement

Membership Should Not Be Viewed as a Monetary Investment. Prospective members should not view membership in CE as an investment or expect to realize any return or profit on the purchase of membership stock. Rather, the decision to join CE should be based on the desire to support the foundation of the cooperative, its principles and its services. Prospective members should only expect to realize profits from participation in the cooperative in the form of licensing and patronage.

Membership Interests Are Not Transferable. The Certificate/Bylaws prohibit the transfer of common stock. Upon termination of membership, your stock must be sold back to the cooperative and your stock fee will be paid to you at face value. **(See the "Rights Upon Termination of Membership" section below.)**

Membership Interests Represented through Cooperative Representation. Creative Eye members will cooperatively own and benefit from systems that will negotiate, transact and/or distribute their images, while collecting licensing fees on their behalf providing for an artist owned system in the marketplace. Cooperative representation provides members with an opportunity to change the conditions of the industry in which they work, establishing market standards, such as pricing, rights ownership and hence value of creators' works.

Democratic Control provided to Members. Each member receives one vote with the purchase of member stock. Cooperative organizations facilitate the voice of their members, allowing for input and participation in the organization's growth and development. Therefore, Creative Eye's impact on the industry is directly proportional to the level and commitment of its membership.

Operating History. CE is a new business entity that was incorporated on May 16, 2001 and launched on July 1, 2001. It faces the expenses, risks and difficulties frequently encountered in connection with the operation and development of a new and expanding business. This limited operating history means it is difficult to guarantee the future effectiveness of the services provided by or on behalf of CE.

Resources. CE has limited resources. At the present time and for the foreseeable future, CE will be dependent upon income raised through the licensing and purchasing efforts on behalf of its members. Due to limited resources, patronage based returns to members are expected to be minimal during the development/start up phase of the cooperative.

Dependence on Third Party Purchasers and Users. In order to succeed, CE must develop and maintain relationships with purchasers and users of photographs and illustrations. It is possible that the purchasers will not participate in its programs or that

the purchasers (which have greater resources) will otherwise respond unfavorably to CE and in ways that will make CE unsuccessful or of limited benefit to its members

Competition. CE may face competition from existing agencies or other organizations which could develop in the future. Failure to compete successfully against current or potential competitors would have a material adverse effect on CE.

Potential Success. Success of the organization will initially be focused on certain product lines – stock, and purchasing. These product lines may not be beneficial for all potential participants of Creative Eye. However, CE feels these product lines will positively impact the majority of participants. Members can vote by majority to elect additional services to be provided.

Unanticipated Risks. CE is also likely to be subject to risks that have not been anticipated.

IV. MEMBERSHIP QUALIFICATIONS

Membership in CE will be limited to individuals, partnerships, corporations or other entities, who are engaged in the business of selling stock photographs and illustrations and who meet the requirements for membership contained in the Bylaws, and who are approved for membership in CE by the Board.

Section 2.2 of the Bylaws provides that members must:

- (a) subscribe and pay for one share of Membership Common Stock at its par value, plus an additional capital amount in excess of its par value as the Board may determine at the time of issuance, (i.e.: application fees for various services offered)
- (b) agree to all participation requirements, as determined by the Board,
- (c) be approved for membership in the corporation by the Board,
- (d) consent to the tax treatment of patronage dividends provided in Section 8.4 of the Bylaws, and
- (e) execute membership agreements with the corporation if then required by the Board in the form determined by the Board.

The Board may from time to time amend these membership requirements or set other membership requirements as are determined necessary or desirable to accomplish the purposes of CE.

V. MEMBERSHIP COMMON STOCK

The Common Stock of CE is referred to as Membership Common Stock because it may only be owned by members. Each member must own one and only one share. Since

each share of Membership Common Stock is entitled to one vote, each member will have one vote in all matters that come before the stockholders of CE.

Membership Common Stock is not entitled to receive dividends, but holders of this stock are entitled to receive patronage refunds on the business they do with the organization in accordance with the Certificate and Bylaws, and holders of Membership Common Stock are entitled to participate in the dissolution and liquidation of CE as provided in the Bylaws, described below at Section XIII.

Since ownership of Membership Common Stock is reflective of a stockholder's membership in the organization, this stock is not transferable. If Membership Common Stock is transferred in violation of this restriction, it shall be treated as a withdrawal from membership, and such stock shall be repurchased in accordance with the termination provisions in Section 9.3 of the Bylaws (which provide that, generally, the stock must be repurchased over a period of up to five years). Membership Common Stock transferred to an ineligible holder shall not entitle such person to do business with CE or otherwise participate in the organization as a member.

VI. MEMBERSHIP CAPITAL CONTRIBUTIONS

Each member of CE will purchase one share of Membership Common Stock for \$100.00. The amount paid for the Membership Common Stock (\$100.00) will be refunded to a member upon withdrawal or other termination of membership in accordance with Section 9.3 of the Bylaws (which may be paid in the form of a 5-year promissory note).

VII. BOARD OF DIRECTORS

The Board shall consist of up to nine (9) directors as specified from time to time by the Board. With the exception of two Board positions, only Members or owners, directors shall be eligible to be elected to the Board. The directors shall be elected by the Members pursuant to election procedures to be adopted by the Board from time to time. The term of each director shall be three (3) years except as otherwise specified by the Board in order to achieve staggered elections. No director shall be elected for more than two consecutive full 3-year terms.

Starting with the general membership meeting in 2001, the directors shall be elected for staggered terms: one-third elected for a term of one year, one-third elected for a term of two years, and one-third elected for a term of three years. If the number of directors does not divide evenly into thirds, the Board shall make a reasonable division as closely as possible approximating a division into thirds.

VIII. PATRONAGE REFUNDS

Net patronage earnings of CE will be returned to the members each year in the form of patronage refunds in accordance with the Certificate and Bylaws (except for any earnings from non-patronage activities, which will be retained by CE). A patronage refund is an amount paid to the member based on the value of business done during the year by the member participating in CE's program. For example, if a member did 10% of the patronage business with purchasers or users participating in CE's program for the fiscal year, it would receive 10% of the patronage refund for the year. CE's Bylaws authorize CE to account for these patronage refunds separately for photographers and illustrators, in separate patronage pools. This method of distributing patronage earnings can be distinguished from a regular business corporation, in which earnings or profits are paid to investors on the basis of their capital investment. In CE, patronage earnings will be returned based on the amount of business done with the cooperative, not on the basis of invested capital.

Payment of Patronage Refunds. Under the Certificate and Bylaws, patronage refunds must be paid annually, and may be paid in any combination of cash, property, or written notices of allocation. These written notices of allocation enable the cooperative to retain certain funds to meet capital needs. Written notices of allocation are redeemed at the discretion of the Board.

Federal Income Taxes. From a Federal income tax standpoint, the cooperative is able to deduct amounts distributed as a patronage refund as long as the patronage refund is paid in cash, property, or qualified written notices of allocation and otherwise meets the requirements of Subchapter T of the Internal Revenue Code. A written notice of allocation is a written notice which discloses to the recipient the stated dollar amount allocated to him by the organization and the portion thereof, if any, which constitutes a patronage refund. A "qualified" written notice of allocation is generally a written notice of allocation which the recipient has agreed to take into income at its stated amount in the year in which it is received in accordance with Section 1385(a) of the Internal Revenue Code and which is issued as part of a patronage refund at least 20% of which is paid in money or by qualified check. Under the Bylaws, the Board will determine the amount of the patronage refund, if any, which is paid in qualified written notices of allocation.

For example, if a cooperative has \$150,000 in gross patronage revenues and \$50,000 in expenses of its patronage operation for the year, its net patronage earnings would be \$100,000. If it distributes this \$100,000 in a patronage refund within 8-1/2 months of the end of the fiscal year -- 20% in cash and 80% in qualified written notices of allocation, it will be able to take a patronage refund tax deduction for the \$100,000. Thus, the cooperative will have income for the year of \$150,000 and deductions of \$150,000 (\$50,000 in expenses and \$100,000 in patronage refund), and it will pay no tax. The members, on the other hand, would have taxable income of \$100,000 on the patronage refund they received, and they would take it into income in the year in which it was received.

Nonpatronage Business. Earnings derived from non-patronage activities will not be included in the patronage refund paid to members. Earnings of this type are not entitled to the "single tax" benefit of Subchapter T, and are taxed to the cooperative at corporate income tax rates.

IX. SUSPENSION AND EXPULSION OF MEMBERS

1. Suspension.

The provisions for suspension of members are contained in Section 9.1 of the Bylaws. As set forth in Section 9.1, suspension may occur for nonpayment of amounts due CE or a vendor participating in CE's purchasing program, failure to have as its delegate an officer of the organization (unless excused), failure to submit reports, information requests, and surveys, and failure to abide by the Bylaws, and other undertakings with the organization.

Upon such suspension, all membership privileges will cease and all business transacted with CE while membership is suspended shall not be counted in determining patronage refund payments for the year. Upon removal of the cause for suspension, the suspension of membership shall be automatically lifted, and the previously suspended member shall be entitled to all membership privileges.

2. Expulsion.

(a) As set forth in Section 9.2 of the Bylaws, the Board may terminate the membership of a member for good cause, after notice to the member and a hearing. Good cause for termination shall include, but not be limited to, the following:

(i) failure to take appropriate action in a timely manner to remove the cause for suspension,

(ii) failure of the member to patronize CE or vendors participating in its purchasing program for a period of twelve months or otherwise not actively support the business of CE as determined by CE, or

(iii) activities of the member against the best interests of the corporation.

(b) Upon such termination, all membership privileges shall cease and all business transacted with CE shall not be counted in determining patronage refund payments for the year.

3. Rights Upon Termination of Membership.

In accordance with Section 9.3 of the Bylaws, in the case of withdrawal, retirement, death, or expulsion, or other termination of the membership of a member:

(a) Any Membership Common Stock held by such member shall be immediately repurchased for an amount per share in cash equal to the par value thereof, plus the additional capital amount paid for such Membership Common Stock, if any, in excess of its par value at the time of issuance, in accordance with the Membership Agreement.

(b) Any written notices of allocation held by such terminating member shall be repurchased at their stated value, in cash, payable ninety days after the date of termination.

(c) If the Board, in its sole discretion, determines that the financial condition of CE does not permit it to repurchase its stock or written notices of allocation for cash as provided by Sections 9.3(a) and (b), the Board may make any or all of the payments called for therein with an unsecured five (5) year promissory note of CE providing for interest at the rate of five (5) year promissory notes then being issued by the United States Treasury, payable annually on the anniversary date of such note.

X. DISTRIBUTION OF CE'S ASSETS UPON DISSOLUTION AND LIQUIDATION

In the event of dissolution, after paying or providing for the debts of CE, the holders of written notices of allocation shall be entitled to receive cash in the amount of the face amount of such allocations. In addition, all members intellectual property/ images will not be encumbered and will be returned to them within 60 days of dissolution.

Thereafter, holders of Membership Common Stock shall receive the par value thereof, plus the additional capital paid for such stock at the time of issuance. Thereafter, the remaining balance of the assets shall be distributed to the holders of Membership Common Stock upon the basis of the value of business done with CE during the ten fiscal years immediately preceding dissolution as shown by the records of CE. See Paragraph (D) of Article FOURTH of the Certificate.

XI. ATTACHED DOCUMENTS

Attached for your reference are the Certificate of Incorporation, Bylaws, and Membership Agreement. Please review these documents carefully.

Each prospective member must rely on its own evaluation of CE, including the merits and risks involved, in making a decision to join this organization as a cooperative member. EACH PROSPECTIVE MEMBER SHOULD CONSULT HIS OR HER OWN

PROFESSIONAL ADVISORS AS TO LEGAL, TAX, AND OTHER MATTERS
CONCERNING CE.

Questions, inquiries, and requests for information may be directed to Creative Eye, Inc. by mail addressed to John Greim, Chairman Creative Eye, 14 E. Third Street, Moorestown, NJ 08057 or by email at: jgreim@mira.com.

EXHIBIT A

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
PHOTOGRAPHERS & ILLUSTRATORS COPYRIGHT
AGENCY, INC.**

download separate document labeled
“exhibit_a_certificate_06-03.pdf”
from the Creative Eye web site
(<http://www.CreativeEyeCoop.com/>).

EXHIBIT B

**BYLAWS
OF
PHOTOGRAPHERS & ILLUSTRATORS COPYRIGHT
AGENCY, INC.**

download separate document labeled
“exhibit_b_bylaws_06-2003.pdf”
from the Creative Eye web site
(<http://www.CreativeEyeCoop.com/>).

EXHIBIT C

**CREATIVE EYE, INC.
MEMBERSHIP AGREEMENT**

download separate document labeled
“exhibit_c_agreement_06-2003.pdf”
from the Creative Eye web site
(<http://www.CreativeEyeCoop.com/>).