



T A P

S N A P

S H A R E

**TapSnap Ventures, Inc.**  
*a British Columbia Company*

102-930 1<sup>st</sup> Street West,  
North Vancouver, B.C.  
Canada V7P 3N4

[www.tapsnap.net](http://www.tapsnap.net)

**FRANCHISE DISCLOSURE DOCUMENT**

**Information for Prospective Franchisees**

THIS DISCLOSURE DOCUMENT IS PROVIDED IN ACCORDANCE WITH AND PURSUANT TO:

- SECTION 4 OF *THE FRANCHISES ACT*, R.S.A. 2000, C.F.-23 (“ALBERTA ACT”) AND REGULATIONS THERETO (“ALBERTA REGULATIONS”)
- SECTION 5 OF *THE FRANCHISES ACT*, C.C.S.M. C. F156 (“MANITOBA FRANCHISE REGULATIONS”)
- SECTION 5 OF THE *ARTHUR WISHART ACT* (FRANCHISE DISCLOSURE), S.O. 2000, C3 (“ONTARIO ACT”) AND REGULATIONS THERETO (“ONTARIO REGULATIONS”)
- SECTION 5 OF *THE FRANCHISES ACT*, S.N.B. 2007, C.F-23 (“NEW BRUNSWICK ACT”) AND REGULATIONS THERETO (“NEW BRUNSWICK REGULATIONS”)
- SECTION 5 OF *THE FRANCHISES ACT*, R.S.P.E.I. C.F.-14.1 (“PEI ACT”) AND REGULATIONS THERETO (“PEI REGULATIONS”)
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**DATE OF ISSUANCE: June 30, 2015**

**This Disclosure Document (the “Disclosure Document”) is provided for your protection and contains amongst other things, a summary only of certain material provisions of the Franchise Agreement. This Disclosure Document and all contracts or agreements should be read carefully in their entirety for an understanding of all rights and obligations of both parties, as the Franchisor, and the Franchisee.**

**OPENING STATEMENTS**

**(MADE PURSUANT TO SECTIONS 4 AND 5 OF THE ONTARIO REGULATIONS)**

A commercial credit report is a report which may include information on the Franchisor's business background, banking information, credit history and trade references. Such reports may be obtained from private credit reporting companies and may provide information useful in making an investment decision.

Independent legal and financial advice in relation to the Franchise Agreement should be sought prior to entering into the Franchise Agreement.

A prospective franchisee is strongly encouraged to contact any current or previous franchisees prior to entering into the Franchise Agreement.

The costs of goods and services acquired under the Franchise Agreement may not correspond to the lowest cost of the goods and services available in the marketplace.

Mediation is a voluntary process to resolve disputes with the assistance of an independent third party. Any party may propose mediation or other dispute resolution process in regard to a dispute under the franchise agreement, and the process may be used to resolve the dispute if agreed to by all parties.

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## **RISK WARNINGS**

### **(MADE PURSUANT TO SECTION 3 OF THE PEI REGULATIONS, SECTION 3 OF THE MANITOBA REGULATIONS AND SECTION 5(A) OF THE NEW BRUNSWICK REGULATIONS)**

1. A prospective franchisee should seek information on the franchisor and on the franchisor's business background, banking affairs, credit history and trade references.
2. A prospective franchisee should seek expert independent legal and financial advice in relation to franchising and the franchise agreement before entering into the franchise agreement.
3. A prospective franchisee should contact current and previous franchisees before entering into the franchise agreement.
4. Lists of current and previous franchisees and their contact information can be found in this disclosure document.

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## **IMPORTANT NOTES**

### **Franchise Law Jurisdictions**

This Disclosure Document sets out the terms and conditions on which we currently offer franchises in the Provinces of Alberta, Ontario, Manitoba, New Brunswick and PEI.

### **Alberta**

If you reside in Alberta, please see Item 31 of this Disclosure Document for the required statements regarding your rescission and cancellation rights, and your right of action for damages.

### **Voluntary Disclosure in Provinces without Franchise-Specific Legislation**

If you reside outside of Alberta, Manitoba, Ontario, New Brunswick or PEI, we have provided this Disclosure Document to you for informational purposes only, and on a voluntary basis. The information in this Disclosure Document has been prepared pursuant to the laws of the provinces of Alberta, Manitoba, Ontario, New Brunswick and PEI for distribution to prospective area representatives in those provinces. Accordingly, some of the information contained in the Disclosure Document is specific to prospective franchisees in those provinces only, and as a result may not be correct for you or applicable to the operation of a TapSnap™ franchised business in your area. You are encouraged to make your own investigations to ensure the accuracy of the information. Further, if you reside outside of Alberta, Manitoba, Ontario, New Brunswick or PEI, we

are providing this Disclosure Document to you on the understanding that you will not be relying in any way on the information and/or documents contained in the Disclosure Document that is/are particular to one or more of the provinces having franchise-specific legislation or that otherwise does/do not apply to a prospective franchisee in your province or territory when making your decision to proceed with the acquisition of a TapSnap™ franchised business, and to execute a franchise agreement with us.

### **Circumstances Warranting Varying Disclosures**

The amounts payable by you to us or others pursuant to Items 8, 9 and 10 and as otherwise contemplated by this Disclosure Document may differ (at times significantly) depending on whether you are:

- (a) Purchasing a new franchise from us,
- (b) Purchasing an existing TapSnap franchised business from us,
- (c) Purchasing an existing TapSnap franchised business from another franchisee of ours, or
- (d) Renewing or extending the term of your Franchise Agreement with us.

For example, if you are renewing or extending the term of your Franchise Agreement with us:

- (a) You may not necessarily need to pay us an initial franchise fee but you may need to pay us a renewal fee instead,
- (b) We may in certain circumstances waive certain related fees in such event,
- (c) The costs of your estimated initial investment may differ dramatically given that you have an existing TapSnap franchised business at the time of renewal.

We may offer franchises under different economic and other terms and conditions and we reserve the right, now and/or in the future, to offer franchises in Canada on different economic and other terms and conditions.

Please discuss this further with us for further information and clarification.

## **Construction of Disclosure Document**

This Disclosure Document contains a summary of various provisions of the Franchise Agreement and other related documents, in relatively brief language, briefness being a legal requirement. We have summarized the main features of the system described below and further information appears at appropriate points throughout this Disclosure Document. The descriptions in this Disclosure Document of various documents and their provisions are for general informational purposes only. In many cases (in the interests of brevity and understandability) only excerpts or summaries of documents are discussed. However, the actual provisions of the documents will control in any case and you should read this entire Disclosure Document and all related Franchise Agreements, and other documents for more complete information.

We have written this Disclosure Document in "Plain English" to comply with legal requirements. Any differences in the language in this Disclosure Document describing the terms, conditions or obligations under the Franchise Agreement or any other agreements is not intended to alter in any way your or our rights or obligations under the particular agreement. For further clarity, the outlines and summaries contained in this Disclosure Document do not supersede, replace or modify the actual text of the obligations contained in the relevant agreements.

## **Factors Influencing Results**

If you decide to purchase a TapSnap™ franchise offered by this Disclosure Document, your success or failure in operating the franchised business may be influenced by a number of factors, including, but not limited to, the following:

- (a) Customer demand.
- (b) Market conditions.
- (c) The nature and extent of the competition faced by you.
- (d) Your personal involvement in the day-to-day affairs of the franchised business and your ability to successfully manage the franchised business.
- (e) The skill and ability of your employees, and
- (f) Your financial resources and ability to finance the establishment, growth and expansion of your franchised business.

## **Professional Advice**

We also urge you to consult with financial, legal and other business advisors to obtain advice with respect to the information contained in these Important Notes and the Disclosure Document in its entirety.

## **Confidentiality**

The contents of this Disclosure Document are our confidential property. Should you decide against purchasing a TapSnap™ franchise you are required to return this Disclosure Document (and all copies thereof) to us.

## **References to Section Numbers**

All citations of Section numbers throughout this Disclosure Document refer to the Franchise Agreement attached hereto as Exhibit A.

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## DEFINITIONS & INTERPRETATION

To simplify the language in this Disclosure Document (“Franchisor”, “us”, “our” and “we”) means Tapsnap Ventures, Inc. “You” or “Franchisee” means the person who is being awarded the franchise. If you are a corporation, partnership, or other entity, “you” or “Franchisee” includes your owners.

Unless otherwise defined, all capitalized terms contained in this Disclosure Document have the meaning ascribed to that term in the Franchise Agreement attached to this Disclosure Document as **Exhibit ‘A’** (the "Franchise Agreement").

All monetary amounts in this Disclosure Document are shown in US dollars, unless otherwise stated, and such amounts do not include Goods and Services Tax (GST), Harmonized Sales Tax (HST) or Provincial Sales Tax (PST) which you are required to pay as well. You may be entitled to an input tax credit for any GST, HST or other Provincial tax paid by you.

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## ITEM 1.

### BUSINESS BACKGROUND OF THE FRANCHISOR

#### Franchisor's Corporate Name and Address

We are TapSnap Ventures, Inc. Our principal business address is 102 – 930 1<sup>st</sup> Street West, North Vancouver, B.C. Canada V7P 3N4

#### The Name under which the Franchisor Engages in Business

We do business under the name “TapSnap™”. We may designate other trade names, trade dress, service Marks, and trademarks as Marks. We are considering granting to the recipient of this Disclosure Document (the “Franchisee”) the right to operate a franchise within a Market Area as provided for in the franchise agreement (the “Franchised Business” or “Business”) upon the terms set out in the franchise agreement attached hereto as Exhibit A (the “Franchise Agreement”).

#### Name and Address of Agent Authorized to Accept Service

Our agents for service of process are disclosed in **Exhibit B** to this disclosure document.

#### The Business Form of the Franchisor

Our company was incorporated pursuant to the *Business Corporations Act* (British Columbia) on June 11, 2012.

#### Length of Time the Franchisor has engaged in the Business Associated with the Franchise

We grant franchises to qualified candidates in Canada for the operation of Franchised Businesses using the System and identified by the name TapSnap™ and have offered these franchises since December 2012.

TapSnap Ventures, Inc. is operated by the same management team as DVDNow Kiosks, Inc. (“DVDNow”). Founded in 2006 and with over 3,000 units deployed, DVDNow has grown to be the largest independently operated network of DVD kiosks in the world.

We have not offered franchises in any other line of business. Other than as stated above, we have no predecessors or affiliates offering franchises in any line of business, or providing products or services to our franchisees.

We have not granted any franchises in the past 5 fiscal years immediately preceding the date of this disclosure document.

#### The System

We franchise the right to operate our unique digital photo entertainment services, to be used at events, such as weddings, conventions, reunions, and other types of social gatherings, using proprietary technology as well as other ancillary and related merchandise.

#### Market

TapSnap™, the name we have given our digital photo entertainment platform. TapSnap began as a modern update to the traditional photo booth concept, which remains the most widely known component of our system. Rather than force users to sit inside of a booth, the TapSnap™ kiosk

takes photos of users standing 10-15 feet in front of the unit, allowing for group shots of any size and for the subjects to pose in a variety of positions. Photos are displayed on a large multi-touch screen where users are encouraged to draw or write on the images with their finger. Unlike a traditional photo booth that is limited to taking pictures and printing photos, TapSnap allows those photos to be shared over social networks, through email and as a physical print. In addition to the TapSnap kiosk, we provide a full suite of complementary products and services, including our SnapCast social media wall that enables TapSnap photos, social media pictures or posts to be displayed on Internet connected screens, our iPad Sharing Station that serves as a dedicated device for the sharing of event photos, and our Social Photographer service that allows us to offer mobile photography services at special events utilizing a digital camera that runs our proprietary software. Photos from the Social Photography service sync in real-time to the TapSnap kiosks, iPad Sharing Stations, and the SnapCast social media wall.

TapSnap™ is a system that is rented to provide entertainment and marketing services at any event or social gathering. In addition to weddings and corporate events, TapSnap™ may also be rented for birthday parties, grand openings, bar/bat mitzvahs, school functions, brand activations, trade shows, conferences, marketing events, sports events, and other types of social gatherings.

The competition for TapSnap™ is primarily the traditional photo booth, and in a broader sense event entertainment and photography services generally.

## **ITEM 2.**

### **BUSINESS BACKGROUND OF DIRECTORS, GENERAL PARTNERS AND OFFICERS**

The names of the directors and officers of the Company who will have management responsibilities relating to the franchise are as follows:

#### **Founder and CEO – Scott McInnes**

June 11, 2012 to Present – TapSnap Ventures, Inc.  
June 2006 to Present – President/CEO of DVD Now Kiosks, Inc.  
June 2003 to January 2008 – President/CEO of PayKiosks Internet Terminals, Inc.  
(All in Vancouver, British Columbia)

#### **Technical Support and Product Manager – Dale Gercken**

June 11, 2012 to Present – TapSnap Ventures, Inc., Vancouver, BC  
March 2009 to Present – Technical Support Manager, DVDNow Kiosks, Inc., Vancouver BC  
July 2007 to December 2008 – HP, Tech Support, HP Portland, OR

#### **Director of Corporate Account - Oz Perez**

June 11, 2012 to Present – TapSnap Ventures, Inc., Vancouver, BC  
November 2010 – Present – DVDNow Kiosks, Inc., Vancouver, BC  
2002 to September 2009 – Altair Technologies, Corporate Development, Houston, TX

#### **Controller – Yurika Kuroki**

June 11, 2012-Present – TapSnap Ventures, Inc., Vancouver, BC  
June 2006 to Present – DVDNow Kiosks, Inc., Vancouver, BC

**Branding and Content Marketing Manager - Dawn Kirby**

March 2014 to Present – TapSnap Ventures, Inc., Vancouver, BC

July 2012 to November 2012 - Bell Aliant, Saint John, NL

January 2009 to December 2011 - Uniserve Communications, Saint John, NL

**Franchise Support and Franchisee Training Manager – Mary Smith**

Dec 2013 to Present – TapSnap Ventures Inc., Vancouver, BC

August 2007 to Dec 2013 – DVDNow Kiosks, Vancouver, BC

2004 -2006 Yogen Frusz Master Franchise, Office & Operations Manager, Trinidad

**ITEM 3.**

**PREVIOUS CONVICTIONS OR PENDING CHARGES**

None of the Franchisor, its associates, or any of the Franchisor’s directors, general partners, or officers, have any convictions or pending charges pending in any jurisdiction with respect to any indictable offence, fraud, embezzlement, unfair or deceptive business acts or practices, or a violation of a law that regulates franchises or business deceptive acts or practices or other comparable offences within the ten years preceding the date of this Disclosure Document.

**ITEM 4.**

**ADMINISTRATIVE ORDERS OR PENALTIES**

None of the Franchisor, its associates, or any of the Franchisor’s directors, general partners or officers have: (i) been subject to an administrative order or penalty imposed under a law of any jurisdiction regulating franchises or business, or any pending administrative actions to be heard under such a law; or (ii) any currently effective injunctive or restrictive orders imposed by, or any pending administrative actions to be heard before, any public agency, in any jurisdiction, involving franchises or other businesses.

**ITEM 5.**

**CIVIL ACTION**

Neither the Franchisor, its Associates, nor any of the Franchisor’s directors, general partners or officers have been found liable in a civil action involving franchises or other businesses, misrepresentation, unfair or deceptive business practices or comparable actions, or violating any law that regulates franchises or businesses, including failure to provide proper disclosure to a franchisee, nor is any such civil action pending.

**ITEM 6.**

**BANKRUPTCY OR INSOLVENCY**

None of:

- (i) the Franchisor or its associates;
- (ii) a corporation whose directors or officers include a current director, officer or

- general partner of the Franchisor, or included such a person at a time when the bankruptcy or insolvency proceeding was taking place;
- (iii) a partnership whose general partners include a current director, officer or general partner of the Franchisor, or included such a person at a time when the bankruptcy or insolvency proceeding was taking place; or
  - (iv) a director, officer or general partner of the Franchisor in his or her personal capacity;

have been subject to any bankruptcy or insolvency proceedings, voluntary or otherwise any part of which took place during the six (6) years immediately preceding the date of this Disclosure Document.

## ITEM 7.

### FINANCIAL STATEMENTS

Attached as Exhibit C to this Disclosure Document is audited financial statement as of June 30, 2015. Our fiscal year ends on June 30 of each year.

## ITEM 8.

### INITIAL FEES

The initial fees (“**Equipment Purchase Fee**,” “**Optional Marketing Package**,” “**Initial Launch Advertising**,” and “**Initial Franchise Fee**”) for your first franchise vary from \$42,995 to \$187,950 USD, depending upon the number of TapSnap™ kiosks purchased, and are due upon execution of the Franchise Agreement.

The Initial Franchise Fee is \$17,500 USD and will be used by us to pay training expenses, commissions, cover marketing and overhead costs and profits to us. The Initial Franchise Fee is uniform for all franchisees. (Section 4.1)

We may terminate the Franchise Agreement if your participation in the Initial Training Program (described in Section 4.1 of the Franchise Agreement) discloses your inability to adequately manage and operate a TapSnap Franchised Business. In such an event, we will refund to you the Initial Franchise Fee. (Section 3.2.2)

As all TapSnap™ equipment is manufactured at the time of your order we incur these manufacturing costs. Consequently, we will refund your Equipment Purchase Fee (as defined in Section 4.1 of the Franchise Agreement and Item 10 below) upon you shipping that equipment back, less a restocking charge which shall be 20% of the Equipment Purchase Fee. You will also be responsible for any shipping costs, and insurance, which must be prepaid by you. All TapSnap™ products must be returned in original condition in order for you to receive a refund, and must be received by us within 14 days of termination of the Franchise Agreement.

The Equipment Purchase Fee will range from \$21,895 USD to \$166,850 USD, depending upon the number of TapSnap™ you purchase. The Equipment Purchase Fee includes one iPad Sharing Station, Canon Flash, Printer Supplies, Logitech Keyboard with Touch Pad, Green Screen accessories, clothing and carrying cases you will need. If you already own a franchise and are entering into a Franchise Agreement for an additional franchise, the Equipment Purchase Fee that

you must pay us for each additional franchise will vary depending upon the amount of additional equipment that you purchase. Except as described below, we have no obligation to refund the Initial Franchise Fee or Equipment Purchase Fee, in whole or in part, for any reason. In addition, we charge Shipping and Handling fees the amount of which will depend on the amount of your initial equipment purchase.

The Initial Launch Advertising is a minimum amount of \$2,500 (you may choose to spend more) payable to us. We will use these funds to assist you and manage your grand opening marketing—the funds will then be paid out by us to third parties and retained in part by us to cover the cost of services that we provide for you.

We do not offer financing for the Equipment Purchase Fee, the Initial Franchise Fee, the Initial Launch Advertising, or Optional Marketing Package.

The Initial Franchise Fee is compensation to us for our efforts in offering and selling a franchise to you, for our franchise sales and marketing activities to promote the sale of a franchise to qualified franchisees, our participation in the franchise sale, our legal compliance with franchise laws and regulations, the development of our Manuals, the development and hosting of Initial Training Programs and our participation in terminating the franchise.

The Initial Franchise Fee is due when you sign your Franchise Agreement. Except as noted above, the Initial Franchise Fee is non-refundable in whole or in part.

Unless otherwise specified, all amounts contemplated by this Agreement will be paid in US Dollars.

## ITEM 9.

### OTHER FEES PAYABLE TO US

Type of Fee	Amount	Due Date	Remarks
Software Updates	Actual cost of updated software programs and training (if applicable)	As required by your software vendor	If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute any software license agreements and any related software maintenance agreements that we or the licensor of the software require and pay any related fees required by your software vendor.

Type of Fee	Amount	Due Date	Remarks
Transfer Fee (Section 14.3.10)	Fifty (50%) of the current Initial Franchise Fee for a comparable Market Area for a transfer of your Franchise Agreement.	At or before transfer	Payable only upon transfer of Franchise.
Transfer Referral Fee (Section 14.3.12)	Twenty-five (25%) percent of the then current Initial Franchise Fee for a comparable Market Area of the purchase price paid for your Franchise by the Buyer	At closing of the transfer	Paid if we identify qualified persons who may be interested in purchasing your Franchise and you choose to sell to that person.
Enforcement Expenses	Our reasonable cost of de-identifying your franchise or photo booths	Upon demand	Payable if your Franchise Agreement expires or is terminated, you fail to de-identify your Business, and we take steps to do so.
Renewal Fee (Section 2.2.9)	Will not exceed 25% of the then current Initial Franchise Fee for a comparable Market Area	At the time of renewal	Payable to us
Indemnification	Our liabilities, fines, losses, damages, costs, and expenses (including reasonable lawyers' fees) ("Losses")	Upon demand	Payable if we incur Losses due to your activities under the Franchise Agreement.
Royalty Fee (Section 4.3)	10% of actual Event Fees <sup>2</sup> charged to customers	Prior to Event Date	Paid by credit card
Call Centre Fee (Section 4.4)	Currently 4% of actual Event Fees charged to customers	Prior to Event Date	Paid by credit card

Type of Fee	Amount	Due Date	Remarks
Snap and SnapBook Software Fee (Section 4.6)	Currently \$40 USD per month per TapSnap™ kiosk	1 <sup>st</sup> day of each month	Paid by credit card
Branding Fund Contribution (Section 12.4)	Currently 3% of actual Event Fees charged to customers	Prior to Event Date	Paid by Credit Card
Training Fee (Section 14.3.10)	\$2,500 USD	Upon training of Transferee	Payable by a transferee for training if you sell your franchise.
	\$500 USD	For training additional trainees beyond the first for each franchised unit.	Payable by you if we provide training to more than one trainee from your franchised unit.
Fine for Non Compliance with Manuals or other Contractual Obligations	\$500 USD first and \$1,000 USD for later violations	Upon notice from US	For non-payment or late payment of Royalties
	\$250 USD first and \$500 USD for later violations	Upon notice from US	Use of unapproved Marketing or Advertising materials
	\$50 USD per occurrence	Upon notice from US	Your failure to provide reports or other required Marketing /Activity reports
Administrative Software Suite Fee (Section 4.7)	\$95 USD/month/user	1 <sup>st</sup> day of each month	Paid by credit card
Additional Administrative Access Fee	\$15 USD/month/user	1 <sup>st</sup> day of each month	Paid by credit card
Reinstatement Fee (to Operating Status)	\$750 USD	At the time you request reinstatement to operating status	Only applies if your franchise is in non-operating status

1. The fees noted above do not include any applicable taxes.
2. All fees are non-refundable and uniformly imposed, where applicable.
3. In order to make certain payments by credit card, you must maintain a current, valid, credit card on file with us, along with a prior authorization for us to charge that card for those items.
4. Unless otherwise specified, all amounts shown are in United States dollars

## ITEM 10.

### ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Initial Franchise Fee	\$17,500 USD	Lump sum	At signing of Franchise Agreement	Us
Equipment Purchase Fee <sup>1</sup>	\$22,895 to \$74,880 USD	Lump sum	At signing of Franchise Agreement	Us
Shipping and Handling Charges	\$700 to \$2,650 USD	Lump sum	At signing of Franchise Agreement	Us
Insurance Deposits and Premiums – Three months <sup>3</sup>	\$300 to \$500	As incurred	As incurred	Insurance company or broker
Professional Fees <sup>4</sup>	\$1,000 to \$3,000	As incurred	As incurred	Your lawyers, accountants, and business advisors
Miscellaneous Opening Costs <sup>5</sup>	\$500	As incurred	As incurred	Licensing authorities, utilities
Start-up Marketing Costs <sup>6</sup>	\$2,500 USD	Lump Sum	At signing of Franchise Agreement	Us
Additional Funds - 3 Months <sup>7</sup>	\$1,000 to \$5,000	As incurred	As incurred	Employees, suppliers, utilities, etc.
Travel and Meals at Initial Training <sup>8</sup>	\$1,500 to \$3,500	As incurred	As incurred	Airlines, hotels, restaurants, etc.
Administrative Software Suite Fee <sup>9</sup>	\$285 USD	Monthly as incurred	1 <sup>st</sup> day of each month	US
SmugMug Account <sup>9</sup>	\$60 USD	As incurred	Yearly	Paid by credit card directly to SmugMug
Snap and SnapBook Software <sup>9</sup>	\$120 to \$480 USD	As incurred	1 <sup>st</sup> day of each month	US

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Uniforms	\$39 to \$89 USD	Lump Sum	At the training	US
<b>TOTAL<sup>10</sup></b>	\$4,300 to \$12,500 CAD and \$44,099 to \$98,444 USD			

TapSnap™ comes with touchscreen kiosk which included the stand, camera, computer and printer. Also included are 1 Hiti 4 x 6 paper/ribbon, 1 Canon E320EX Flash, 1 Monitor Case (small PVC), 1 Green Screen with Frame, 1 Printer Carry Bag, Logitech Keyboard with Touch Pad, and 1 Formal shirt and 1 Polo shirt, and 1 TapSnap Front Panel Carry Bag.

**NOTES re: Franchisee's Estimated Initial Investment:**

1. The Equipment Purchase Fee includes 1 iPad Sharing Station, Canon Flash, Printer Supplies, Logitech Keyboard with Touch Pad, Green Screen, clothing and carrying cases you will need. If you already own a franchise and are entering into a Franchise Agreement for an additional franchise, the Equipment Purchase Fee that you must pay us for each additional franchise will vary depending upon the amount of additional equipment that you purchase. Except as described below, we have no obligation to refund the Initial Franchise Fee or Equipment Purchase Fee, in whole or in part, for any reason. In addition, we charge Shipping and Handling fees the amount of which will depend on the amount of your initial equipment purchase. We estimate that Shipping and Handling fees will range between \$700 and \$2,650
2. We recommend you purchase the Starter Package, which includes equipment you may find helpful in providing your TapSnap™ Services. You may however purchase none, some or all of these items, or purchase them at a later time.
3. This estimate is for the cost of a deposit necessary to obtain insurance at your discretion. You will need to check with your insurance carrier for actual premium quotes and costs, as well as for the actual amount of the deposit. The cost of coverage will vary based upon the area in which your business will be located, your experience with the insurance carrier, the loss experience of the carrier, the amount of deductibles and of coverage, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our required minimums.
4. This estimate is for the cost of engaging a lawyer, accountant, or other business advisors to assist you in reviewing this Disclosure Document, the Franchise Agreement, your business plan, and any other contracts that you enter related to this Franchise. We strongly recommend that you seek the assistance of professional advisors when evaluating this Franchise opportunity. It is best to ask your professional advisors for their fee schedule prior to engaging them to perform any services on your behalf.
5. This estimate includes the cost of licenses and permits and utility deposits necessary to open your business. You are responsible for maintaining all required licenses and permits necessary to operate your business. You should check with local authorities, an attorney, or a business consultant to determine what licenses and permits are necessary in your Market

Area.

6. We require that you engage in certain start-up or grand opening activities to promote your business. This might include local and internet advertising, direct mail, participating in trade shows, joining and attending local networking organizations and events, sponsorships and the like. We will agree on a budgeted amount to be spent on this in Schedule 'A' of the Franchise Agreement, but the minimum you must spend is \$2,500 and that amount is paid to us upon signing the Franchise Agreement. We will use these funds to assist you and manage your grand opening marketing.
7. This is an estimate of the amount of additional operating capital that you may need during the first three months after opening your business. This estimate includes additional funds you may need to pay employee salaries and wages, payroll taxes, utilities, such items as payroll taxes (including payroll to cover the pre-opening training period for your staff), legal and accounting fees, additional advertising, workers' compensation insurance, bank charges, miscellaneous supplies and equipment, staff recruiting expenses, state tax and license fees, deposits, prepaid expenses, and other miscellaneous items. The preceding list is by no means conclusive of the extent of possible categories of expenses. The expenses you incur during the start-up period will depend on factors such as local economic and market conditions, your business experience, and the level of merchandise sales at events where your TapSnap™ is utilized. We also have not included the cost of purchasing or leasing a vehicle large enough to transport your TapSnap™ because you may already own or lease an SUV, station wagon, mini-van or similar vehicle. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate or that you will not need additional funds after your first three months of operation. It is best to contact your accountant or financial advisor for further guidance.
8. This estimate is for the cost of attending the Initial Training Program at our corporate offices in North Vancouver, B.C. We provide instructors, facilities, and materials for the initial training program at no charge. You are responsible for the travel expenses, living expenses, wages, and other expenses incurred by you or your trainees during initial training. The actual cost will depend on your point of origin, method of travel, class of accommodations, and dining choices.
9. There are monthly fees payable to us or SmugMug and which are necessary to the operation of your business on a day-to-day basis. The Administrative Software Suite fee is \$95/month/user. One email address will be provided to you, however additional email addresses are available for a fee of \$8 per account per month. SmugMug account is \$60 per year. Snap and SnapBook software operates your kiosk and event booking systems and is \$40 per month per TapSnap.
10. This total amount is based upon our market research and experience. Your costs may vary based on a number of factors including, but not limited to, the geographic area in which you open, local market conditions, and your skills at operating a business. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. You should independently investigate the costs of opening a franchised business in the geographic area in which you intend to operate. You should also review the figures carefully with a business advisor before making any decision to purchase the Franchise. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment

requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your credit worthiness, collateral which you may make available, or policies of local lending institutions with respect to the nature of the business.

Note: None of the costs shown in this Item are typically refundable. These costs are based upon our experience in providing equipment and services to our existing franchises in Canada.

## **ITEM 11.**

### **EARNINGS PROJECTIONS**

We do not make any representations about the future financial performance or the past financial performance of a Franchised Business. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Franchised Business, however, we may provide you with actual records of that Franchised Business. If you receive any other financial performance information or projections of your future income, you should report it to us by contacting Scott McInnes at [scottm@tapsnap.net](mailto:scottm@tapsnap.net).

## **ITEM 12.**

### **GUARANTEE AND INDEMNITY**

Each individual with direct or indirect ownership interest in your Entity must sign the Payment and Performance Guarantee (the "Guarantee") attached to the Franchise Agreement as Exhibit 'E', assuming and agreeing to discharge all obligations of the franchisee under the Franchise Agreement and agreeing to comply with the proprietary information (Section 11), indemnification (Section 19.4), covenant not to compete (Section 17), and assignment (Section 14) provisions of the Franchise Agreement.

## **ITEM 13.**

### **FINANCING**

We and our affiliates do not offer direct or indirect financing arrangements for any purpose in establishing your Franchise. We may offer expansion financing in the future, but do not currently do so.

We and our affiliates do not guarantee your promissory note, lease, or any other obligation you may make to others.

## **ITEM 14.**

### **PRE-OPENING OBLIGATIONS**

#### **Opening of Franchised Business**

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the Business is approximately 6 weeks.

Factors affecting this length of time include, among others: successful completion of the Initial

Training Program; hiring of the requisite employees; local ordinances or community requirements; delivery of equipment and product; the availability of inventory; issuance of all necessary licenses, permits and approvals; and procuring recommended insurance. You must begin operating your business within 90 days of signing the Franchise Agreement.

Before you open your Franchised Business, we will:

1. Provide you on loan one copy of our Pre-Opening Manual and our Policies & Procedures Manual or provide you with access to electronic copies. We have the right to modify the Manuals from time to time. The Table of Contents of the Manuals, along with number of pages devoted to each section, is included as Exhibits G and H to this Disclosure Document. (Section 3.2)
2. Provide you with our recommendations for your Initial Launch.
3. Provide the Initial Training Program. This training is described in detail later in ITEM 16. (Section 3.2)

## **ITEM 15.**

### **ADVERTISING AND PROMOTION**

1. We will create, prepare, and make available to you without charge a welcome advertising kit in connection with the opening of the Business, and advertising materials used in connection with the Marks. You will give us no less than \$2,500 for Initial Launch Advertising and we will use those funds for setting up and administering Google Adwords advertising, community outreach and other launch advertising on your behalf. We will guide you in any start-up marketing, including placement of local and internet advertising, joining and attending local networking organizations and events, sponsorships and budgeting for these items. Additional advertising materials can be purchased from us and/or furnished by you utilizing graphics and designs provided by us. We will run national and regional advertising in support of our franchisees' efforts to secure bookings. We will staff an in-house call center to field requests from those interested in booking TapSnap™ for their upcoming event. Software will suggest who the logical franchisee is to service an upcoming event based on Market Area, availability and proximity to the event. (Section 3.9)
2. We do not allow advertising other than that which we have created. Our materials are effective and we do not want you spending time looking to change them. You must conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals. We will have the final decision on all creative development of advertising and promotional messages. We reserve the right to require you to discontinue the use of any advertising or marketing materials.
3. We may from time to time formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available to you without charge or for you to purchase at a reasonable cost approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. Advertising may be sourced by us internally or through outside agencies. We are not required to spend any amount on advertising in any specific geographic area, including yours. (Sections 12.1 and 12.2)
4. In order to build brand awareness, we plan to attend trade shows, host free events or

displays, and manage multiple websites that promote TapSnap services.

5. We may use as forms of advertising direct mail, print, radio, Internet, or television, which may be local, regional, or national in scope. We may produce the marketing materials in-house or employ a local, regional, or national advertising agency. We are not obligated to conduct any advertising or marketing programs within your market.
6. You should use your best efforts to promote the use of the Marks in your market area, but the amounts you spend are up to you.
7. You must contribute 3% of the Event Fees charged to customers to our Branding Fund (the "Fund"). (Sections 12.4, 12.5, 12.6, 12.7 and 12.8) We will administer the Fund as follows:
  - (a) We direct all programs financed by the Fund, with sole control over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Fund.
  - (b) We may use your contributions to meet or reimburse us for any cost of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, social media, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We will maintain your contributions in a separate account from our operating funds and will not be used to defray any of the our general operating expenses, except for such reasonable salaries, administrative costs and overhead (calculated on a fully allocated basis), if any, as we may incur in activities reasonably related to the administration or direction of the Fund and its programs (including, without limitation, conducting market research), but in any event will not exceed 15% of contributions to Fund in any 12 month period.
  - (c) We will not use contributions to the Fund for the direct solicitation of franchise sales; however, some of our advertising and marketing material may contain contact numbers for obtaining information about purchasing a franchise.
  - (d) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the Fund before we use current contributions. We intend for the Fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the Fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned your *pro rata* share.
  - (e) Any TapSnap™ units owned by us, or an affiliate, will make similar contributions to the Fund as required of franchisees.
  - (f) We will have an accounting of the Fund prepared each year and we will provide you with a copy if you request it.
  - (g) The Fund is not a trust and we assume no fiduciary duty in administering the Fund.

- (h) We have no way of making any accurate projections with respect to contributions to the Fund for the coming year.
8. You are not authorized to have a website for your Business unless we otherwise agree in writing. We may forward inquiries received through our website to you if the inquiring party is located near you. You are not authorized to offer any products for sale through any e-commerce site or online retailer, nor may you offer your franchise, TapSnap™ kiosks or Products for sale through any online auction or resale site.
  9. You must comply with our social media and communication policies, which are set out in the Manual, and to ensure that your employees are aware of and comply with such policies. (Section 7.8)
  10. If at least 75% (based on one vote per franchise without regard to ownership) of the TapSnap™ franchisees within an area vote to form a regional advertising cooperative, you must participate in said cooperative and to contribute such sums thereto as may be assessed by a majority vote of the cooperative. We have the right in our sole discretion, to designate any specific area for purposes of establishing a regional advertising cooperative. Any Franchisor owned and operated units shall not be entitled to a vote. (Section 12.8)

## **ITEM 16. TRAINING**

You or your Designated Principal, as applicable, and your General Manager(s) must obtain our management certification by attending and satisfactorily completing our Initial Training Program before you open your business. Provided that space is available, you may bring other representatives to the training session at a charge of \$750 USD/person, but we reserve the right to limit attendance to two of your representatives in any one session. (Section 6)

We will provide the Initial Training Program at our corporate offices, which are currently located in North Vancouver, B.C., or from any other location that we designate. We will provide instructors and materials for the Initial Training Program at no additional charge, provided that all of your personnel are trained during the same training session. You are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees.

The Initial Training Program will be provided as soon as practicable after you sign your Franchise Agreement. Initial training includes approximately four days of training in our offices on the topics of marketing, business planning, equipment use and sales and marketing. Our training program is described in the following chart:

You must pay for all travel costs and living expenses for yourself and any of your attendees. These costs are estimated in ITEMS 9 and 10. If you elect to designate a manager, they must attend our Initial Training Program.

You are responsible for training your own employees. (Section 6)

### **Initial Training Program**

<b>Subject</b>	<b>Hours of Classroom</b>	<b>Hours of On-the-Job</b>	<b>Location</b>

	<b>Training</b>	<b>Training</b>	
Software Suite & Workflow	4	0	Our offices
System Setup & Takedown	4	0	Our offices
Event Operations	2	0	Our offices
Marketing	2	0	Our offices
Social Media 101	1	0	Our offices
Google Adwords	0.5	0	Our offices
Intro to Graphic Design and Custom Images	1	0	Our offices
Photography Best Practices	1	0	Our offices
Corporate/National Accounts	1	0	Our offices
Prospecting Power	1	0	Our offices
Relationship Selling	2	0	Our offices
Identifying Needs accurately	1.5	0	Our offices
Overcoming Objections	1.5	0	Our offices
Getting Repeat Business and Referrals	1.5	0	Our offices
Success and Self-motivation	0.5	0	Our offices
Lead Management	1	0	Our offices
<b>TOTALS</b>	25.5 hours	0 hours	

Most of our materials are available to you online and can be downloaded or printed by you. The instruction materials consist of written materials with question and answer sections for your review. The instructors for our initial and later training program all have experience working with sales. Most of the training is conducted by Mary Smith, our Franchise Support and Training Manager. Smith has been with our affiliate, DVDNow and has been involved in development of TapSnap™ from the inception. Mary Smith, Dale Gercken, Sky Caldwell, and Claire Nagle conduct most of the training, although other individuals may be involved in taking your calls to provide you with ongoing training and support.

We may periodically conduct advanced training programs for you, your Designated Principal, your General Manager, and/or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend, but we may charge you a reasonable fee for optional training programs. We may provide additional training in person, via teleconference, via the Internet, or by any other means, as we determine. During all training, you are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees. We provide training without charge via telephone and internet during the term of your franchise and any renewal term. (Section 6.1.3)

## ITEM 17.

### OTHER ASSISTANCE PROVIDED BY US

During the operation of the Franchised Business, we will:

1. We may provide periodic advice or guidance to you in the marketing, management, and operation of the TapSnap™ Business as determined by us. Guidance and advice given via telephone or email is free. (Section 3.5)
2. We will conduct, as we deem advisable, inspections of the operation of your TapSnap™ Business. (Section 3.6)
3. We will provide you, on loan, copies of our confidential operations manuals and other manuals, instructional materials, and written policies and correspondence in this Agreement. Under no circumstances will title to the Manuals pass to Franchisee. (Sections 3.3 and 10)
4. Provide you with modifications to the Manuals as they are made available to franchisees from time to time. (Section 10.4)

## ITEM 18.

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale in the Business only the Services and Products that we have approved in writing in the Manuals. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all items that we designate as mandatory. We may permit franchisees not to sell certain products or services, or may permit certain franchisees to offer products or services not generally available to franchisees, in order to meet certain local market needs. You may sell products only in the varieties, forms, and packages that we have approved. If we revoke approval of a previously-approved product that you have been selling, you may continue to sell the product only from your existing inventory for up to 90 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation.

We impose no restriction on the customers that you may serve or sell to, other than those relating to territory. You may not sell our products through any wholesale or other channel of distribution which we have not approved. You may not resell any of your TapSnap™ equipment on EBay or other electronic auction or billboard sites. You may not establish an independent website.

## ITEM 19.

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as set forth below, you are not required to purchase or lease goods, services, supplies, fixtures, equipment, inventory, computer hardware or software, or comparable items related to establishing or operating the Franchise from us, our designees, suppliers, or service providers we approve, or under our specifications.

**Authorized Products and Services.** We are the sole supplier for the TapSnap™ kiosks. We may elect to sell you affiliated merchandise directly, through an affiliate or subsidiary entity, or require

you to purchase it through an approved vendor. An integral part of your franchised business is the use of our TapSnap™ kiosks at parties and special events. You may not duplicate our Marks or use the TapSnap™ name or trade dress without our authority on any other display or equipment. You may offer the use of your TapSnap™ systems at weddings, corporate functions, social gatherings, festivals, events and similar places. You may sell merchandise (“products”) only in the varieties, forms, and packages that we have approved. We do currently offer and provide affiliates merchandise which includes logoed items such as sports shirts, hats and caps, coolers, folding chairs and the like. If we revoke approval of a previously-approved product that you have been selling, you may continue to sell the product only from your existing inventory for up to 90 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. (Section 8.6)

We have the right to require that products, supplies, equipment, and services that you purchase for resale or use in your business: (i) meet specifications that we establish from time to time; and/or (ii) be purchased only from suppliers or service providers that we have expressly approved; and/or (iii) be purchased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates). We can impose purchasing restrictions for any reason, but the most likely purposes would be to control the quality and consistency of the merchandise and to facilitate volume-discount pricing arrangements.

We or our other affiliates currently are approved suppliers only of the TapSnap™ systems and software, but we reserve the right to require you to purchase items from us in the future. Our officers may own any interest in any supplier with whom you are required or recommended to do business.

We do not provide any material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers.

To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We estimate that 95% or more of your purchases and leases in establishing the Franchise and approximately 95% or more of your total purchases and leases in operating the Franchise will be subject to the restrictions described above. (Section 8.6)

**Approval Process.** If you would like to offer products or use any supplies, equipment, or services that we have not approved or to purchase from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier’s facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us a charge not to exceed the reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 90 days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. We reserve the right to re-inspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider and to

revoke approval upon the supplier or service provider's failure to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing products or services from the disapproved supplier or service provider and, in the case of revocation based on failure of products to meet our standards, you agree to dispose of your remaining inventory of the disapproved supplier's products as we direct. Given the nature of the franchise, being focused on the sale of the TapSnap™ Services; it is very possible that a request to sell other products or services may be denied by Franchisor. (Section 8.6)

**Insurance.** Currently we require that you maintain in force (i) public liability insurance in the amount of \$1,000,000 per occurrence and (ii) general casualty insurance covering the full replacement cost of the Business and inventory. However, you may be required to acquire additional insurance by the laws in your area. The insurance policy or policies protects you, us, and our respective, past, present, and future officers, directors, owners, managers, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon or in connection with the condition, operation, use, or occupancy of the business. We may recommend, but not require additional types of coverage or that you increase the required minimum amount of coverage upon reasonable notice.

**Computer System.** You are not required to purchase a computer system that we specify. The computer system hardware may be purchased from any supplier, so long as it meets system standards, so long as it will run our proprietary software and is capable of accessing the Internet and is reliable.

**Accounting and Legal Services.** We do not require you to engage an approved accountant or attorney to provide services for your Franchise.

**Cooperatives and Purchase Arrangements.** We are not involved in any purchasing or distribution cooperatives. We may, but are not obligated to, negotiate purchase arrangements with suppliers for the benefit of franchisees. As of the issuance date of this Disclosure Document, we have not negotiated any such arrangements.

**Material Benefits.** We do not provide material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

## ITEM 20.

### VOLUME REBATES/REVENUE POLICY

We and our affiliates will derive revenue or other material consideration from some of your required purchases of equipment, products, and supplies, and we and our affiliates reserve the right to do so in the future. We may retain any rebates or other payments we receive from suppliers. As of the issuance date of this Disclosure Document, neither we nor our affiliates have received any rebates or other payments from suppliers. (Section 8.6.2)

## ITEM 21. TRADEMARKS

During the term of your Franchise Agreement, we will grant you the right to use the System and Marks in the operation of your Franchised Business. By Marks we mean the trade names, trademarks, service marks and logos used to identify the System. There are no agreements currently in effect which significantly limit our rights to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the Franchised Business. (Section 9)

The Marks are owned by our affiliate, 0740246 BC Ltd., and are licensed to us under a trademark license agreement.

Trademark:	App No.:	Filing Date:	Status:
	1,610,312	Jan 17 2013	Approved
INSTANTLY SOCIAL, UTTERLY FUN	1,610,512	Jan 18 2013	Allowed
REVOLUTIONARY PHOTOTAINMENT SYSTEM	1,610,511	Jan 18 2013	Allowed
TAPSNAP	1,650,002	Oct 30 2013	Approved

We also claim common law rights to the Marks due to their use and advertising.

You must use the names and Marks in full compliance with the provisions of the Franchise Agreement and in accordance with our rules which we may change from time to time. You cannot use any name or Mark as a part of any corporate name with any prefix, suffix or other modifying words, terms, designs or symbols. In addition, you may not use any name or mark associated with the sale of any unauthorized product or service in any other manner not explicitly authorized in writing by us.

You may not directly or indirectly oppose our right to our trademarks, trade names, trade secrets or business techniques that are part of our business. You must notify us immediately if you learn about a claim against your use of our trademarks (see Franchise Agreement Section 10.4). We will take whatever action, if any, we deem appropriate. We have no obligation to defend you or to take any legal action against others with respect to any claim related to your use of our trademark, but we will indemnify you against any losses or damages incurred by you as a result of a successful claim of infringement brought by a third party and related your use of the Marks in accordance with the terms of the Franchise Agreement.

We have the unlimited right to change the Marks. If we change the Marks, then you must comply with our instructions in this regard. Upon termination of the Franchise Agreement, you must immediately cease all use of the Marks.

## ITEM 22. PATENTS, COPYRIGHTS, OTHER PROPRIETARY INFORMATION

We own no rights in, or licenses to, any patents or patent applications.

Except as provided below, we own no rights in, or licenses to, any copyrights. We have not

registered any copyrights. However, we claim copyrights with respect to our advertising materials, training materials, signs, website, and Manuals, as well as other materials we may periodically develop. There are no determinations of any court regarding any of our copyrights. There are no agreements limiting the use of any of our copyrights.

Any copyrights used by you in the Business belong solely to us or our affiliates. You must notify us promptly of any unauthorized use of our copyrights of which you have knowledge or of any challenge to the validity of our ownership of or our right to license others to use any of our copyrights. We will take the action we believe to be appropriate. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to our Copyrights, including, but not limited to, any settlement. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You must execute all documents and, render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the copyrights. If we request, you must discontinue the use of the subject matter covered by any copyright used in connection with the Franchise.

During the term of your Franchise Agreement, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information (collectively, "Proprietary Information") relating to the System, our business, or the construction, management, operation, or promotion of the Business. You may not, nor may you permit any person to, use or disclose any Proprietary Information (including without limitation all or any portion of the Manuals) to any other person, except to the extent necessary for your professional advisors and your employees to perform their functions in the operation of the Business. You will be liable to us for any unauthorized use or disclosure of Proprietary Information by any employee or other person to whom you disclose Proprietary Information. You must take reasonable precautions to protect the Proprietary Information from unauthorized use or disclosure and must implement any systems, procedures, or training programs that we require. You must require anyone who may have access to the Proprietary Information to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third party beneficiary of such covenants with the independent right to enforce the agreement. (Section 11)

## **ITEM 23.**

### **REGULATORY COMPLIANCE**

You are required to obtain the following permits, licenses and/or registrations in addition to those that may be required for incorporation of the Franchised Business:

- (a) GST, PST or HST, as applicable.
- (b) Municipal business permit.
- (c) Employer registrations for each of Federal and Provincial tax deductions.
- (d) Federal business identification number.

## **ITEM 24.**

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

At all times that your Business is open for business, it must be under the personal supervision of either, you, your Designated Principal, or a General Manager. You or your Designated Principal

and your General Manager must successfully complete our Initial Training Program and any other training programs that we may require. You may not permit your Business to be operated, managed, directed, or controlled by any other person without our prior written consent. We reserve the right to require any individual that is playing an active role in the operation of your business to have successfully completed training in Vancouver or to have successfully completed remote training programs. We also reserve the right to restrict telephone technical support to those individuals that have completed training.

Your Designated Principal must have authority over all business decisions related to your Business and must have the power to bind you in all dealings with us. Your Designated Principal may serve as your General Manager, unless we believe that he or she does not have sufficient experience. You must provide us with written notice of your Designated Principal and General Manager at least 15 days prior to opening and may not change your Designated Principal and General Manager without our prior approval.

Your General Manager does not have to have an ownership interest in your Entity, but they must sign a confidentiality agreement and a non-compete agreement.

Each individual with direct or indirect ownership interest in your Entity must sign the Payment and Performance Guarantee (the "Guarantee") attached to the Franchise Agreement as Exhibit 'E', assuming and agreeing to discharge all obligations of the franchisee under the Franchise Agreement and agreeing to comply with the proprietary information (Section 11), indemnification (Section 19.4), covenant not to compete (Section 17), and assignment (Section 14) provisions of the Franchise Agreement.

## **ITEM 25.**

### **TERRITORY**

Your TapSnap™ Franchise is not for a specific territory or location.

While we do not normally award any specific or minimum territory as part of your franchise, we will use our judgment and discretion in deciding how many TapSnap™ franchises to award in a given geographic area, which we call a "Market Area." Factors which we will consider in making this determination will include, but are not limited to, the number of convention/event/banquet facilities in the area, number of hotel rooms and amount of hotel revenue, number of event planners, whether the area is considered to be a destination market, geography and demographics of the market, and whether existing franchisees are fully servicing the demand for TapSnap™ services. We reserve the right to add Franchisees in a given Market Area if the existing Franchisees are underperforming as measured by the performance of other Franchisees in similar marketing areas or other Franchisees who have been in business for a similar length of time or should we deem the Market Area to be underserved, in our discretion. We further reserve the right to sell a Market Area exclusively to one or more Franchisees, for additional consideration – in that case, we might agree simply to not put additional franchisees in that Market Area if certain revenue goals were met by the franchisee.

Any events for Corporate Accounts which are in your Market Area and which we give you the opportunity to service will be at prices we negotiate with that account, less any commissions, Call Center Fees, Branding Fees, and Royalty Fees, and/or a standard flat rate (see Manuals).

We also reserve the right to sell, lease or rent TapSnap™ systems to operate in or around cruise ships or cruise ship terminals, as well as public venues such as hotels, stadiums, amusement parks, shopping malls or facilities or similar locations used by the public at specific events held in

the public venue, even if located within your Market Area.

In addition, you may face competition from other outlets that we own, from other channels of distribution or from us (with respect to Retail Accounts only). We do not have any plans to operate or franchise a business using the System under different Marks. Neither we nor any affiliate operates, franchises or plans to operate or franchise a business under a different trademarks to sell similar goods or services to those offered to you.

We may, at our discretion, and subject to a separate Exclusive Franchisee Rider, agree to provide and exclusive territory. The Franchise Free for an Exclusive Territory is calculated based on a number of factors, which include, but are not limited to, the population of the area, the number of convention/event/banquet facilities in the area, and the number of weddings and similar events in the area.

Unless otherwise agreed to in writing, you will not receive an exclusive territory. Additionally, your right to market outside your Market Area is limited. You are allowed to market to potential customers outside your Market Area only to provide services at events to be held within your Market Area. You may provide services anywhere, but may not solicit or market to customers or potential customers outside your Market Area except to provide services within your Market Area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We make reasonable efforts to have franchisees in a given Market Area service customers, provided you have and maintain sufficient capacity on an ongoing basis to meet emerging demand for TapSnap events, remain current with new products and services offered by TapSnap, and are using your best efforts to promote TapSnap within your Market Area.

You do not have any rights of first refusal on any territory. You must obtain our consent before relocating your franchise; we will not unreasonably withhold our consent.

### **Proximity Policy**

We have no proximity policy.

### **Reserved Rights**

We also reserve the right to sell, lease or rent TapSnap™ kiosks to operate in or around cruise ships or cruise ship terminals, as well as at public venues such as hotels, stadiums, amusement parks, shopping malls or facilities or similar locations used by the public at specific events held in the public venue, even if located within your Market Area.

### **Location of Office**

You set up and maintain an office at the location that is set out in Schedule 'A' of the Franchise Agreement (the "Location"). You must notify us if you change the Location and provide us with the new address. (Section 5.1)

## **ITEM 26.**

### **FRANCHISEE'S OBLIGATIONS**

The following table is a summary of your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your

obligations in these agreements and in other items of this Disclosure Document.

	Obligation	Section in Franchise Agreement ("FA")	Disclosure Document Item
a.	Site selection and acquisition/lease	FA: Section 5.1	Item 11
b.	Pre-opening purchases/leases	FA: Sections 4.1, 4.2	Items 6,7, 8 and 11
c.	Site Development and other pre-opening requirements	FA: Section 5.1	Items 7, 8 and 11
d.	Initial and ongoing training	FA: Sections 6.1, 6.2	Items 6, 7 and 11
e.	Opening	FA: Section 5.2	Items 6 and 11
f.	Fees	FA: Sections 3.2.2, 4, 6.2 and 14	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/Operations Manual	FA: Sections 8.2 and 8.5	Items 8, 11, 13, 14, 15 and 16
h.	Trademarks and proprietary information	FA: Sections 9 and 11	Items 13, 14 and 17
i.	Restrictions on products/services offered	FA: Sections 8.5.1 and 8.6	Items 8 and 16
j.	Warranty and customer service requirements	N/A	N/A
k.	Territorial Development and sales quotas	N/A	Items 5 and 12
l.	Ongoing product/service purchases	N/A	Items 8 and 16
m.	Maintenance, appearance and remodeling requirements	FA: N/A	N/A
n.	Insurance	FA: Section 13	Items 7 and 8
o.	Advertising	FA: Sections 8.7 and 12	Items 7 and 11
p.	Indemnification	FA: Section 19.4	Item 6
q.	Owner's participation/management/staffing	FA: Section 8.3	Items 11 and 15
r.	Records and reports	FA: Section 8.12 and 8.13	Item 17
s.	Inspections and audits	FA: Section 3.6	N/A
t.	Transfer	FA: Section 14	Items 6 and 17
u.	Renewal	FA: Section 2.2	Item 17
v.	Post-termination obligations	FA: Sections 11.1, 11.2, 11.3 and 16	Item 17
w.	Non-competition covenants	FA: Section 17	Item 17
x.	Dispute resolution	FA: Section 25	Item 17

## ITEM 27.

### FRANCHISEE CLOSURES, TERMINATIONS OR TRANSFERS

A list of all the franchised and franchisor owned units, that have been terminated, cancelled, not renewed or reacquired by us or otherwise left the System within the last 3 fiscal years up to the date of this disclosure document is attached to the disclosure document as Exhibit E.

## **ITEM 28.**

### **EXISTING FRANCHISEE AND FRANCHISOR LOCATIONS**

A list of all the franchised and franchisor owned units, as of the date of this Disclosure Document, is attached to the Disclosure Document as Exhibit F.

## **ITEM 29.**

### **TERMINATION, RENEWAL, AND TRANSFER PROVISIONS**

#### **Termination upon Notice (Section 15.1)**

We have the right to terminate your Franchise Agreement without affording you any opportunity to cure the default, effective immediately on the provision of notice to you, on the occurrence of any of the following events of default:

- If in our opinion, acting reasonably, we determine that you, your Designated Principal and/or G.M. cannot complete the Initial Training Program to our satisfaction (Section 3.2.2);
- If you or any Principal purports to transfer any rights or obligations under the Franchise Agreement or any interest to any third party in a manner that is contrary to the terms of Section 14 of the Franchise Agreement;
- If, contrary to the terms of Sections 9 or 10 of the Franchise Agreement, you disclose or divulge the contents of the Manuals or other confidential information provided to you by us;
- If you fail to comply with the covenants in Section 17.2 of the Franchise Agreement or fail to timely obtain execution of the covenants required under Section 17.1 of the Franchise Agreement;
- If you misuse or make any unauthorized use of the Marks or any other identifying characteristics of the System, or if you otherwise operate the Business in a manner that materially impairs the reputation or goodwill associated with the System, Marks, Products and Services, or our rights in those matters;
- If you, after curing a default according to Section 15.1 of the Franchise Agreement, commits the same default again, whether or not cured after notice;
- If you have received from us, during any consecutive 12 month period, 3 or more notices relating to a material default (which notices shall make specific reference to this clause), whether or not such notices relate to the same or different material defaults and whether or not such material defaults are cured;
- If you breach any other of the terms or conditions of the Franchise Agreement or any other agreement or undertaking entered into between us and such breach is not cured in a timely fashion;
- If you fail to obtain the required insurance within 48 hours of notice as specified in Section 13.4 of the Franchise Agreement;
- If you (or any of your owners) have made any material misrepresentation or omission in connection with your purchase of the Franchise;
- If you surrender or transfer control of the operation of the TapSnap™ Franchise or TapSnap™ equipment without our prior written consent;
- If you (or any of your owners) are or have been convicted of, or pleads no contest to, a felony, or to any crime of moral turpitude that is likely to adversely affect your reputation, any franchisee of the System or our reputation, or the goodwill associated with the Marks;
- If you (or any of your owners) make an unauthorized assignment of the Franchise

- Agreement or of an ownership interest in the TapSnap™ Business;
- In the event of your death or disability or the death or disability of the owner of a controlling interest in the Franchised Business, the Franchise Agreement or such owner's interest in the Franchised Business is not assigned as required under the Franchise Agreement;
  - If you (or any of your owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manuals in violation of the Franchise Agreement;
  - If you fail to pay when due any federal or provincial income, service, sales or other taxes due on the operations of the Business, unless you are in good faith contesting your liability for such taxes;
  - If you (or any of your owners) fail on 3 or more separate occasions within any period of 12 consecutive months or on 5 occasions during the term of the Franchise Agreement to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us or otherwise to comply with the Franchise Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you;
  - If you make or purport to make a general assignment for the benefit of creditors;
  - If you institute any proceeding under any statute or otherwise relating to insolvency or bankruptcy, or should any proceeding under any such statute or otherwise be instituted against you;
  - If you engage in any misconduct which unfavorably affects your reputation, our reputation, or any of Franchisee's TapSnap™ franchisees, or the goodwill associated with the Marks (including, but not limited to, abuse, abuse of customers, use of employees who do not meet our then-current standards and training requirements, health or safety hazards, drug or alcohol problems, or permitting unlawful activities at any of your TapSnap™ Businesses), and
  - If you have 5 or more unresolved customer complaints in any 12 month period.
  - If you sell any TapSnap™ equipment which is part of the System to a third party without complying with Section 14.6 of the Franchise Agreement, you shall have committed a material default of the Franchise Agreement and shall pay to us a liquidated damage which is equal to half of any sums received by you from such sale. Such payment shall be made to us within 5 days of receipt of any payment from the sale of equipment in contravention to our right of first refusal, accompanied by documentation showing the sale price. Should you fail to make such payment as required under this paragraph, we shall also be entitled to recover our reasonable lawyer's fees and expenses of litigation incurred in prosecuting an action to collect payment, including any costs of collection following obtaining a judgment.

### **Notice and Opportunity to Cure - 30 Days (Section 15.2)**

Except as otherwise provided in Section 15.1 of the Franchise Agreement, on any other default by you, we may terminate this Agreement by giving you written notice of termination stating the nature of the default to Franchisee at least 30 days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof of it to us within the 30 day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, the Franchise Agreement will terminate without further notice to you effective immediately on the expiration of the 30 day period or such longer period as applicable law may require. We may also terminate the Franchise Agreement after we notify you of our intention to do so because of the occurrence of any of the following events and your failure to cure it within 30 days of our notice:

- a) Purchasing or leasing any product or service from an unapproved supplier;
- b) Failure to participate in a Regional Advertising Co-operative;
- c) Failure to pay taxes and assessments;
- d) Failure to obtain and maintain required permits;
- e) If Franchisee is a Business Entity, failure to maintain active status in its state of organization;
- f) Failure to promptly pay any amounts due to us or our suppliers;
- g) Failure to timely make required reports;
- h) You violate any other provision of this Agreement;
- i) Failure to maintain any standards or procedures contained in the Manuals;
- j) Continued violation of any law, ordinance, rule or regulation of a governmental agency;  
or
- k) Failure to obtain any approvals or consents required by the Franchise Agreement.

### **Non-Operating Status (Section 15.3)**

Upon our written approval by Franchisor, or for failure to have the Minimum Events, as described below in this Section, Franchisee elect to place your franchise on a “non-operating” status if you are in good standing. The purpose of the non-operating status is to place the franchise completely out of business, not merely operating at a reduced level, and any business conducted by you while on non-operating status, without our prior written approval, will constitute a violation of the Franchise Agreement. The non-operating status allows you to take a leave of absence from operating the TapSnap™ business for 3 years. Under this status, the Franchise Agreement remains intact, but you do not retain any particular Market Area. At any time during the 3-year period, you may elect to become an employee of another TapSnap™ franchisee. While on non-operating status, you are not required to pay Software Fees.

You may return to your business at any time within the 3-year period. If you do not return to the business by the end of the 3 years, the Franchise Agreement will automatically be terminated without notification. We reserve the right to withdraw this non-operating status at any time at our sole discretion. While you are on “non-operating” status, the Franchise Agreement and the franchise may not be transferred, sold or inherited.

Franchisor may notify Franchisee that Franchisee’s Business is being placed on non-operating status if Franchisee has two consecutive calendar months with no paid or marketing events. To go from non-operating back to operating status, Franchisee must notify Franchisor in writing of its intent to do so, pay a \$750 USD Reinstatement Fee and deliver a written plan to Franchisor explaining how they plan to successfully market their Business. Upon receipt of the marketing plan and Reinstatement Fee from Franchisee, Franchisor shall, in its sole discretion, determine whether the original Market Area requires an additional operating franchisee and either reinstate Franchisee to operating status in their original Market Area or place Franchisee in a different Market Area but as close to the Franchisee as possible.

Franchisees who are in non-operating status may not market for new events but may service events at the request of Franchisor.

### **Obligations upon Termination (Section 16)**

Upon termination of the Franchise Agreement:

- You must immediately cease to operate the Business, and not in any way represent to the public or hold yourself out as a present or former operator of ours in connection with the

promotion or operation of any other business. (Section 16.1)

- You must immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System, the Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. You must also cease to use all signs, marketing materials, displays, stationery, products and any other articles which display the Marks. (Section 16.2)
- You must take such action as necessary to cancel any assumed name or equivalent registration obtained by Franchisee which contains the Mark "TapSnap™" or any other Marks, and will furnish Franchisor with proof of compliance with this obligation within 5 days after termination or expiration of the Franchise Agreement. (Section 16.3)
- You must cease to use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by us, used by you while operating the Business, and will promptly execute such documents or take such steps necessary to remove reference to the Business from all telephone directories, including "yellow" and "white" pages, or at our request transfer same to us as specified in the Telephone Listing Agreement, which is attached as Exhibit 'F' to the Franchise Agreement. (Section 16.4)
- You must not use any reproduction, counterfeit, copy, or colorable imitation of the Marks, which, in our sole discretion, is likely to cause confusion, mistake, or deception, or which, in our sole discretion, is likely to dilute our rights in and to the Marks. You must further agree not to utilize any designation of origin, description, or representation (including but not limited to reference to us, the System, or the Marks) which, in our sole discretion suggests or represents a present or former association or connection with us, the System, or the Marks. (Section 16.5)
- You must at your own expense, immediately deliver to us the Manuals and all other records, correspondence and instructions containing confidential information relating to the operation of the Business (and any copies), all of which are acknowledged to be our property. (Section 16.6)

### **Our Rights upon Expiration or Termination of the Franchise Agreement (Section 16.7)**

If you at any time cease to do business as a TapSnap™ franchisee, we have the option, to be exercised within 30 days after termination, to purchase from you any or all of your furnishings, equipment, signs, fixtures, vehicles, or inventory related to the operation of the Business, at the lesser of your cost or fair market value. The cost for such items will be determined based on a 5 year straight-line depreciation of original costs. For equipment that is 5 or more years old, the parties agree that fair market value will be deemed to be 10% of the equipment's original cost. We may, in exercising this option, or with respect to any other payment due to you under the Franchise Agreement, offset any sums due to us from you under the Franchise Agreement or otherwise. You agree at our election to assign your lease interest in any customized or logoed vehicles to us or to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease agreement.

### **Renewal (Section 2.2)**

Renewal provisions are summarized as follows:

- You have the right to an unlimited number of successive 5 year renewal terms.
- You must give us at least 6 months but not more than 12 months prior to the expiration of the Term, of your desire to exercise your right of renewal.
- You must have fully complied with the Franchise Agreement in order to have the right to renew.
- You must not be in default of any provision of any license for the Franchised Business and

- are able to renew such license as necessary;
- You have paid all amounts owing to us;
  - You will execute a mutual general release, in a form prescribed by us, of all claims against us, our affiliates, and our officers, directors, agents, and employees;
  - You will execute a new franchise agreement in the form then being used by us and which may contain new terms and conditions which differ from your expiring Franchise Agreement including requirements to pay additional and/or higher fees;
  - You will comply with our then current qualification and training requirements;
  - At the time of renewal, you must satisfy our standards of financial responsibility and, you demonstrate to us that you have sufficient financial resources to continue to operate the Business during the renewal term;
  - You will bring any and all of your TapSnap™ equipment up to current System standards, which may require significant expenditures. We will not charge new TapSnap™ purchase costs exceeding the amount paid by you for any initial equipment purchases, as adjusted for inflation, improvements or modifications and our reasonable costs of materials, improvements, design changes or upgrades on a per TapSnap™ basis, and
  - You will pay us a renewal fee, which shall not exceed 25% of the then current Initial Franchise Fee for a comparable Market Area.

### **Our Right to Transfer (Section 14.1)**

- We have the right to transfer or assign the Franchise Agreement and all or any part of its rights or obligations to any person or entity, and any designated assignee will become solely responsible for all our obligations under the Franchise Agreement. We may sell our securities in a public offering or in a private placement; may affiliate with, merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

### **Your Right to Transfer (Section 14.2)**

You may not do any of the have the following without first obtaining our prior written consent:

- Transfer, pledge or otherwise encumber your rights or obligations or any material asset of your Business.
- If Franchisee is an entity, issue any voting securities or securities convertible into voting securities. In such an event, we may designate the recipient of any such securities will become a Principal under the Franchise Agreement.
- If Franchisee is a partnership or limited partnership, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall be deemed a Principal of Franchisee.
- Transfer, pledge or otherwise encumber any interest of the Principal in Franchisee, as that Principal is identified in Exhibit B which is attached to the Franchise Agreement

### **Conditions on Transfer (Section 14.3)**

We will not unreasonably withhold any consent to a transfer/assignment provided that the following conditions have been met:

- All your outstanding monetary obligations to us, our affiliates, any approved suppliers of the System have been satisfied in full, and there are no liens against the Business or equipment;
- You are not in default in the performance or observance of any of your obligations under

- the Franchise Agreement or any other agreement between us or any affiliate or supplier.
- You have delivered to us a complete release from all obligations under the Franchise Agreement.
  - The transferee of a Principal will enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the Franchise Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and such owners of the transferee as we may request, will guaranty the performance of the transferee's obligations in writing in a form satisfactory to us;
  - The proposed transferee must demonstrate to our reasonable satisfaction that the terms of the proposed transfer do not place an unreasonable burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as we may request) meets our then-current application qualifications and has the aptitude, resources and ability to operate the Business;
  - We may, at our option, require any transferee to execute our then-current form of Franchise Agreement and such other ancillary agreements that we may require;
  - We may request that, Franchisee, at its expense, will upgrade the Business, and other equipment to conform to the then-current standards and specifications of new TapSnap™ franchises being established in the System, within the time specified by us;
  - You will remain liable for all obligations to us in connection with the Business that arose before the transfer and execute all instruments reasonably requested by us to evidence such liability;
  - The transferee and its Principals and the transferee's manager (if applicable) will, at the transferee's expense, successfully complete any training programs then in effect for operators and managers on such terms as we may reasonably require, including payment of any training fees to us;
  - You must pay a transfer fee in amount to 50% of the then current Initial Franchise Fee for a comparable Market Area, and the transferee shall pay us a training fee in an amount of \$2,500 dollars;

- In the event the Transferor transfers the Business to a transferee who was identified by us and given to the Transferor, the Transferor shall pay us an additional fee equal to 25% of the then current Initial Franchise Fee for a comparable Market Area payable at the time of the transfer.

#### **Security Interests (Section 14.5)**

Neither you nor any Principal will grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Business unless you satisfy our requirements;

#### **Right of First Refusal (Section 14.6)**

If you obtain a bona fide offer (the "Offer") to acquire the whole or any part of your interest in the Business, we have the right and option, exercisable within 30 days except that we have the right to substitute cash for any other form of consideration specified in the Offer and to pay in full the entire purchase price at the time of closing.

A transfer to a spouse, domestic partner, parent or child of the seller will not be considered a third party for purposes of this Section 14.6.

#### **Death of a Principal (Section 14.7)**

Upon the death of a Principal, the deceased's executor, administrator, or other personal representative will transfer the deceased's interest to a third party approved by us within 90 days after death. If no personal representative is appointed or no probate proceedings are instituted with respect to the deceased's estate, then the recipient of such interest must be approved by us. If we do not approve the recipient, then the recipient will transfer the deceased's interest to a third party approved by us within 90 days after death.

#### **Permanent Disability of Controlling Principal (Section 14.8)**

Upon the permanent disability of any Principal with a controlling interest in Franchisee, we will have the right to require such interest to be transferred to a third party within 90 days after notice to you. "Permanent Disability" will mean any injury, illness or incapacity that would prevent a person from performing the obligations set forth in the Franchise Agreement for at least 90 consecutive days and from which condition recovery within 90 consecutive days from the date of determination of disability is unlikely.

#### **Operation upon Death or Disability (Section 14.14)**

If, upon your death or disability or the death or disability of the owner of a controlling interest in Franchisee, the Business is not being managed by a trained manager, you or such owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed 15 days from the date of death or disability, appoint a manager to operate the Business. Such manager will be required to complete the Initial Training Program at Franchisee's expense. Pending the appointment of a manager as provided above or if, in our judgment, the Business is not being managed properly any time after your death or disability or after the death or disability of the owner of a controlling interest in Franchisee, we have the right, but not the obligation, to appoint a manager for the Business. All funds from the operation of the Business during the management by our appointed manager will be kept in a separate account, and all expenses of the Business, including compensation, other costs and travel and living expenses of Franchisee's manager, will be charged to this account. We also have the right to charge a reasonable management fee during the period that our appointed manager manages the Business. Operation of the Business during any such period will be on your behalf, provided that

we only have a duty to utilize our best efforts and will not be liable to you or your owners for any debts, losses or obligations incurred by the Business or to any of your creditors for any products, materials, supplies or services the Business during any period it is managed by our appointed manager.

## **ITEM 30.**

### **DISPUTE RESOLUTION**

#### **Governing Law (Section 25.1)**

The Franchise Agreement is construed in accordance with and governed by the laws of the Province in which the Franchised Business is located and the laws of Canada applicable therein.

#### **Non-Binding Settlement Meeting (Section 25.2)**

Except for Sections 9, 10, 11, 14, and 17 of the Franchise Agreement, before any Party may bring an action in court or file arbitration against the other, the Parties must first meet to informally discuss the dispute (except as provided below). Any such discussion will be non-binding and will be conducted at our office. Settlement discussions must take place in good faith for no less than 3 hours (unless the matter is resolved in less time) and occur within 30 days of receipt of the notice from the Party wishing to hold the settlement conference specifying a demand for such a conference. All aspects of the settlement conference will be treated as confidential, will not be disclosed to others, and will not be admissible in any other proceeding or legal action.

#### **Arbitration (Section 25.3)**

Except for disputes, or claims related to or based on improper use of the Marks, Confidential Information or the covenants in Section 17 in the Franchise Agreement, all disputes, or claims between you and us and each of our respective shareholders, members, officers, agents, or employees, arising out of or related to: 1) the Franchise Agreement or any other agreement between the parties; 2) Franchisor's relationship with Franchisee; 3) the validity of the Franchise Agreement or any other agreement between the parties; and 4) any Systems Standard, must be submitted for binding arbitration, on demand of either party, to the Canadian Arbitration Association ("CAA"), Vancouver, B.C. office. The arbitration will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to the CAA's then current commercial arbitration rules. All proceedings will be conducted at a location in the Vancouver, B.C. area chosen by the arbitrator. Judgment on the arbitrator's award may be entered in any court of competent jurisdiction.

#### **Statement required by the Arthur Wishart (Franchise Disclosure) Act (Ontario)**

The following statement is required by the *Arthur Wishart (Franchise Disclosure) Act* (Ontario) to be included in disclosure documents:

Mediation is a voluntary process to resolve disputes with the assistance of an independent third party. Any party may propose mediation or other dispute resolution process in regard to a dispute under the franchise agreement, and the process may be used to resolve the dispute if agreed to by all parties.

## ITEM 31.

### STATUTORY NOTICES

The *Franchises Act* (Alberta) requires us to quote the following sections of that Act, which are applicable to Franchised Businesses in Alberta:

**(a) Disclosure Document**

Sections 4(1) and (2) of the *Franchises Act* provides as follows:

4(1) a franchisor must give every prospective franchisee a copy of the franchisor's disclosure document.

4(2) a franchise disclosure document must be given to a prospective franchisee at least fourteen (14) days before the prospective franchisee:

- (e) signs any agreement relating to the franchise; or
- (f) the payment of any consideration relating to the franchise:

whichever is earlier.

**(b) Failure to give disclosure document**

Section 13 of the *Franchises Act* provides as follows:

13. If a franchisor fails to provide a prospective franchisee with the disclosure document within the time frame referred to in section 4, the prospective franchisee may rescind all franchise agreements by giving notice of cancellation to the franchisor or its associate as the case may be:

- (a) no later than sixty (60) days after receiving the disclosure document; or
- (b) no later than two (2) years after the franchisee is granted the franchise;

whichever occurs first.

**(c) Effect of Cancellation**

Section 14 of the *Franchises Act* provides as follows:

14(1) A notice of cancellation given section 13 operates:

- (a) to cancel the franchise agreements; or
- (b) in the case of any agreement that is an offer to purchase, to withdraw the offer to purchase.

(2) The franchisor or its associate, as the case may be, must, within thirty (30) days of receiving a notice of cancellation under section 13, compensate the franchisee for any net losses that the franchisee has incurred in acquiring, setting up and operating the Franchised Business.

**(d) Right of Action for Damages**

Section 9 of the *Franchises Act* provides as follows:

9(1) If a franchisee suffers a loss because of a misrepresentation contained in a disclosure document, the franchisee has a right of action for damages against any or all of the following:

- (a) the franchisor;
- (b) every person who signed the disclosure document.

(2) If a disclosure document contains a misrepresentation, a franchisee who purchases a franchise to which the disclosure document relates is deemed to have relied on the misrepresentation.

## **ITEM 32.**

### **FINANCIAL STATEMENTS**

Our un-audited opening Balance Sheet as of June 30, 2015 attached as Exhibit C. Our fiscal year ends on June 30 of each year.

## **ITEM 33**

### **OTHER MATERIAL INFORMATION**

#### **Unilateral Amendments**

There are no provisions in the Franchise Agreement that allow us to make unilateral amendments to the Franchise Agreement. However, the Franchise Agreement allows us a wide range of discretion in several matters. For example, we are allowed to make unlimited changes to the Marks and the Manuals.

#### **Non-Competition and Confidentiality**

The Franchisee, and its Principals, will be subject to broad forms of in-term non-competition and confidentiality covenants, including specific obligations intended to protect the Franchisor and the System in general. The Franchisee, and its guarantors, will be subject to a post-term non-competition covenant of two (2) years within 50 kilometers of the perimeter of the Market Area.

#### **Indemnity (Section 19.1)**

You are required to indemnify and save us, our directors, shareholders, officers, employees and agents harmless from any and all liabilities, of any kind or nature whatsoever to which they shall or may become liable for, or suffer by reason of any breach, violation or non-performance on the part of you or any of your agents, sub- licensees, servants or employees of any representation, warranty, term or condition of the Franchise Agreement and from all claims, damages, suits, costs or rights of any persons, firms or corporations arising from the operation of the Franchised Business.

#### **Legal Fees (Sections 19.1 and 25.9)**

If we are made a party to any litigation commenced by or against you, then you will indemnify and save us harmless against any losses, damages or claims whatsoever arising therefrom and shall pay all costs and expenses including reasonable legal fees, accountants and expert witness fees, costs of investigation and travel and living expenses incurred or paid by us in connection with such litigation. Further, if it is established that you have breached any of the terms and conditions of

the Franchise Agreement, you agree to pay all costs and expenses including legal fees that may be incurred or paid by us in enforcing our rights and remedies under the Franchise Agreement.

## **ITEM 34.**

### **CERTIFICATES; RECEIPTS**

The following pages of this Disclosure Document are certificates prescribed by Alberta, Ontario, New Brunswick, Prince Edward Island and Manitoba and duplicate Receipts, which will serve as an acknowledgement by you that you have received a copy of this disclosure document. You should sign both copies of the Receipt, return one copy to us and retain one for your records. If the Receipt pages, or any other page or Exhibit is missing from your copy of the Disclosure Document, please contact us immediately.

## CERTIFICATE

### ALBERTA Declaration

The information provided in the disclosure document, or in any changes made in respect of the disclosure document,

- (a) contains no untrue information of a material fact,
- (b) does not omit to state a material fact that is required to be stated, and
- (c) does not omit to state a material fact that needs to be stated in order for the information not to be misleading.

Signed at North Vancouver, British Columbia this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

### TapSnap Ventures, Inc.

Per:

\_\_\_\_\_  
Scott McInnes - CEO

# CERTIFICATE

## MANITOBA Declaration

This disclosure document

- (a) contains no untrue information, representation or statement, whether of a material fact or otherwise; and
- (b) contains every material fact, document and other information that is required under The Franchises Act and the Franchises Regulation.

Signed at North Vancouver, British Columbia this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

### TapSnap Ventures, Inc.

Per:

\_\_\_\_\_  
Scott McInnes - CEO

# CERTIFICATE

## ONTARIO Declaration

This disclosure document:

- (a) Contains no untrue information, representations or statements; and
- (b) Includes every material fact, financial statement, statement and other information required by the *Arthur Wilshart Act (Franchise Disclosure)* (Ontario) and regulations promulgated thereunder.

Signed at North Vancouver, British Columbia this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

## TapSnap Ventures, Inc.

Per:

\_\_\_\_\_  
Scott McInnes - CEO

# CERTIFICATE

## NEW BRUNSWICK Declaration

The Disclosure Document of which this Certificate forms part

- (a) contains no untrue information, representation or statement, whether of a material fact or otherwise;
- (b) contains all the statements, documents and information required by subsection 5(4) of the *Franchises Act*;
- (c) states, in addition, any material fact required by subsection 5(5) of the *Franchises Act*;

Signed at North Vancouver, B.C. this \_\_\_ day of \_\_\_\_\_, 20\_\_\_.

### TapSnap Ventures, Inc.

Per:

\_\_\_\_\_  
Scott McInnes - CEO

## CERTIFICAT DU FRANCHISEUR

Le document d'information dont le present certificate fait partie:

- (a) ne contient aucun renseignement, aucune assertion ni aucune déclaration concernant ou non un fait important qui soit erroné;
- (b) contient toutes les déclarations, tous les documents et tous les renseignements qu'exige le paragraphe 5(4) de la *Loi sur les franchises*;
- (c) indique, en outre, tous faits importants qu'exige le paragraphe 5(5) de la *Loi sur les franchises*.

Date of Certificate, \_\_\_\_\_ 20\_\_\_.

### TapSnap Ventures, Inc.

Per:

\_\_\_\_\_  
Scott McInnes - CEO

# CERTIFICATE

## PRINCE EDWARD ISLAND Declaration

The Disclosure Document of which this Certificate forms part

- (a) contains no untrue information, representation or statement, whether of a material fact or otherwise;
- (b) contains every material fact, financial statement, statement and other information that is required to be contained by the Act and the regulations made under it;
- (c) does not omit a material fact that is required to be contained by the Act and the regulations made under it; and
- (d) does not omit a material fact that needs to be contained in order for this Disclosure Document not to be misleading.

Signed at North Vancouver, B.C. this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**TapSnap Ventures, Inc.**

Per:

\_\_\_\_\_  
Scott McInnes - CEO

# RECEIPT

I have received this day a copy of the Disclosure Document of TapSnap Ventures, Inc. dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ including Exhibits referred to therein.

Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Facsimile

\_\_\_\_\_  
E-mail

I, \_\_\_\_\_, hereby acknowledge that I have received the following documents from TapSnap Ventures, Inc.

Disclosure Document

- |           |  |
|-----------|--|
| Exhibit A | Franchise Agreement                            |
| Exhibit B | Agents for Service of Process                  |
| Exhibit C | Un-audited Opening Balance Sheet               |
| Exhibit D | List of Franchisees                            |
| Exhibit E | List of Franchisee Closures                    |
| Exhibit F | List of Franchisor Owned and Operated Units    |
| Exhibit G | Pre-Opening Manual Table of Contents           |
| Exhibit H | Policies & Procedures Manual Table of Contents |

DATE \_\_\_\_\_

SIGNATURE \_\_\_\_\_

**EXHIBIT A**  
**FRANCHISE AGREEMENT**



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# **FRANCHISE AGREEMENT**

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# FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between TapSnap Ventures, Inc., a British Columbia corporation ("**Franchisor**"); and \_\_\_\_\_ ("**Franchisee**") collectively the "**Parties**". For purposes hereof, the "Effective Date" shall be \_\_\_\_\_, 20\_\_.

## BACKGROUND:

### A. PREAMBLES

TapSnap Ventures, Inc. (The "Franchisor") offers franchises for the operation of a digital photo entertainment system for use at events such as weddings, conventions, brand activations, marketing events, sporting events, trade shows, charity events, and reunions, and other types of social gatherings, using proprietary technology (the "Services"), as well as other ancillary and related merchandise (the "Products"). Products and Services shall be collectively referred to as the "Products and Services" under the TapSnap™ Marks ("TapSnap™ Franchise") using certain techniques through a proprietary uniform system having high standards of service developed by Franchisor (the "System").

The TapSnap™ Franchise is identified by means of certain trade names, service marks, trademarks, logos, trade dress, emblems, and indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the TapSnap™ Franchise including the service mark logo "TapSnap™" (the "Marks"). The Marks are owned by Franchisor and will at all times remain the property of Franchisor.

Franchisee wants to enter into the business of operating a TapSnap™ Franchise (sometimes referred to as a "Business" or "TapSnap™ Business") using the Marks, and wishes to enter into this Agreement for that purpose and to get the training and other assistance provided by Franchisor.

Franchisee understands and acknowledges the importance of the high standards of Franchisor for quality, appearance, and service; and the necessity of operating the Business in conformity with the standards and specifications of Franchisor.

The Parties agree to act reasonably and in good faith in all matters concerning the performance and enforcement of this Agreement.

### B. ACKNOWLEDGMENTS

You acknowledge:

That Franchisee has independently investigated this franchise opportunity and recognizes and hereby acknowledges that, like any other business, the nature of the business a TapSnap™ franchisee conducts may, and probably will, evolve and change over time.

That an investment in a franchise involves business risks that could result in a loss of a significant portion or all of Franchisee's investment and that its business abilities and efforts are vital to Franchisee's success and the success of its TapSnap™ Franchise.

That Franchisee has not received from Franchisor, and is not relying upon, any representations or guarantees, express or implied, as to potential volume, sales, income, or profits of a TapSnap™ Franchise.

That Franchisee has represented to Franchisor, to induce its entry into this Agreement, that all statements Franchisee has made, written or oral, and all materials Franchisee has given Franchisor are accurate and complete and that it has made no misrepresentations or material omissions in obtaining the TapSnap™ Franchise.

That Franchisee has been afforded an opportunity, and has been encouraged by Franchisor to have this Agreement and all other agreements and materials Franchisor has given or made available to Franchisee reviewed by a lawyer, accountant, and/or other professional adviser and has either done so or elected not to do so.

That Franchisee has a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, that Franchisee will have sufficient funds to meet all of its obligations under this Agreement and that Franchisee has no material financial obligations, whether actual or contingent, which are outstanding which it has not disclosed to Franchisor in writing.

That Franchisee is not a party to any pending or threatened litigation, arbitration or other legal proceedings or claims, and that Franchisee is not subject to any agreement, court or administrative judgment or order which would inhibit in any way or make more difficult Franchisee's fulfillment of its obligations under this Agreement.

### **C. CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**

If Franchisee is at any time a corporation or partnership, Franchisee agrees and represents that:

Franchisee will have the authority to execute, deliver, and perform its obligations under this Agreement and all related agreements and are duly organized or formed and validly existing and in good standing under the laws of the state of its formation.

Franchisee's organizational documents will recite that this Agreement restricts the issuance and transfer of any ownership interests in Franchisee, and all certificates and other documents representing ownership interests in Franchisee will bear a legend referring to this Agreement's restrictions;

Franchisee's TapSnap™ Franchise will be the only business it operates (although its owners may have other, non-competitive business interests).

While Franchisor has encouraged Franchisee to form a business entity for purposes of its business operations as a Franchisee, the decision to form or not form an entity is entirely Franchisee's.

Exhibit B to this Agreement completely and accurately describes all of Franchisee's owners and their interests in Franchisee as of the Effective Date and each of its owners during this Agreement's term will execute a guaranty in the form prescribed by Franchisor undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between Franchisee and Franchisor. Franchisee and its owners agree to

sign and deliver to Franchisor a revised Exhibit B to reflect any permitted changes in the information that Exhibit B now contains.

**NOW, THEREFORE**, the Parties agree as follows:

## **SECTION 1 – GRANT**

**1.1 Grant and Acceptance.** Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, on the terms and conditions set forth herein, to: (a) establish and operate a TapSnap™ Franchise (the "Business"), (b) use, only in connection therewith, the Marks and the System, as they may be changed, improved, or developed from time to time by Franchisor; and (c) operate the Business in accordance with this Agreement.

**1.2 Territory.** Franchisor does not offer exclusive Territories. Franchisor tries to limit, in its sole discretion, the number of franchisees in a market area ("Market Area") as defined below. You may, except as otherwise provided in this Section 1.2, accept business (and therefore offer services at events) outside your Market Area, but may not solicit or advertise for business outside the Market Area, other than as provided in this Section. You may provide services outside your Market Area only to customers who contact you directly, to customers who we refer to you for service (typically because there is no available franchisee who can service that customer), or to potential customers who although are located outside of your Market Area are scheduled to attend or host an event to be held in your Market Area. As an example, if your Market Area includes Las Vegas, Nevada, you could contact exhibitors at an upcoming trade show to be held in Las Vegas to offer TapSnap™ products and services. We reserve the right, if 25% or more of your events are taking place outside of your Market Area, to limit the number of these "outside your Market Area" events, or to require that you or we refer a portion (as determined by us) of those events to another franchisee. Factors which Franchisor considers in determining the number of franchises it will seek in a Market Area include, but are not limited to, the number of convention/event/banquet facilities in the Market Area, number of hotel rooms and total hotel revenue, number of event planners, number of weddings, whether the Market Area is considered to be a Destination Market (as defined below), geography and demographics of the Market Area, whether then existing franchisees are fully servicing the demand for TapSnap™ services within a given Market Area, and whether existing franchisees are using their best efforts to promote and market TapSnap within their market area. Franchisor reserves the right to add franchisees in a Market Area if the existing franchisees are underperforming as measured by the performance of other franchisees in similar Market Areas or other franchisees who have been in business for a similar length of time. In addition, Franchisor reserves the right to add franchisees to service any underserved Market Area, at its sole discretion. Franchisor reserves the right to sell a Market Area exclusively to one or more franchisees, for additional consideration.

For the purpose of this Section 1.2 a Market Area is defined as a geographic or demographic zone containing people who are likely to utilize the Products and Services.

For the purpose of this Section 1.2 a Destination Market is defined as a tourist magnet area that attracts a significant number of visitors, or an area, region, or civic entity that hosts a significant number of conventions, weddings, or similar events. A Destination Market is further defined to include any "destination" to which people travel for the purpose of holding or attending events not generally held, or not as desirable or practical for individuals or entities to hold, in their home

areas and to which they and other attendees may travel for purposes of holding or attending such event(s).

Franchisee's decision to add or not add additional TapSnap™ systems, staff and other resources required to meet current or potential demand in its Market Area may also impact Franchisor's consideration of how many franchises to sell in Franchisee's Market Area.

Franchisee understands and agrees that Franchisee does not have any option or rights of first refusal on any Market Area, and that Franchisor may award or operate a TapSnap™ Franchise in any such Market Area or Destination Market at any time, in its sole discretion.

**1.3 Limit on Sales.** Franchisee shall offer, rent or sell such Products and Services and only such Products and Services as have been expressly approved for sale in writing by Franchisor. Franchisee shall not offer for sale or rent any other Products or Services without the express prior written consent of Franchisor.

**1.4 Reserved Rights.** Franchisor retains the rights, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights:

1.4.1 To own, acquire, establish, operate or license to others TapSnap™ Franchises under the System.

1.4.2 To own, acquire, establish, operate or license others to establish and operate similar businesses under the Marks.

1.4.3 To own, acquire, establish or operate, and license others to establish and operate, businesses under marks other than the Marks utilizing other programs or business models, whether such businesses are similar to or different from the Business.

1.4.4 To sell, lease or rent TapSnap™ kiosks, software, or equipment to, or for use on, cruise ships or cruise ship terminals, regardless of where any such ship may be docked from time to time. Franchisor also reserves the right to sell, lease or rent TapSnap™ kiosks, software, or equipment to operate in public venues such as hotels, stadiums, amusement parks, shopping malls or facilities or similar locations ("Public Venues") utilized by the general public at specific events held in the Public Venue.

1.4.5 To negotiate prices for events with Corporate Accounts and service itself or get other franchisees to service those events in Franchisee's Market Area if Franchisee turns down the opportunity to service an event or is, at the Franchisor's sole discretion, not sufficiently qualified or experienced to service said event. Franchisor shall offer these events for Corporate Accounts to a franchisee in a given Market Area as Franchisor shall determine in its sole discretion. A Corporate Account is primarily an organization or company that has operations or potential for events, in multiple markets in Canada or the United States.

## **SECTION 2 - TERM AND RENEWAL**

**2.1 Initial Term.** This Agreement will be in effect on its execution by Franchisor and, except as otherwise provided herein, this Agreement will expire five (5) years from the Effective

Date.

**2.2 Renewal.** Franchisee may apply to operate the Business for unlimited successive additional terms of five (5) years each if the following conditions are met before each renewal:

2.2.1 Franchisee will give Franchisor written notice of Franchisee's election to renew at least six (6) months, but not more than twelve (12) months, before the end of the term of this Agreement;

2.2.2 Franchisee will not have any past due monetary or other outstanding obligations to Franchisor and its affiliate, the approved suppliers of the System;

2.2.3 Franchisee will not be in default of any provision of this Agreement, or any other agreement between Franchisee and Franchisor or any affiliates or the approved suppliers of the System; and Franchisee will have substantially complied with all the terms and conditions of such agreements during the term hereof;

2.2.4 Franchisee and Franchisor will execute a mutual general release, in a form prescribed by Franchisor, of all claims against Franchisor, its affiliates, and their officers, directors, agents, and employees;

2.2.5 Franchisee will execute the then current form of franchise agreement offered by Franchisor, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including requirements to pay additional and/or *higher* fees;

2.2.6 Franchisee will comply with Franchisor's then current qualification and training requirements;

2.2.7 Franchisee, at the time of renewal, satisfies Franchisor's standards of financial responsibility and, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources to continue to operate the Business during the renewal term;

2.2.8 Franchisee will bring any and all of its TapSnap™ Systems up to current System standards, which may require significant expenditures. Franchisor will not charge new TapSnap™ purchase costs exceeding the amount paid by Franchisee for any initial equipment purchases, as adjusted for inflation, improvements or modifications and Franchisor's reasonable costs of materials, improvements, design changes or upgrades on a per TapSnap™ basis; and

2.2.9 Franchisee shall pay Franchisor's then current renewal fee (the "Renewal Fee"), which Renewal Fee shall not exceed twenty-five (25%) of the then current Initial Franchise Fee for a comparable Market Area.

## **SECTION 3 - DUTIES OF FRANCHISOR**

**3.1 Initial Business Set-up.** Franchisor will make available, at no charge to Franchisee, specifications for the basic business set-up, fixtures, and equipment required to operate the business, including suggested equipment required to operate the business and approved

vendors (the "Approved Vendors"). TapSnap™ Systems may only be purchased from Franchisor. The quantity of TapSnap™ Systems which Franchisee must purchase to begin its TapSnap™ Franchise will vary depending upon the size and geographic characteristics of its Market Area, along with the number of events which Franchisee and Franchisor anticipates Franchisee servicing on a periodic basis. Franchisor requires Franchisee to purchase products, such as clothing and other merchandise for use or sale in its TapSnap™ Franchise, from Franchisor or an Approved Vendor. Franchisee understands and acknowledges that Franchisor has the right to modify the required equipment specifications as Franchisor deems appropriate.

**3.2 Initial Training Program.** Franchisor will provide its initial training program for Franchisee (the "Initial Training Program"), as described in Section 6.1.1 and 6.1.2 of this Agreement; unless this Agreement is for the second or subsequent TapSnap™ Franchise; in which event the terms set forth in Section 6.1.2 below will apply with respect to the pre-opening training of Franchisee, the Designated Principal ("D.P.") and any General Manager ("G.M."), if any (as D.P. and G.M. are defined in Section 8.3). Franchisor will also provide such ongoing training as it may deem appropriate in accordance with the terms and conditions of this Agreement.

3.2.1 Franchisee may request one person, including Franchisee, to attend the Initial Training Program at no charge. Additional attending persons are charged \$750 USD each for training.

3.2.2 If Franchisor determines that Franchisee or its Designated Principal and/or G.M. cannot complete the Initial Training Program to Franchisor's satisfaction, Franchisor may terminate this Agreement. If Franchisor terminates this Agreement because of Franchisee's failure to complete the Initial Training Program to Franchisor's satisfaction, Franchisor will refund Franchisee's Initial Franchise Fee. All TapSnap™ equipment is manufactured when ordered by a franchisee, and Franchisor will incur these manufacturing costs; Franchisor will refund Franchisee's Equipment Purchase Fee (as defined in Section 4.1 herein) upon Franchisee shipping that equipment back, less a restocking charge which shall be twenty percent (20%) of the Equipment Purchase Fee. Franchisee will also be responsible for any shipping costs, and insurance, which must be prepaid by Franchisee. All TapSnap™ equipment must be returned in original condition in order for Franchisee to receive a refund, and must be received by Franchisor within fourteen (14) days of termination of this Agreement.

**3.3 Loan of Manuals.** Franchisor will provide Franchisee, on loan, copies of Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, the "Manuals"), as more fully described in Section 10 in this Agreement. Under no circumstances will title to the Manuals pass to Franchisee.

**3.4 Advertising Programs and Materials.** Franchisor shall review and will have the right to approve or disapprove all advertising and promotional materials that Franchisee asks to use, according to Section 12. Franchisor will manage and provide an initial marketing plan and assist in its implementation according to Section 12.9

**3.5 Guidance.** Franchisor may provide periodic advice or guidance to Franchisee in the marketing, management, and operation of the Business as determined by Franchisor. Guidance and advice given via telephone or email is free.

**3.6 Inspections.** Franchisor will conduct, as it deems advisable, inspections of the operation of the Business operated by Franchisee. Inspections may include having a TapSnap™ corporate representative attend an event, or requiring that Franchisee supply photos of staff or of their equipment setup at an event.

**3.7 Delegation.** Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, or agent of Franchisor.

**3.8 Fulfillment of Obligations.** In fulfilling its obligations under this Agreement, and in conducting any activities or exercising any rights according to this Agreement, Franchisor must take into account the needs of all franchisees and the franchise system as a whole, as well as those of Franchisor. Franchisor therefore retains the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other Businesses and systems in which Franchisor has an interest, and on Franchisor's own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other businesses and systems in which Franchisor has an interest, or with Franchisor's affiliates; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor has an interest; (iv) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as Franchisor sees fit; and (v) to treat Franchisee and other franchisees differently, or not to do so, as Franchisor deems appropriate. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.8 and that nothing in this Section 3.8 in any way affects Franchisee's obligations under this Agreement.

**3.9 Maintenance of Toll Free Number/Lead Distribution/Corporate Accounts.** Franchisor will provide and maintain a toll free number, with a virtual local extension, for use by Franchisee. Franchisor will distribute customer leads to Franchisee where Franchisor is able to identify potential customers, through whatever means, in the Market Area. Franchisor may also provide additional customer leads in close geographic proximity to the Market Area if the event, customer or prospect is not in the Market Area or the Market Area of another franchisee. Franchisor shall have no liability to Franchisee for leads sent to any franchisee in the incorrect Market Area through mistake or inadvertence. Franchisor may, through its own efforts or those of a Referring Franchisee, obtain Corporate Account events at prices and margins Franchisor deems appropriate; Franchisor will use its business judgment in setting prices for Corporate Account events and providing franchisees with the opportunity to service those events in a Market Area. Franchisor also may assign or reassign any lead where Franchisee fails to respond within two business days to a referred lead by contacting the customer or prospect directly.

## **SECTION 4 – FEES**

**4.1 Initial Franchise Fee, Marketing Fee and Equipment Purchase Fee.** Franchisee will pay, upon signing this Agreement, a non-recurring, non-refundable franchise fee (the "Initial Franchise Fee") in the amount stated in Exhibit A to this Agreement, which fee includes the Initial Training Program at Franchisor's offices. Franchisee will purchase a TapSnap™ equipment package based on the number of TapSnap™ Systems Franchisee wishes to own, and Franchisor agrees is needed to begin servicing the assigned Market Area.

The purchase price for the initial TapSnap™ package will be the amount specified in Exhibit A (the “Equipment Purchase Fee”). The Initial Marketing Fee will be \$2,500 USD, for which Franchisor will provide Franchisee with an initial, basic marketing package including some or all of the following: Google AdWords, social media accounts, creating a local business contact list, cold calling, direct mail, and local media/PR. The Initial Franchise Fee, Marketing Fee and Equipment Purchase Fee shall be paid in full to Franchisor, unless otherwise specified in writing by Franchisor, on signing this Agreement. Fees paid via credit card, including Franchise Fees, are not refundable, nor are credit card charge backs allowed (other than as provided by law). There are currently four (4) different levels of Equipment Purchase Fees, which vary based on the number of TapSnap™ Systems that are included.

**4.2 Included Items.** The Equipment Purchase Fee includes the number of TapSnap™ kiosks, one iPad Sharing Station, ongoing online and other advertising, as specified in Exhibit A hereto and a start-up quantity of brochures and business cards. The Equipment Purchase Fee does not include shipping and handling charges for the initial equipment Franchisee is purchasing, nor does it include event tents, lighting kits, photography backdrops and other optional items. The Initial Marketing Fee includes some or all of the following: Google AdWords, social media account, creating a local business contact list, cold calling, direct mail, and local media/PR.

**4.3 Royalty Fee.** In return for the on-going rights and privileges granted to Franchisee hereunder, Franchisee will pay to Franchisor throughout the term of this Agreement a royalty in an amount equal to seven (10%) percent of the actual Event Fee (the “Royalty”). We require that you pay certain Monthly Minimum Royalties based on the size of your Market Area and its corresponding Event Pricing Tier as specified under “Royalty” in the following Table:

Minimum Royalty Fee on Marketing Areas up to 500,000 population is the greater of 10% of actual Gross Revenue or the amounts listed in the table below.

Price Tier	Months 4 – 12	Year 2	Year 3	Year 4	Year 5
Tier A	\$500/month	\$660/month	\$858/month	\$950/month	\$1,054/month
Tier B	\$415/month	\$548/month	\$712/month	\$790/month	\$876/month
Tier C	\$360/month	\$475/month	\$618/month	\$685/month	\$760/month

Minimum Royalty Fee on per 100,000 population for Marketing Areas in excess of 500,000 population (rounded up or down to nearest 100,000 population) is the greater of 10% actual Gross Revenue or the amounts listed in the table below.

Price Tier	Months 4 – 12	Year 2	Year 3	Year 4	Year 5
Tier A	\$100/month	\$132/month	\$171/month	\$190/month	\$210/month
Tier B	\$83/month	\$109/month	\$142/month	\$158/month	\$175/month
Tier C	\$72/month	\$95/month	\$124/month	\$137/month	\$152/month

Notes: Minimum Royalties are tracked starting at the beginning of the 4<sup>th</sup> month following training. The first payment for any royalties owed would be charged on the 15<sup>th</sup> day of the 5<sup>th</sup> month following training, and on the 15<sup>th</sup> of each month thereafter. Minimum Royalties are calculated at 10% of gross revenue and are calculated monthly.

Royalty payments received in excess of minimums do not count towards subsequent months.

**4.4. Call Centre Fee.** Franchisee will pay to Franchisor a call centre fee (the “Call Centre Fee”) in an amount equal to four (4%) percent of the actual Event Fee, to cover the costs associated with the creation, staffing, purchase of equipment, and other ongoing operational and development costs of the Call Centre.

Franchisor may, in its sole discretion, increase the Call Centre Fee upon providing Franchisee with ninety (90) days prior notice in writing, due to any increased costs associated with operating the Call Centre; provided that the maximum contribution shall be no greater than six (6%) percent of the actual Event Fee.

**4.5 Payment of Royalty, Call Centre, & Branding Fund (art. 12.4) Fees.** Payment to TapSnap by the Franchisee for the inclusive sum of the Royalty Fee, Call Centre Fee, and the Branding Fund Contribution will be made by credit card and must be received prior to a particular event. Such payment constitutes an Event Code Fee. Unless the Event Code Fee is paid prior to an event, Franchisee’s TapSnap will not be activated to operate at that particular event.

**4.6 Software Fee.** Franchisee shall pay Franchisor a monthly fee of forty (\$40.00 USD) USD per TapSnap™ for the use of required “SnapBook” online management and reservation software (the “Online Management Software”) and Snap (kiosk software). Such Software Fee is payable on the first day of every month. To facilitate payment of the Software Fee, Franchisee will provide Franchisor with a valid credit card and pre-authorize Franchisor to process the payment of the Software Fee using such credit card on the first day of each month. Partial months shall be charged on a pro rata basis.

Franchisor may, in its sole discretion, increase the Software Fee upon providing Franchisee with ninety (90) days prior notice in writing, due to any increased costs associated with providing software; provided that the maximum contribution shall be no greater than sixty (\$60.00) USD per TapSnap™ Kiosk per month. Franchisee acknowledges that Franchisor will incur ongoing software development and data storage/hosting expenses which are anticipated to be very significant.

**4.7 Administrative Software Suite Fee.** Franchisee shall pay Franchisor a monthly fee of seventy-five (\$95.00) USD per user for the use of the required Administrative Software Suite. The suite includes a CRM and task management application, an organization-wide communication platform, and a paid Google Apps account. Such Software Fee is payable on the first day of every month. To facilitate payment of the Software Fee, Franchisee will provide Franchisor with a valid credit card and pre-authorize Franchisor to process the payment of the Software Fee using such credit card on the first day of each month. Partial months shall be changed on a pro rate basis.

**4.8 Overdue Payments.** Any payment or contribution not actually received by Franchisor on or before its due date will be overdue. If Franchisee is overdue on any fees due under this Agreement, Franchisor may discontinue any services related to those fees, or other services, to Franchisee.

**4.9 No Subordination/No Liens.** Franchisee will not subordinate to any other obligation its obligation to pay all fees or charges payable to Franchisor, whether under this Agreement or otherwise. Franchisee will not cause or allow any liens on its TapSnap™ equipment or other business property and shall cause any lien which is imposed or asserted to be removed within thirty (30) days of its being imposed. Franchisee must give written notice to Franchisor immediately upon its receipt of notice of any lien exercised or threatened to be exercised against any TapSnap™ equipment, Products or Services. Failure to give such notice, and/or to discharge any lien within 30 days of its assertion, shall constitute independent acts of default under the terms of this Agreement.

**4.10 U.S. Dollars.** Unless otherwise specified, all sums payable to Franchisor by Franchisee shall be payable in United States Dollars.

**4.11 Inflation Adjustment.** Amounts specified as subject to inflation adjustment will be adjusted each year. The Franchisor shall notify the Franchisee of the percentage adjustment each year. Franchisor may adjust any fixed fees or charges provided for in this Agreement, any ancillary agreements and the Manuals in proportion to the changes in the Consumer Price Index (Canada, all items), or any successor index, and rounded to the nearest dollar.

## **SECTION 5 - SITE AND OPENING OF BUSINESS**

**5.1 Location.** Franchisee will set up and maintain an office for the Business at the location specified in Exhibit “A” attached hereto (“Franchisee’s Location”). The computer equipment, software and all books, records (including banking records) and tax returns related to the Business will be maintained solely at Franchisee’s Location.

Franchisee will not change the address of Franchisee’s Location without the prior written consent of Franchisor, such consent not to be withheld unreasonably. Upon such consent being provided, the new address will automatically become Franchisee’s Location hereunder.

5.1.1 Franchisee shall immediately notify Franchisor of Franchisee’s Location and any change of location.

5.1.2 Franchisee will comply with all laws, codes and regulations, applicable to the Business. You will have sole responsibility for this compliance regardless of any guidance we may provide to you.

**5.2 Opening Date.** Franchisee must open for business within ninety (90) days of completing the Initial Training Program.

## **SECTION 6 – TRAINING**

**6.1 Initial Training Program and Attendees Additional Training.** Before beginning the Business, and within ninety (90) days of executing this Agreement, Franchisee will have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal and G.M., as defined in Section 8.3 below) must attend the Initial Training Program offered by Franchisor at its offices in North Vancouver, British Columbia, or such other location, or such

other means, as it may designate. The Initial Training Program will last up to four days.

6.1.2 Franchisee will be responsible for conducting the initial training of its managerial and other personnel in accordance with the requirements and conditions as Franchisor may establish for such training. Franchisor's requirements for initial training by Franchisee will be set forth in the Manuals or other written materials and shall include, but are not limited to, the requirement that all such training activities be conducted by the personnel of Franchisee who have completed Franchisor's Initial Training Program to the satisfaction of Franchisor, and who remain acceptable to Franchisor to provide initial training, following procedures and conditions established by Franchisor. Franchisor may provide training to Franchisee's personnel, upon request, for an additional fee.

6.1.3 Franchisor may from time to time provide mandatory and optional training programs covering such subjects as new policies and procedures, marketing, and other aspects of business operations. These programs may be conducted for various lengths of time and at various locations selected by Franchisor, or may be provided by way of on-line presentations (e.g., "Webinars" or interactive tutorials) or downloadable pre-recorded programs, or in any other reasonable manner. Mandatory training programs will be offered at no charge. Franchisor reserves the right to charge a fee for optional training programs.

**6.2 Training Costs.** The cost of the Initial Training Program is included in the Initial Franchise Fee. Franchisee may not designate more than one (1) person to undergo the Initial Training Program. Franchisee is responsible for any travel, food and lodging costs to attend the Initial Training Program. All training, instruction and required materials costs will be borne by Franchisor for the individual who goes through the Initial Training Program pursuant to Section 6.1. Additional individuals attending training will be at a cost of Seven-Hundred and Fifty (\$750) USD per person.

## **SECTION 7 -TECHNOLOGY**

**7.1 Required Computer Software.** The following terms and conditions will apply with respect to the Computer System (as defined below) and Software (as defined below):

7.1.1 Franchisor will have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among TapSnap™ franchises, as specified from time to time in the Manuals, including without limitation: (a) memory and hard drive capabilities, printers and other peripheral devices; (b) archival back-up systems; and (c) Internet access mode and speed (collectively, the "Computer System").

7.1.2 Franchisor will have the right, but not the obligation, to develop or have developed for it, or to designate additional computer software programs ("Required Software"), which Franchisee will install.

7.1.3 At this time, Franchisor does not require any specific Computer System or Required Software other than the Online Management Software. Franchisor recommends that Franchisee own and utilize a computer and software which allows it to access the Internet and receive and send e-mail, as well as with sufficient memory capacity and speed.

**7.2 Data.** Franchisor may specify in the Manuals or otherwise in writing the information that Franchisee will collect and maintain on the Computer System installed at the Business. Franchisee will provide to Franchisor such reports as Franchisor may reasonably request from that data. All data pertaining to the Business or collected by Franchisee in connection with the System or with Franchisee's operation of the business (including without limitation data pertaining to or otherwise concerning the Business's customers and ad copies) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee's Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner. Copies or originals of such data must be provided to Franchisor on Franchisor's request. Franchisor by this Agreement licenses use of such data back to Franchisee for the term hereof, solely for Franchisee's use in connection with the Business.

**7.3 Privacy.** Franchisee will abide by all applicable laws pertaining to privacy of information collected or maintained ("Privacy") and will comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee will: (a) comply with the requirements of the law; (b) immediately give Franchisor written notice of the conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel as requested to assist Franchisor in its determination regarding the most effective lawful way to meet Franchisor's standards and policies pertaining to Privacy.

**7.4 Extranet.** Franchisor may establish a website providing secure communications between Franchisor, Franchisee, franchisees, and other persons as determined by Franchisor, in its sole discretion (an "Extranet"). Franchisee will comply with Franchisor's requirements (as set forth in the Manuals or otherwise) with respect to connecting to and utilizing the Extranet in connection with the operation of the Business. The Extranet may include, without limitation, the Manuals, training, other assistance materials, and management reporting solutions. Franchisee will purchase and maintain such computer software and hardware as may be required to connect to and utilize the Extranet.

**7.5 Websites.** As used in this Agreement, the term "Website" ([www.tapsnap.net](http://www.tapsnap.net)) and any other website which Franchisor may establish in association with the system, interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

7.5.1 Franchisor will have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, any or all of the Products and Services, TapSnap™ franchises, the franchising of TapSnap™ Franchises or the System. Franchisor will have the sole right to control all aspects of the Website, including its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. Franchisor will also have the right to discontinue operation of the Website. Franchisor shall contract with appropriate parties for the services of search engine optimization or other services that make Franchisor's website appear more noticeably on Google or other search engines. If Franchisee is more than thirty (30) days past due on any amounts owing to Franchisor, in addition to all other remedies available to Franchisor, Franchisor may terminate event reservation or order services, or similar services being performed on Franchisee's behalf until

payment in full is received by Franchisor for amounts owed.

7.5.2 Franchisor will have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Business, with such web page(s) to be located within Franchisor's Website. Franchisor shall act in its sole discretion with respect to the creation, maintenance and content of any such web pages. Franchisor will have the right to refuse to post or discontinue posting any content or the operation of any webpage. Franchisor may refer certain Internet or web generated inquiries regarding events to be serviced to the closest available Franchisee; Franchisor will utilize its discretion in making any referrals, and shall not be liable to Franchisee for referrals made to another franchisee or for sales made directly by Franchisor for events outside Franchisee's Market Area through inadvertence.

7.5.3 Franchisee will not establish a separate Website, nor will Franchisee sell its TapSnap™ equipment or franchise on the Internet or otherwise; Franchisee understands and agrees that TapSnap™ equipment can only be sold or transferred through Franchisor's Extranet portal, upon paying Franchisor the required franchise transfer fee and otherwise meeting all requirements for transfer specified in Section 14.3 hereof.

Franchisor will have the right to modify the terms of this Section 7 relating to Websites as Franchisor may determine in its sole discretion.

**7.6 Online Use of Marks.** Franchisee will not, without the written permission of Franchisor, use the Marks or any other name associated with Franchisor or the System as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee shall utilize email through a hosting service provided by Franchisor, and which may have an email address such as "name@tapsnap.net." Franchisee shall only utilize this email address for its business purposes. Franchisor may charge Franchisee a fee for utilizing this hosting service similar to that charged by other commercial hosting services. Franchisee shall not transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent, in Franchisor's discretion.

**7.7 Changes to Technology.** Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and unpredictable. In order to provide for inevitable changes in technology, Franchisee agrees that Franchisor will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System. Franchisee agrees that it will abide by those new standards.

**7.8 Social Media and Communications.** Franchisee is required to comply with Franchisor's social media and communication policies as set out in the Manuals, and to ensure that its employees are aware of and comply with such policies.

## **SECTION 8 - OTHER DUTIES OF FRANCHISEE**

**8.1 Details of Operation.** Franchisee acknowledges that every detail of the System is important to Franchisee, Franchisor and other franchisees.

**8.2 Comply with the Agreement, including the Manuals.** Franchisee will operate the Business in strict conformity with this Agreement and such standards and specifications as Franchisor may prescribe in the Manuals or otherwise in writing, and will refrain from deviating

from such standards and specifications without the prior written consent of Franchisor.

**8.3 Management of Business and Designated Principal.** If Franchisee is other than an individual, before beginning training, Franchisee will comply with the following:

8.3.1 Franchisee will name one Principal who is both an individual and owns at least a ten percent (10%) interest in Franchise, and who will be responsible for management of the Business for Franchisee (the "Designated Principal" or "D.P."). If the D.P. dies or otherwise fails to effectively supervise the operations of the Business, Franchisee will promptly designate a new D.P. All DP's are subject to Franchisor's approval.

8.3.2 Franchisee will inform Franchisor in writing who will assume full-time responsibility for the daily operation of the Business. Franchisee may also employ a full-time unit manager (the "G.M."), who will be subject to Franchisor's approval.

8.3.3 Franchisor will have the right to rely on the D.P. or G.M. to have been given any responsibility for the operation of the Business.

8.3.4 Franchisee will designate the initial D.P. and G.M. (if applicable) on Exhibit "B" attached hereto.

**8.4 Best Efforts.** Franchisee shall not be required to work in the TapSnap™ Business on a full-time basis, but shall otherwise use its best efforts in the Business.

**8.5 Conformity to Standards.** Franchisee will operate the Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.5.1 Franchisee will offer and sell only the Products and Services that Franchisor specifies, unless otherwise approved in writing by Franchisor. Franchisee will offer and sell the Products and Services utilizing the standards and techniques, and following the customer service policies, as specified by Franchisor in the Manuals or otherwise. Franchisee is prohibited from offering or selling any products or services at or from the Business that have not previously been authorized by Franchisor, and will discontinue selling and offering for sale within ninety (90) days from notice of discontinuance from Franchisor any Products or Services which Franchisor may disapprove, in writing, at any time.

8.5.2 Franchisee will participate in all customer surveys and satisfaction audits. Also, Franchisee will participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, as specified in the Manuals, including providing discounts or refunds to customers. Franchisor may require that Franchisee maintain a customer or client satisfaction rating at such reasonable levels as Franchisor may set in the Manuals.

8.5.3 Franchisee understands that customers may be required to book all TapSnap™ Services through the websites provided and maintained by Franchisor for the benefit of the System. Those websites may provide for pricing of services for ease of customer ordering. Franchisor reserves the right to advertise different Event Fees in different geographic areas based on demand, the cost of providing services and other relevant factors.

8.5.4 Franchisee understands that Franchisor may impose specific monetary fines, as specified in the Manuals in advance, for Franchisee's failure to comply with any requirement or standard prescribed in the Manuals.

**8.6 Purchases and Approving New Products and Services.** Franchisee will purchase the required Products and Services solely from Franchisor or a supplier approved by Franchisor. Franchisor shall have no liability to Franchisee resulting from any such purchase of Products and Services. Franchisee shall pay for all such purchases in advance of any shipment of such items. If Franchisee would like to offer products or use any supplies, equipment, or services that Franchisor does not currently sell to Franchisee, Franchisee must submit a written request for approval and provide Franchisor with any information that it requests so that Franchisor can determine if Franchisor will sell or use such products or services to Franchisee. Franchisor has the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. Franchisee agrees to pay Franchisor's reasonable cost of inspection and testing the proposed product or evaluating the proposed provider, including personnel and travel costs, whether or not the product or item is approved. Franchisor has the right to grant, deny, or revoke approval of products or services in its discretion. Franchisor will notify Franchisee in writing of its decision following the evaluation. If Franchisee does not receive Franchisor's approval within ninety (90) days after submitting all of the information that Franchisor requests, this will be deemed a disapproval of the request. Franchisor reserves the right to re-inspect the facilities and any approved products or supplies and to re-evaluate the services provided by any service provider and to revoke approval upon failure to meet any of Franchisor's then-current criteria. If Franchisee receives a notice of revocation of approval of a product based on failure of such product to meet Franchisor's standards, Franchisee shall dispose of any remaining inventory of the disapproved product as Franchisor directs.

8.6.1 Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more suppliers who are willing to supply all or some of the Products or Services that Franchisor requires for use or sale in the development or operation of the Business.

8.6.2 Franchisor and its affiliates may receive payments or compensation from suppliers on account of such suppliers' dealings with Franchisee; Franchisor may use all amounts so received for any purpose. Franchisor may negotiate group or volume purchasing arrangements with approved suppliers. Franchisor will be entitled to all rebates, bonuses and promotional benefits associated with those programs.

**8.7 Trademarked Items.** Franchisee will ensure that all advertising and promotional materials, signs, forms and stationery used in the Business, Products, and other items specified by Franchisor bear the Marks in the form, color, location and manner prescribed by Franchisor. As a part of this obligation, Franchisee and Franchisee's employees shall wear TapSnap™ uniforms or logo-bearing clothing as required by the Manuals at all times while interacting with the public on their TapSnap™ Business.

**8.8 Obligations to Third Parties.** Franchisee must pay its distributors, suppliers, employees and other creditors promptly as the obligations become due. Failure to do so will be a breach of this Agreement.

**8.9 Notice of Legal Actions or Claims.** Franchisee will notify Franchisor in writing of any claims threatened or actual, or any lawsuit or legal action, within ten (10) days of the receipt of any threatened legal action or claim, including but not limited to, suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Business, (ii) may adversely affect the operation or financial condition of the Business, or (iii) may adversely affect Franchisee's financial condition.

**8.10 Franchisee Advisory Council.** Franchisor has established a North American Franchise Advisory Council (FAC), comprised of TapSnap™ franchisees and elected by TapSnap™ franchisees. Franchisor may establish additional regional or national councils as it deems necessary. Franchisor shall not have a vote in any election for a national or regional council, but may nominate a franchisee for election. Franchisor may remove any member for cause maybe or otherwise, in its sole discretion. Current or future councils will operate under their own bylaws and procedures, subject to Franchisor's approval thereof, in Franchisor's sole discretion. Actions of any of current or future advisory councils shall be binding upon Franchisee, however, no council action shall modify the terms and conditions of this Agreement. Any council decision shall be subject to Franchisor's final say on such matter, in Franchisor's sole discretion.

**8.11 Changes to the System.** Franchisee agrees that Franchisor may change or modify the System, as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, equipment and furnishings, new techniques and methodologies, additional or substitute trademarks, service marks and copyrighted materials. Franchisee will, with reasonable notice, accept and implement in the operation of the Business any such changes in the System, at Franchisee's sole expense. Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based on the peculiarities of a particular circumstance, existing business practices, or other factors that Franchisor deems important to the operation of any unit or the System. Franchisee will have no recourse against Franchisor due to any variation allowed any franchisee and will not be entitled to require Franchisor to provide Franchisee with a like or similar variation.

**8.12 Bookkeeping and Records.** Franchisee must keep complete and accurate books, records, and accounts of all business conducted under this Agreement in-line with generally accepted accounting principles. Franchisee must preserve all of its books and records in hard copy or in a format where hard copies can be easily made for at least five years from the date created. Franchisee must maintain such information and records on its computer system. Franchisor may require in the Manuals and Franchisee acknowledges and agrees that Franchisor will have access to that data remotely via a network connection that Franchisor will specify.

**8.13 Reports and Financial Statements.** Franchisee must submit financial and operational reports and records and its tax returns to Franchisor at the times and in the method stated in the Manuals. Franchisee must submit an unaudited statement of sales for each month

to Franchisor, within ten (10) days of the end of the month. Within ninety (90) days after the end of each fiscal year, Franchisee must have its accountant submit to Franchisor its balance sheet and income statement for the fiscal year. Franchisor or its Designated Principal must certify that the fiscal year end income statement and balance sheet are correct and complete, and that they have been prepared in line with generally accepted accounting principles. Franchisor has the right to demand audited financial statements if an Event of Default has occurred within the last fiscal year. Franchisee must provide Franchisor with copies of its tax returns within fourteen (14) days after Franchisee has filed its taxes. Franchisor has the right to utilize Franchisee's financial data with respect to revenues, expenses and the like and incorporate it into general information about the TapSnap™ System which Franchisor may make available to other franchisees, the public or prospective franchisees.

**8.14 Additional Information.** Franchisee must respond promptly to requests from Franchisor for clarification and/or additional information about any matter entrusted to Franchisee under this Agreement. Franchisor may periodically require information about Franchisee's financial condition, earnings, sales, profits, costs, expenses, and performance to provide information to prospective franchisees about actual or potential sales or to comply with applicable laws and regulations. Franchisor may also inquire of Franchisee's bankers, lenders and suppliers regarding Franchisee's financial condition. Franchisee must provide such information promptly on Franchisor's request. Franchisee must provide such authorization as Franchisor requests allowing access by Franchisor to third parties with respect to Franchisee's financial condition, and Franchisee must certify that such information is true and complete in all material respects. This Agreement shall serve as advance authorization to Franchisee's bankers or lenders to share any requested information upon request by Franchisor.

**8.15 Auditing.** Without restricting the above sections, Franchisor may give five (5) days' written notice and then audit or cause to be audited any statement, accounting, books, records or other materials, Franchisee is required to submit to Franchisor. Franchisor may review or cause a review, of all records maintained by any bank or other financial institution used by Franchisee for the Franchised Business. If any audit or review reveals an understatement of fees due for any period, Franchisee must pay to Franchisor, (i) all additional Operating Fees or other amounts required based on the audit or review and (ii) if the understatement is more than two percent (2%) of Event Fees, the cost of the audit or review, including without limitation the charges of any independent accountant and the cost of travel, meals, lodging, and compensation of the accountant and employees or other agents of Franchisor and any other direct costs Franchisor incurs internally as a part of the audit. This must be paid within fifteen (15) days after a demand for payment is made. Franchisee must on demand pay to Franchisor any late fees at the interest rate of eighteen (18%) percent per annum or at the maximum rate allowed by law, whichever is less, calculated from the date the fees should have been paid to the date of actual payment.

**8.16 Vehicles.** Franchisee shall utilize a suitable vehicle, such as a van, SUV or similar vehicle ("Vehicles") in the operation of its TapSnap™ Business. While Franchisor does not currently require signage or a vehicle wrap for the Vehicles, if it does so, or if Franchisee elects to wrap Franchisee's vehicles, graphics must be purchased from Franchisor or an authorized vendor. The graphics must be placed on the Vehicles in agreement with Franchisor's specifications. Franchisor also will authorize or require Franchisee to utilize a trailer in lieu of a car or truck, and any trailer will be of a type, displaying graphics, or colors, specified by Franchisor. Franchisee shall only permit any Vehicles to be operated by individuals who

possess a valid driver's license; all drivers shall be required by Franchisee to comply with all laws and rules of the road, using due care and courtesy.

**8.17 Vehicle Maintenance and Upgrades.** Franchisee is responsible for maintaining and repairing the Vehicles at its own expense in accordance with the requirements stated in the Manuals and any manufacturer's warranties. Franchisee must regularly service its Vehicles and must keep each Vehicle in the highest degree of cleanliness, orderliness, sanitation, and repair in accordance with the Manuals. Franchisee may not make any material alteration, addition, replacement, or improvement to its Vehicles. This includes alterations to fixtures, furnishings, signs, and equipment, without Franchisor's prior written consent.

**8.18 Conferences.** Franchisee, its Designated Principal, and any of Franchisee's representatives that Franchisor names must attend franchisee conventions, meetings, and teleconferences that Franchisor requires in the Manuals or in writing. Franchisee is responsible for arranging and paying for transportation, accommodations, meals, and other expenses incurred. Franchisee will also pay the registration fee for franchisee conventions, whether or not it attends.

**8.19 Credit Cards.** Franchisee shall, at Franchisee's expense, lease or purchase the necessary equipment and software and shall have arrangements in place with a merchant services provider to accept major credit cards as Franchisor shall designate to enable the Business to accept credit and debit card payments from its customers. Franchisee shall be responsible for the proper processing of any customer credit or debit card payments, or similar electronic payments.

**8.20 Franchisor May Impose Fines for Non-Compliance.** Franchisor may, in addition to any other remedies it may have under this Agreement, including the right to declare any default by Franchisee, impose fines for non-payment of royalties, failure to comply with the Manuals, or violations described below. Fines may be up to the following amounts for the following infractions in Franchisor's sole discretion:

8.20.1 \$500 per instance for non-payment of royalties (first instance) and \$1,000 per instance for each violation after the first.

8.20.2 \$250 per violation for the first use of marketing or advertising materials without prior approval of Franchisor as required by Section 12.1 hereof; and \$500 for each violation after the first.

8.20.3 \$50 per violation for each instance wherein Franchisee fails to provide any report or other required documentation related to marketing activity and sales, special event contracts or Quarterly Activity Reports.

## **SECTION 9 - MARKS**

**9.1 Ownership.** Franchisor represents with respect to the Marks (Exhibit C) that:

9.1.1 Franchisor has a license to utilize the Marks, duly granted by the owner of same, and the right to grant Franchisee usage of same.

9.1.2 Franchisor will take all reasonable steps to preserve and protect the ownership and

validity in and to the Marks.

**9.2 License to Franchisee.** Franchisee's right to use the Marks is limited to uses as are authorized under this Agreement. Any unauthorized use of the Marks will constitute an infringement of rights of Franchisor.

**9.3 Terms of Franchisee's Usage.** With respect to Franchisee's use of the Marks, Franchisee agrees to:

9.3.1 Use only the Marks designated by Franchisor, only in the manner authorized by Franchisor;

9.3.2 Franchisee will use the Marks only for the operation of the Business franchised by this Agreement and only on the equipment, marketing and approved advertising for the Business;

9.3.3 Operate and advertise the Business only under the name "TapSnap<sup>TM</sup>" and use the Marks without prefix or suffix, unless otherwise authorized or required by Franchisor.

9.3.4 Franchisee will not use the Marks as part of its corporate or other legal name, or as part of any e-mail address (other than that provided by Franchisor), domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Business and to obtain governmental licenses and permits for the Business, indicate that Franchisee will be operating the Business under the trade name "TapSnap<sup>TM</sup>" provided that Franchisee also clearly identifies itself as the owner and operator of the Business;

9.3.5 Identify itself as the owner of the Business (as required by Franchisor) in conjunction with any use of the Marks, including on invoices, order forms, receipts and stationery, as Franchisor may designate in writing;

9.3.6 Not to use the Marks to incur any obligation or indebtedness on behalf of Franchisor;

9.3.7 Execute any documents deemed necessary by Franchisor to obtain protection for the Marks or to maintain their continued validity and enforceability; and

9.3.8 Promptly notify Franchisor of any suspected unauthorized use of the Marks, any challenge to the validity or of the right of Franchisor to use and to license others to use the Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any proceeding or litigation involving the Marks, including any settlement of the proceeding. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Franchisor will defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Marks in accordance with this Agreement, the cost of such defense and the cost of any judgment or settlement, will be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Marks in accordance with this Agreement, those costs will be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Marks, Franchisee will do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Marks in a manner inconsistent with the terms of this

Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts.

**9.4 Franchisee Acknowledgments.** Franchisee expressly understands and acknowledges that:

9.4.1 Franchisor is the lawful licensee of the Marks and the goodwill associated with and symbolized by them, and that Franchisor has the sole right to use and license the Marks;

9.4.2 Franchisee will not at any time, directly or indirectly contest the validity of Franchisor's ownership of, or right to use and to license others to use, the Marks;

9.4.3 Franchisee's use of the Marks does not give Franchisee any ownership or other interest in the Marks;

9.4.4 All goodwill arising from Franchisee's use of the Marks will inure exclusively to the benefit of Franchisor, and on expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks;

9.4.5 The license of the Marks granted by this Agreement to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Marks itself; (b) to grant other licenses for the Marks; and (c) to develop and establish other systems using the Marks, or any other Marks, and to grant licenses to that Agreement without providing any rights to that Agreement to Franchisee; and

9.4.6 Franchisor will have the right, at its sole discretion, to substitute different Marks for use in identifying the System and the businesses operating under the System.

9.4.7 Franchisor has made no warranties or representations regarding the status of the Marks or any rights Franchisor may have to the Marks, other than those found in Franchisor's Franchise Disclosure Document.

## **SECTION 10 – MANUALS**

**10.1 The Manuals and Information Provided to Franchisee.** Franchisee will operate the Business in accordance with the standards, methods, policies, and procedures specified in the Manuals, which Franchisee will receive on loan from Franchisor, via electronic access or otherwise, during the term of this Agreement on completion by Franchisee of initial training. The Manuals may be set forth in several volumes, including such amendments to the Manuals as Franchisor may publish from time to time. Additionally, Franchisee acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manuals, and other information and materials in, or via, electronic media, including the use of computer disks or the Internet.

**10.2 The Manuals are Proprietary and Confidential.** Franchisee will treat the Manuals, any other materials created for or approved for use in the operation of the Business, and the information contained in the Manuals, as confidential, and will use all reasonable efforts to maintain such information (in any format) as proprietary and confidential. Franchisee will not

download, copy, duplicate, record, or otherwise reproduce those materials, or otherwise make them available to any unauthorized person.

**10.3 The Manuals Remain Franchisor's Property.** The Manuals will remain the sole property of Franchisor and will be returned to Franchisor, as set forth in Section 16.6 below, on the termination or expiration of this Agreement.

**10.4 Revisions to the Manuals.** Franchisor may revise the content of the Manuals, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee will ensure that the Manuals are kept current at all times. In the event of any dispute as to the content of the Manuals, the terms of the master copies maintained at the Corporate Office of Franchisor will be controlling.

## **SECTION 11 - CONFIDENTIAL INFORMATION**

**11.1 Agreement With Respect to Confidentiality.** Franchisee acknowledges and agrees that it will not, during the term of this Agreement and for five (5) years thereafter, communicate, divulge, or use for the benefit of any other person any Confidential Information, knowledge, or know-how concerning Franchisor, the System, the Products and Services or the marketing, management or operations of the Business that may be communicated to Franchisee or of which Franchisee may learn by virtue of Franchisee's operation of the Business. Franchisee will divulge such Confidential Information only to such of its employees as must have access to it in order to operate the Business. Any and all information, knowledge, know-how and techniques which Franchisor designates as confidential or Franchisee reasonably understands is treated as confidential will be deemed confidential for purposes hereof. For purposes of this Section 11 "Confidential Information" means information in whatever form, including electronic media, of Franchisor that is non-public, proprietary and confidential in nature or tends to confer a competitive advantage over one who does not possess the information but is not a Trade Secret.

**11.2 Agreement With Respect to Trade Secrets.** Franchisee agrees that all (i) Trade Secrets (as defined below), and (ii) all embodiments of the Trade Secrets received or obtained by Franchisee from Franchisor during this Agreement are confidential and are and will remain the exclusive property of Franchisor. Franchisee expressly agrees that it will not, for or on behalf of Franchisee or any person, directly or indirectly, copy, use for Franchisee's own benefit or the benefit of any person other than Franchisor or disclose to any person any Trade Secrets. Upon termination of the Agreement for any reason, Franchisee shall return (or at Franchisor's request, destroy) to Franchisor all things and documents containing Trade Secrets (including physical or electronic copies of the foregoing) in Franchisee's possession, whether made by Franchisee or others, will be returned to Franchisor. The rights and obligations contained in this Section 11.2 shall continue to bind Franchisee during the term of the Agreement and with respect to all Trade Secrets, at all times hereafter so long as such Trade Secrets constitute trade secrets. For purposes of this Section 11 "Trade Secrets" means Franchisor's trade secrets (as defined by British Columbia law) and includes information in whatever form, including electronic media, of Franchisor, from which Franchisor derives economic value, actual or potential, from not being generally known to others and is the subject of Franchisor's efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality, such information including, but not limited to: know-how; information about existing, new or envisioned Franchisor products, services, processes and their development and performance;

any information; computer software and firmware; business information; unpublished lists of names; and information relating to manufacturing, purchasing, personnel, marketing, sales, prices and pricing, costs and quotations; data; compilations; programs; devices; methods; techniques; drawings; reports; lists of actual or potential customers or suppliers, specifications and designs and plans.

**11.3 Individual Covenants of Confidentiality.** Franchisee will require its Principals, Managers, and any personnel having access to any Confidential Information of Franchisor or who has been trained in Franchisor's System to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee with respect to the Business. Such covenants will be in a form satisfactory to Franchisor (the current forms of which are included in Exhibit D to this Agreement and incorporated herein by this reference).

**11.4 Remedies for Breach.** Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor irreparable injury, and in addition to any other rights or remedies available to Franchisor at law, Franchisor shall be entitled to a temporary restraining order, preliminary injunction or permanent injunction in order to prevent or to restrain any such breach by Franchisee, its officers, employees, agents, or any other person or entity who receives Confidential Information or Trade Secrets from Franchisee. Franchisee further agrees to pay all court costs and reasonable lawyer's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

**11.5 Grantback.** Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development or operation of the Business. Franchisee grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual, non-exclusive, worldwide right to use any such ideas, concepts, methods, techniques in all businesses operated by Franchisor or its affiliates, franchisees and designees. Franchisor will have no obligation to make any payments to Franchisee with respect to any such items.

## **SECTION 12 - MARKETING AND PROMOTION**

**12.1 Franchisee's Advertising Obligations.** Recognizing the value of marketing and promotion, and the importance of the standardization of marketing and promotion programs to the furtherance of the goodwill and public image of the Franchise and its System, Franchisee and Franchisor agree as follows:

Franchisee shall have the right to conduct such advertising and promotions in respect of the Franchised Business as Franchisee shall, in its reasonable discretion desire, provided that:

- (a) Franchisee shall advertise and promote only in a manner that will reflect favorably on Franchisor, Franchisee, the Products and Services, and the good name, goodwill and reputation thereof;
- (b) Franchisee shall only use advertising and promotional materials provided by Franchisor. Franchisor believes its materials have proven to be effective and the

Franchisee should not be spending marketing efforts and focus trying to create different materials.

- (c) Franchisee hereby acknowledges that Franchisor is the sole and exclusive owner of all Marks, copyrights and any and all advertising and promotional material prepared by or on behalf of Franchisor or Franchisee and shall at all times remain the property of Franchisor.

**12.2 Advertising Materials.** Franchisor will make available to Franchisee from time to time, marketing plans and promotional materials. Franchisee acknowledges and agrees that it will be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is in not in full compliance with its obligations under this Agreement. Additionally, Franchisor may sell point of sale materials, samples or other promotional items and materials to franchisees in the System at a reasonable price, including a profit to Franchisor. Franchisee shall promptly pay Franchisor for all promotional materials sold by Franchisor to Franchisee.

**12.3 Directory Listings.** Franchisee may obtain listings in local or regional directories. Franchisee will comply with Franchisor's specifications concerning such listings.

**12.4 Establishment of Branding Fund.** Recognizing the value of uniform branding, advertising and promotion to the goodwill and public image of the System, Franchisee agrees to contribute to a branding fund (the "Branding Fund") in an amount equal to three (3%) percent of all Event Fees (the "Branding Fund Contribution"), which shall be paid at the same time and in the same manner as the Royalty and Software Fees as set forth above in Section 4.

**12.5 Use of the Funds.** Franchisor will direct all programs financed by the Branding Fund, with sole control over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. Franchisee agrees that the Branding Fund may be used to pay the costs of preparing and producing video, social media campaigns, audio and written advertising materials; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; marketing and advertising training programs and materials; and supporting public relations, market research and other advertising, promotion and marketing activities, whether prepared by Franchisor internally or by third parties. The Branding Fund periodically will furnish Franchisee with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies of such materials will be furnished to Franchisee at Franchisor's direct cost of producing them, plus any related shipping, handling and storage charges. Franchisor may use up to fifteen (15%) percent of the Branding Fund to defer general overhead, administrative and operating expenses incurred by Franchisor in relation to branding programs.

**12.6 Accounting for the Fund.** The Branding Fund will be accounted for separately from Franchisor's other funds and will not be used to defray any of its general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead, including rent and utilities, as Franchisor may incur in activities related to the administration of the Branding Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Branding Fund. All interest earned on monies contributed to the Branding

Fund will be used to pay advertising costs before other assets of the Branding Fund are expended. Franchisor may spend, on behalf of the Branding Fund, in any fiscal year an amount greater or less than the aggregate contribution of all franchisees to the Branding Fund in that year. The Branding Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. If Franchisor lends money to the Branding Fund, it may charge interest at an annual rate one (1%) percent greater than the rates it pays its lenders. Franchisor will prepare an annual statement of monies collected and costs incurred by the Branding Fund and furnish the statement to Franchisee upon written request.

**12.7 Branding Fund Limitations.** Franchisee acknowledges that the Branding Fund is intended to maximize recognition of the Marks and patronage of TapSnap™ systems, and the Products and Services. Although Franchisor will endeavor to utilize the Branding Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all franchisees, Franchisor undertakes no obligation to ensure that expenditures by the Branding Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Branding Fund by franchisees operating in that geographic area or that any franchisee will benefit directly or in proportion to its contribution to the Branding Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this section, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to collecting amounts due to, or maintaining, directing or administering, the Branding Fund.

**12.8 Regional Advertising Cooperative.** If at least seventy-five (75%) percent (based on one vote per franchise without regard to ownership) of the franchised businesses within an area vote to form a regional advertising cooperative, Franchisee agrees to participate in said cooperative and to contribute such sums thereto as may be assessed by a majority vote of the cooperative. Franchisor shall have the right in its sole discretion, to designate any specific area for purposes of establishing a regional advertising cooperative (the “Co-op”). Any Franchisor owned and operated units shall not be entitled to a vote.

**12.9 Initial Launch Advertising and Promotion.** You must deposit \$2,500 with us, which we will disburse for an Initial Launch advertising and Promotional program covering your TapSnap Franchise, beginning approximately 14 days before, and continuing for approximately 3 months after, the opening of your TapSnap Franchise. The deposit must be made at the time you execute your Franchise Agreement.

The Initial Launch Advertising and Promotional program will utilize marketing and public relations programs and media and advertising materials as selected by us. Before the program can commence, Franchisee is required to participate in a consultative call with the Franchisor in order to structure the program based on criteria including, but not limited to; geographic area, population, seasonality and number of TapSnap franchises in a given area. Franchisee must also provide Franchisor with any information we may require to develop the program.

Franchisor will furnish additional advice and guidance to you with respect to your Initial Launch advertising and promotional program. No amount paid by Franchisee for its initial launch will be recognized as fulfilling any of Franchisee’s other promotion duties.

**12.10 Corporate Accounts.** A Corporate Account refers to any large opportunity with the

potential to result in multi-day, multi-unit or multi-city events that may or may not involve multiple Franchisees. Franchisor may contract with large companies with multiple national and/or regional locations who will desire to receive TapSnap services through a uniform pricing structure, for their locations or events (“Corporate Accounts”). When there is an opportunity to offer TapSnap goods or services to a company or any entity who can be defined as a Corporate Account, Franchisee must relay the contact information and details to the Franchisor without discussing any pricing, logistics, packages, or discounts.

Franchisor is and will remain the owner of all Corporate Account contracts. Should you choose to participate, Franchisor will give you a first right of refusal to provide products and/or services to any Corporate Account client in your Market Area provided that Franchisor determines, in its sole discretion, exercised in good faith, that you are qualified to provide such services and that the client will be satisfied to have you provide the products and/or services. If you wish to provide the products and/or services, you must do so at the fee offered to Franchisee by Franchisor. Franchisor may invoice the customer, and pay you upon receipt of payment from the customer. If you are not authorized or qualified to provide the products and/or services, or if you elect not to, then Franchisor may provide the products or services itself or through others, without compensation to you. You agree to coordinate any sales to Corporate Accounts (having locations inside your Market Area) through Franchisor. You must forward any Corporate Account lead or inquiry to Franchisor, and you may not negotiate terms of a contract that will impact other TapSnap Franchisees with any such Corporate Account.

## **SECTION 13 – INSURANCE**

**13.1 Insurance Coverage.** Franchisee shall, at its sole cost and expense, take out and keep in full force and effect throughout the term of this Agreement and any renewal thereof, such insurance coverage as Franchisor may from time to time require (including, without limitation, product liability insurance, fire and extended coverage insurance on the equipment, leasehold improvements, automotive insurance and stock of the Franchised Business, event non-performance insurance, business interruption insurance, and/or public liability and indemnity insurance), in such amounts as Franchisor may from time to time require, fully protecting as named insureds Franchisor and Franchisee against loss or damage occurring in connection with the operation of the Franchised Business. All costs in connection with the placing and maintaining of such insurance shall be borne solely by Franchisee.

**13.2 Policies of Insurance.** All policies of insurance obtained pursuant to this Section 13 shall:

- (a) Be placed only with insurers reasonably acceptable to Franchisor;
- (b) Be in such form and amounts as is acceptable to Franchisor;
- (c) Contain a clause that the insurer will not cancel or change or refuse to renew the insurance without first giving to Franchisor thirty (30) days prior written notice; and
- (d) Name Franchisor as an additional named insured.

**13.3 Copies.** Copies of all policies or certificates of insurance and any renewals thereof, shall be delivered promptly to Franchisor by Franchisee from time to time throughout the term of this Agreement and any renewal thereof.

**13.4 Placement of Insurance by Franchisor.** If Franchisee fails to take out or keep in

force any insurance referred to in subsection 13.1 above, or should any such insurance not be as provided in subsection 13.2 above, and should Franchisee not rectify such failure within forty-eight (48) hours after written notice is given to Franchisee by Franchisor, Franchisor has the right, without assuming any obligation in connection therewith, to effect such insurance at the sole cost of Franchisee and all outlays by Franchisor shall be immediately paid by Franchisee to Franchisor on the first day of the next month following such payment by Franchisor without prejudice to any other rights and remedies of Franchisor under this Agreement. Franchisee's failure to maintain insurance as required in this Section 13.4 shall be a material default under this Agreement which may lead to termination of this Agreement.

## **SECTION 14 - TRANSFER OF INTEREST**

**14.1 Franchisor's Rights to Transfer.** Franchisor will have the right to transfer or assign this Agreement and all or any part of its rights or obligations in this Agreement to any person or entity, and any designated assignee will become solely responsible for all obligations of Franchisor under this Agreement. Franchisee expressly agrees that Franchisor may sell its assets, its Marks, or its System; may sell its securities in a public offering or in a private placement; may affiliate with, merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

**14.2 No Transfers Without Franchisor's Approval.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or its Principals, and that Franchisor has granted this franchise in reliance on Franchisee's or Franchisee's Principals' skill, financial capacity, and personal character. Accordingly:

14.2.1 Franchisee will not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber the rights or obligations of Franchisee or any material asset of its Business.

14.2.2 If Franchisee is an entity, Franchisee will not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities. The recipient of any such securities will become a Principal under this Agreement, if so designated by Franchisor.

14.2.3 If Franchisee is a partnership or limited partnership, its partners will not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall be deemed a Principal of Franchisee.

14.2.4 A Principal will not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Franchisee, as that Principal is identified in Exhibit B.

**14.3 Conditions on Transfer.** Franchisor will not unreasonably withhold any consent required by Section 14.2 above; provided, that if the proposed transfer alone or together with other transfers would have the effect of changing control of Franchisee, results in the assignment of the rights and obligations of Franchisee under this Agreement, or transfers the ownership interest in all or substantially all of the assets of the Business, Franchisor will have the right to require any or all of the following as conditions of its approval:

14.3.1 All of Franchisee's outstanding monetary obligations to Franchisor, its affiliates, any approved suppliers of the System have been satisfied in full, and there are no liens against the Business or equipment;

14.3.2 Franchisee will not be in default under this Agreement, any other agreement between Franchisee and Franchisor or its affiliate or the approved suppliers of the System;

14.3.3 Each transferor (and, if applicable owners of beneficial interest in the transferor as Franchisor may request) will have executed a general release in a form satisfactory to Franchisor of all claims against Franchisor, its affiliates and their respective officers, directors, agents, and employees;

14.3.4 The transferee of a Principal will enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and such owners of the transferee as Franchisor may request, will guaranty the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

14.3.5 The transferee will demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications and has the aptitude, resources and ability to operate the Business;

14.3.6 At Franchisor's option, Franchisee will execute the form of franchise agreement then being offered to new franchisees, and such other ancillary agreements required by Franchisor, which agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including higher or additional fees;

14.3.7 If so requested by Franchisor, Franchisee, at its expense, will upgrade the Business, and other equipment to conform to the then-current standards and specifications of new TapSnap™ Franchises being established in the System, within the time specified by Franchisor.

14.3.8 The transferor will remain liable for all obligations to Franchisor in connection with the Business that arose before the transfer and execute all instruments reasonably requested by Franchisor to evidence such liability;

14.3.9 The transferee and its Principals and the transferee's manager (if applicable) will, at the transferee's expense, successfully complete any training programs then in effect for operators and managers on such terms as Franchisor may reasonably require, including payment of any training fees to Franchisor;

14.3.10 Franchisee will pay a transfer fee equal in amount to fifty (50%) percent of the then current Initial Franchise Fee for a comparable Market Area, and the transferee shall pay a training fee to Franchisor in an amount of twenty-five hundred (\$2,500) dollars.

14.3.11 The transferee(s), at the request of Franchisor, will agree in writing to comply with the

covenants set forth in Section 17 below.

14.3.12 In the event the Transferor transfers the Business to a transferee who was identified by Franchisor and given to the Transferor, the Transferor shall pay Franchisor an additional fee equal to twenty-five (25%) percent of the then current Initial Franchise Fee for a comparable Market Area payable at the time of the transfer.

**14.4 Additional Terms.** For any transfer not covered by Section 14.3, each transferee will, in addition to the requirement of obtaining Franchisor's consent as provided in Section 14.2 be subject to the requirements of Sections 14.3.3 and 14.3.4 above (with respect to execution of releases and personal guarantees).

**14.5 Security Interests.** Neither Franchisee nor any Principal will grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Business unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 14, and agrees that if there are any defaults by Franchisee under any documents related to the security interest, Franchisor will have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default and, if Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default will be void.

**14.6 Right of First Refusal.** If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal will promptly notify Franchisor, and will provide such information and documentation relating to the offer as Franchisor may require. Franchisor will have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller will not be considered a third party for purposes of this Section 14.6. If Franchisor elects to purchase the seller's interest, closing on such purchase will occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor.

14.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party will constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 14.6 will not constitute a waiver of any other provision of this Agreement, including the requirements of this Section 14, with respect to a proposed transfer.

14.6.2 If the consideration, terms or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, or conditions offered by the third party, Franchisor will designate an independent appraiser to make a binding determination. The cost of any such appraisal will be

shared equally by Franchisor and Franchisee.

**14.7 Death of a Principal.** Upon the death of a Principal, the deceased's executor, administrator, or other personal representative will transfer the deceased's interest to a third party approved by Franchisor within ninety (90) days after death. If no personal representative is appointed or no probate proceedings are instituted with respect to the deceased's estate, then the recipient of such interest must be approved by Franchisor. If the recipient is not approved by Franchisor, then the recipient will transfer the deceased's interest to a third party approved by Franchisor within ninety (90) days after death.

**14.8 Permanent Disability of Controlling Principal.** Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor will have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 14 within ninety (90) days after notice to Franchisee. "Permanent Disability" will mean any injury, illness or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) consecutive days from the date of determination of disability is unlikely. Permanent disability will be determined by a licensed practicing physician selected by Franchisor on examination of such person. If such person refuses to be examined, then such person will automatically be deemed permanently disabled for the purposes of this Section 14.8 as of the date of refusal. Franchisor will pay the cost of the examination.

**14.9 Notice to Franchisor of Death or Permanent Disability.** Upon the death or permanent disability of any Principal of Franchisee, such person or his representative will promptly notify Franchisor of the death or disability. Any transfer on death or disability will be subject to the same terms and conditions as any lifetime transfer.

**14.10 Limited Exceptions.** Notwithstanding anything to the contrary in this Section 14:

14.10.1 Franchisee will not be required to pay the transfer fee due under Section 14.3.10 above, if the transferee: (a) is a spouse, domestic partner, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Business; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 14.7 or 14.8 above.

4.10.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 14.3.6 (signing a new franchise agreement), 14.3.7 (upgrading the Business), and 14.3.10 (transfer fee) will not apply, and Franchisee may undertake such transfer, provided that Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity, and Franchisee executes a written guaranty satisfactory to Franchisor.

**14.11 No Waiver.** The consent of Franchisor to any transfer according to this Section 14 will not constitute a waiver of any claims it may have against the transferring party, nor will it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

**14.12 Bankruptcy.** If Franchisee or any person holding any interest (direct or indirect) in

Franchisee becomes a debtor in a proceeding under the Canada's Bankruptcy and Insolvency Act or the Companies' Creditors Arrangement Act or similar application or such a petition is filed against and consented by Franchisee, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights by this Agreement and/or any material assets of Franchisee, will be subject to all of the terms of this Section 14.

**14.13 No Transfers in Violation of Law.** Notwithstanding anything to the contrary in this Agreement, no transfer will be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

**14.14 Operation Upon Death or Disability.** If, upon Franchisee's death or disability or the death or disability of the owner of a controlling interest in Franchisee, the Business is not being managed by a trained manager, Franchisee or such owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager to operate the Business. Such manager will be required to complete the Initial Training Program at Franchisee's expense. Pending the appointment of a manager as provided above or if, in Franchisor's judgment, the Business is not being managed properly any time after Franchisee's death or disability or after the death or disability of the owner of a controlling interest in Franchisee, Franchisor has the right, but not the obligation, to appoint a manager for the Business. All funds from the operation of the Business during the management by Franchisor's appointed manager will be kept in a separate account, and all expenses of the Business, including compensation, other costs and travel and living expenses of Franchisee's manager, will be charged to this account. Franchisor also has the right to charge a reasonable management fee (in addition to any other fees or contributions payable under this Agreement) during the period that Franchisor's appointed manager manages the Business. Operation of the Business during any such period will be on Franchisee's behalf, provided that Franchisor only has a duty to utilize its best efforts and will not be liable to Franchisee or its owners for any debts, losses or obligations incurred by the Business or to any of Franchisee's creditors for any products, materials, supplies or services the Business during any period it is managed by Franchisor's appointed manager.

**14.15 Franchisor's Obligation to Assist in Sale or Transfer.** Franchisor may, but is not required, to offer assistance in locating a buyer for your Business, and you may retain the services of a broker or agent to assist you. However, the sale of your Business is strictly Franchisee's responsibility, not Franchisor's responsibility.

## **SECTION 15 – DEFAULT, TERMINATION AND NON-OPERATING STATUS**

**15.1 Termination Upon Notice.** Franchisee will be deemed to be in default and Franchisor may, at its option, terminate this Agreement, without affording Franchisee any opportunity to cure the default, effective immediately on the provision of notice to Franchisee (as provided in Section 22 in this Agreement), on the occurrence of any of the following events of default:

15.1.1 If Franchisee or any Principal purports to transfer any rights or obligations under this

Agreement or any interest to any third party in a manner that is contrary to the terms of Section 14 of this Agreement;

15.1.2 If, contrary to the terms of Sections 9 or 10 of this Agreement, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

15.1.3 If Franchisee fails to comply with the covenants in Section 17.2 below or fails to timely obtain execution of the covenants required under Section 17.1 below;

15.1.4 If Franchisee misuses or makes any unauthorized use of the Marks or any other identifying characteristics of the System, or if Franchisee otherwise operates the Business in a manner that materially impairs the reputation or goodwill associated with the System, Marks, Products and Services, or the rights of Franchisor in those matters;

15.1.5 If Franchisee, after curing a default according to Section 15.1 of this Agreement, commits the same default again, whether or not cured after notice;

15.1.6 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice;

15.1.7 If Franchisee breaches any material provision of this Agreement which breach is not cured in a timely fashion as provided herein;

15.1.8 If Franchisee fails to obtain the required insurance within forty-eight (48) hours of notice as specified in Section 13.4 of this Agreement;

15.1.9 If Franchisee (or any of its owners) have made any material misrepresentation or omission in connection with Franchisee's purchase of the Franchise;

15.1.10 If Franchisee, Franchisee's owners, or Franchisee's G.M. fail to successfully complete initial or any other training to Franchisor's satisfaction;

15.1.11 If Franchisee surrenders or transfers control of the operation of the TapSnap™ Franchise or TapSnap™ equipment without Franchisor's prior written consent;

15.1.12 If Franchisee (or any of Franchisee's owners) are or have been convicted of, or pleads no contest to, a felony, or to any crime of moral turpitude that is likely to adversely affect the reputation of the Franchisee, any franchisee of the System or the Franchisor, or the goodwill associated with the Marks;

15.1.13 If Franchisee (or any of Franchisee's owners) make an unauthorized assignment of this Agreement or of an ownership interest in Franchisee or the TapSnap™ Business.

15.1.14 In the event of Franchisee's death or disability or the death or disability of the owner of a controlling interest in Franchisee, this Agreement or such owner's interest in Franchisee is not assigned as required under this Agreement;

15.1.15 If Franchisee (or any of Franchisee's owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the

Manuals in violation of this Agreement;

15.1.16 If Franchisee fails to pay when due any federal or state income, service, sales or other taxes due on the operations of the Business, unless Franchisee is in good faith contesting its liability for such taxes;

15.1.17 If Franchisee (or any of Franchisee's owners) fail on three (3) or more separate occasions within any period of twelve (12) consecutive months or on five (5) occasions during the term of this Agreement to submit when due reports or other data, information or supporting records, to pay when due any amounts due to Franchisor or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to Franchisee; and

15.1.18 If Franchisee makes an assignment for the benefit of creditors or admits in writing its insolvency or inability to pay its debts generally as they become due;

15.1.19 If franchisee consents to the appointment of a receiver, trustee or liquidator of all or the substantial part of its property; the TapSnap<sup>TM</sup>(s) are attached, seized, subjected to a writ or distress warrant or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of Franchisee or the Business is not vacated within thirty (30) days following the entry of such order;

15.1.20 If Franchisee engages in any misconduct which unfavorably affects its reputation or any owner, any of Franchisee's TapSnap<sup>TM</sup> Businesses, Franchisor or the goodwill associated with the Marks (including, but not limited to, abuse, abuse of customers, use of employees who do not meet Franchisor's then-current standards and training requirements, health or safety hazards, drug or alcohol problems, or permitting unlawful activities at any of Franchisee's TapSnap<sup>TM</sup> Businesses), and

15.1.21 If Franchisee has five (5) or more unresolved customer complaints with respect to any of its TapSnap<sup>TM</sup> Businesses in any twelve (12) month period.

15.1.22 Should Franchisee sell any TapSnap<sup>TM</sup> equipment which are part of the System to a third party without complying with Section 14.6, Franchisee shall have committed a material default of this Agreement and shall pay to Franchisor a liquidated damage which is equal to one-half (1/2) of any sums received by Franchisee from such sale. Such payment shall be made to Franchisor within five (5) days of receipt of any payment from the sale of equipment in contravention to Franchisor's rights of first refusal, accompanied by documentation showing the sale price. Should Franchisee fail to make such payment as required under this paragraph, Franchisor shall also be entitled to recover its reasonable lawyer's fees and expenses of litigation incurred in prosecuting an action to collect payment, including any costs of collection following obtaining a judgment.

**15.2 Notice and Opportunity to Cure - 30 Days.** Except as otherwise provided in Section 15.1 of this Agreement, on any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 22 in this Agreement) stating the nature of the default to Franchisee at least thirty (30) days before the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof of it to Franchisor within the thirty (30) day period. If any such

default is not cured within the specified time, or such longer period as applicable law may require, this Agreement will terminate without further notice to Franchisee, effective immediately on the expiration of the thirty (30) day period or such longer period as applicable law may require. Franchisor may also terminate this Agreement after Franchisor notifies Franchisee of Franchisor's intention to do so because of the occurrence of any of the following events and Franchisee's failure to cure it within thirty (30) days of Franchisor's notice:

- a) purchasing or leasing any product or service from an unapproved supplier;
- b) failure to participate in a Regional Advertising Co-operative;
- c) failure to pay taxes and assessments;
- d) failure to obtain and maintain required permits;
- e) if Franchisee is a Business Entity, failure to maintain active status in its state of organization;
- f) failure to promptly pay any amounts due to Franchisor or its suppliers;
- g) failure to timely make required reports;
- h) Franchisee violates any other provision of this Agreement;
- i) failure to maintain any standards or procedures contained in the Manuals;
- j) continued violation of any law, ordinance, rule or regulation of a governmental agency; or
- k) failure to obtain any approvals or consents required by this Agreement.

**15.3 Non-Operating Status.** Upon written approval by Franchisor, or for failure to have the Minimum Events, as described below in this Section, Franchisee may elect to place its franchise on a "non-operating" status if Franchisee is in good standing. The purpose of the non-operating status is to place the franchise completely out of business, not merely operating at a reduced level, and any business conducted by Franchisee while on non-operating status, without prior written approval by Franchisor, will constitute a violation of this Agreement. The non-operating status allows Franchisee to take a leave of absence from operating the TapSnap™ business for three (3) years. Under this status, this Agreement remains intact, but Franchisee does not retain any particular Market Area. At any time during the three (3) year period, Franchisee may elect to become an employee of another TapSnap™ franchise owner. While on non-operating status, Franchisee is not required to pay Software fees.

If Franchisee elects "non-opening" status, Franchisee may return to its business at any time within the three (3) year period. If Franchisee does not return to the business by the end of the three (3) years, this Agreement will automatically be terminated without notification. Franchisor reserves the right to withdraw this non-operating status at any time at its sole discretion. While Franchisee is on "non-operating" status, this Agreement and the franchise may not be transferred, sold or inherited.

Franchisor may notify Franchisee that Franchisee's Business is being placed on non-operating status if Franchisee has two consecutive calendar months with no paid or marketing events. To go from non-operating back to operating status, Franchisee must notify Franchisor in writing of its intent to do so, pay a seven-hundred and fifty (\$750) USD Reinstatement Fee and deliver a written plan to Franchisor for successful marketing of the Business. Upon receipt of the marketing plan and Reinstatement Fee from Franchisee, Franchisor shall, in its sole discretion, determine whether the relevant Market Area requires an additional operating franchisee and either reinstate Franchisee to operating status or award Franchisee that status in a different Market Area as close to Franchisee as possible.

Franchisees who are in non-operating status may not market for new events but may service events at the request of Franchisor.

## **SECTION 16 - OBLIGATIONS ON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted by this Agreement to Franchisee will terminate, and:

**16.1 Stop Operating.** Franchisee will immediately cease to operate the Business, and will not in any way represent to the public or hold itself out as a present or former operator of the Franchisor in connection with the promotion or operation of any other business.

**16.2 Stop Using the System.** Franchisee will immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System, the Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. Franchisee will cease to use all signs, marketing materials, displays, stationery, products and any other articles which display the Marks.

**16.3 Cancel Assumed Names.** Franchisee will take such action as necessary to cancel any assumed name or equivalent registration obtained by Franchisee which contains the Mark "TapSnap™" or any other Marks, and will furnish Franchisor with proof of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

**16.4 Phone Numbers and Directory Listings.** Franchisee will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Business, and will promptly execute such documents or take such steps necessary to remove reference to the Business from all telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to Franchisor as specified in the Telephone Listing Agreement, attached hereto as Exhibit 'F'. Franchisee by this agreement authorizes Franchisor to instruct issuers of any telephone and Internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor on termination of this Agreement, without need for any further approval from Franchisee.

**16.5 No Use of Marks or Trade Dress in other Businesses.** Franchisee agrees not to use any reproduction, counterfeit, copy, or colorable imitation of the Marks, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole

discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including but not limited to reference to Franchisor, the System, or the Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Marks.

**16.6 Return Manuals and Confidential Information.** Franchisee will, at its own expense, immediately deliver to Franchisor the Manuals and all other records, correspondence and instructions containing confidential information relating to the operation of the Business (and any copies), all of which are acknowledged to be property of Franchisor.

**16.7 Franchisor's Option to Purchase or Lease Certain Assets.** Franchisor will have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, vehicles, or inventory of Franchisee related to the operation of the Business, at the lesser of Franchisee's cost or fair market value. The cost for such items will be determined based on a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value will be deemed to be ten percent (10%) of the equipment's original cost. Franchisor may, in exercising this option, or with respect to any other payment due to Franchisee under this Agreement, offset any sums due to Franchisor from Franchisee under this Agreement or otherwise. Franchisee agrees at Franchisor's election to assign Franchisee's lease interest in any customized or logoed Vehicles to Franchisor or to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease agreement.

## **SECTION 17 - COVENANTS**

**17.1 Agreement to Execute Confidentiality and Non-compete Agreement.** At Franchisor's request, Franchisee will also require, as a condition to Franchisor entering into this Agreement that its Principals and G.M., manager and any personnel to execute the Confidentiality and Non-Compete Agreement. During the term of this Agreement, at Franchisor's request, Franchisee shall also require that any new Principals and G.M.s and personnel who received training with respect to Franchisor's system execute a Confidentiality and Non-Compete Agreement in connection with their employment by Franchisee with respect to the Business. Such covenants will be in a form satisfactory to Franchisor (the current form of which is included in Exhibit 'D' to this Agreement and incorporated herein by this reference and in the Manuals).

**17.2 During the Agreement Term.** Franchisee specifically acknowledges that, according to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as approved in writing by Franchisor, Franchisee, will not, either directly or indirectly, for itself, or in conjunction with any person or legal entity:

17.2.1 Divert or attempt to divert any present employee or present or prospective customer of any TapSnap™ franchisee with whom such Franchisee had material contact to any competitor, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

17.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one (1%) percent interest in (as owner or otherwise) any Competitive Business (as defined below). A "Competitive Business" will be considered to be operation of a device similar to a TapSnap™ or a photo booth service business similar to that of Franchisor. Furthermore, Franchisee acknowledges and agrees that Franchisee will be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 15.2 in this Agreement, if a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 17.2.2 if such person was subject to the covenants of this Section 17.2.2.

**17.3 After the Agreement and After a Transfer.** Franchisee covenants that, for a continuous uninterrupted period of two (2) years commencing on the date of: (a) a transfer permitted under Section 14 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 17.3:

17.3.1 Franchisee will not either directly or indirectly, own, maintain, operate, engage in, provide assistance to, or have any interest in any Competitive Business which operates within the Market Area or within fifty (50) kilometers thereof, or actively solicits customers with whom Franchisee had material contact while operating the Business. However, this provision will not apply to the operation by Franchisee of any business in the System under a franchise agreement with Franchisor.

17.3.2 Franchisee will not lease, assign, or sell Franchisee's interest in any ownership of the equipment or assets of the Business to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

17.3.3 Franchisee will not solicit or hire any present employee of Franchisor or any other franchisee. "Present employee" means, for purposes of this subsection, a current employee or one who was in the employ of Franchisor or any other franchisee during the six (6) month period immediately before being hired by Franchisee.

**17.4 Covenants as Independent Clauses.** The Parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 17 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 17.

**17.5 Franchisor's Right to Reduce Scope of the Covenants.** Franchisee understands and acknowledges that Franchisor will have the right, at its sole discretion, to reduce the scope of any covenant set forth in this Section 17, or any portion of it, without Franchisee's consent, effective immediately on receipt by Franchisee of written notice of same, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which will

be fully enforceable notwithstanding the terms of Section 23 in this Agreement.

**17.6 Covenants Survive Claims.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Section 17; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and reasonable lawyers' fees incurred by Franchisor in connection with the enforcement of this Section 17.

**17.7 Injunctive Relief.** Franchisee acknowledges that any failure to comply with the requirements of this Section 17 will cause Franchisor irreparable injury, and in addition to any other rights, remedies or damages available to Franchisor at law, Franchisor shall be entitled to a temporary restraining order, and/or preliminary or permanent injunction in order to prevent or to restrain any such breach by Franchisee, its officers, employees, agents and lawyers or by any of Franchisee's affiliates and such affiliates' officers, employees, agents and lawyers of this Section 17.

## **SECTION 18 - TAXES, PERMITS, AND INDEBTEDNESS**

**18.1 Taxes.** Franchisee will promptly pay when due all taxes levied or assessed, and other indebtedness incurred by Franchisee in the operation of the Business. Franchisee will pay to Franchisor an amount equal to any sales tax, gross receipts or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

**18.2 Dispute About Taxes.** In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount due in accordance with procedures of the taxing authority or applicable law, but in no event will Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Business.

**18.3 Compliance with Laws.** Franchisee will comply with all applicable laws, rules, and regulations, and will timely obtain any and all permits, certificates, or licenses necessary for the conduct of the Business, including licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

## **SECTION 19 - INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

**19.1 No Fiduciary Relationship.** Franchisee is an independent contractor. Franchisor and Franchisee are separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither will have the power to bind the other. No act or assistance given by either party to the other according to this Agreement will be construed to alter the relationship. Franchisee will be solely responsible for compliance with all applicable laws, rules and regulations, and for Franchisee's policies and decisions relating to the operation of the Business.

**19.2 Public Notice.** During the term of this Agreement, Franchisee will hold itself out to the public as an independent contractor operating the Business according to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, in the

context of which Franchisor may specify.

**19.3 No Assumption of Liability.** Nothing in this Agreement authorizes Franchisee to make any contract, warranty, or representation on the behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor. Franchisor will not assume liability for, or be deemed liable by this Agreement as a result of, any such action or will Franchisor be liable by reason of any act or omission of Franchisee in its operation of Franchisee's business or for any claim or judgment arising therefrom against Franchisor.

**19.4 Indemnification By Franchisee.** Franchisee will indemnify and hold Franchisor, Franchisor's owners, board of directors, officers, employees, representatives and agents (the "Indemnitees") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including settlement costs and lawyers' fees) arising directly or indirectly from, or in connection with the Franchisee's conduct under this Agreement (notwithstanding any claims that the Indemnitees were negligent).

Franchisee agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees will have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, or Franchisee, any claim against the Indemnitees. All vouchers, canceled checks, receipts, or other evidence of payments for any such losses, liabilities, costs, charges or expenses of whatsoever nature incurred by any Indemnitee will be taken as prima facie evidence of Franchisee's obligation by this Agreement.

**19.5 Indemnification By Franchisor.** Franchisor will indemnify and hold Franchisee, Franchisee's owners, officers, employees, representatives and agents (the "Indemnitees") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, or other expenses (including, but not limited to, settlement costs and lawyers' fees) arising directly or indirectly from, or in connection with the use of the Marks in the operation of the Business where that use is in accordance with this Agreement and the Manuals. All vouchers, canceled checks, receipts, or other evidence of payments for any such losses, liabilities, costs, charges or expenses of whatsoever nature incurred by any Indemnitee will be taken as prima facie evidence of Franchisor's obligation by this Agreement. Any indemnification obligation of Franchisor is limited to the Initial Franchise Fees and Equipment Purchase fees paid by Franchisee to Franchisor.

## **SECTION 20 - APPROVALS AND WAIVERS**

**20.1 Approval Requests.** Whenever this Agreement requires the prior authorization or approval of Franchisor, Franchisee will make a timely written request to Franchisor. Such approval or consent must be obtained in writing.

**20.2 Waiver/Non-waiver.** Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist on strict compliance by Franchisee with any obligation or condition by this Agreement, and no custom or practice of the parties in variance with the terms of this Agreement, will constitute a waiver of Franchisor's right to demand exact compliance with the terms of this

Agreement. Waiver by Franchisor of any particular default by Franchisee will not be binding unless in writing and executed by the party sought to be charged and will not affect or impair Franchisor's right with respect to any subsequent default. Nor will any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of a breach or default by Franchisee of any of the terms, or covenant of this Agreement, affect or impair Franchisor's rights or will such constitute a waiver by Franchisor of any rights by this Agreement or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it by this Agreement will not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## **SECTION 21 - WARRANTIES OF OPERATOR**

**21.1 Reliance by Franchisor.** Franchisor entered into this Agreement in reliance on the statements and information submitted to Franchisor by Franchisee. Franchisee represents and warrants that all such statements and information submitted by Franchisee are certified true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information submitted.

**21.2 Compliance with Laws.** Franchisee warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

## **SECTION 22 - NOTICES**

All notices and other communications required or permitted under this Agreement will be in writing and will be delivered: (i) personally; (ii) by certified or registered mail, postage prepaid; (iii) by overnight delivery service; (iv) by facsimile (if the sender receives machine confirmation of successful transmission) or (v) by electronic mail (with saved proof of delivery). Notices to Franchisee will be sent to the address stated on Exhibit 'A'. Notices to Franchisor must be sent to:

TapSnap Ventures, Inc.  
102-930 1<sup>st</sup> Street West,  
North Vancouver, BC V7P 3N4  
Canada  
Attn: President  
Fax: (604) 608-9595

Either Party can change its mailing address or facsimile number by giving notice to the other party. Notices will be considered to be received on the same day when they are delivered personally. They will be considered to be received on an attempted delivery when sent by registered, certified, or overnight delivery service. They will be considered to be received on the next business day when sent by facsimile.

## **SECTION 23 - ENTIRE AGREEMENT**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the

parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in any franchise disclosure document furnished to Franchisee.

Franchisee acknowledges that it is entering into this Agreement as a result of its own independent investigation of the Business and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

## **SECTION 24 - SEVERABILITY AND CONSTRUCTION**

**24.1 Severable Parts.** Except as expressly provided to the contrary in this Agreement, each portion, part, term, or provision of this Agreement will be considered severable. If for any reason, any part, term, or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having jurisdiction, such will not impair the operation of nor have any other effect on, the other portions, parts, terms, or conditions of this Agreement as may remain otherwise intelligible, the latter will continue to be given full force and effect and bind the parties of this Agreement and all portions, parts, terms or conditions will be deemed not to be a part of this Agreement.

**24.2 Terms Surviving this Agreement.** Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination or assignment.

**24.3 No Rights on Third Parties.** Except as expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor will be deemed, to confer on any person or entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 14 in this Agreement, any rights or remedies under this Agreement.

**24.4 Full Scope of Terms.** Franchisee expressly agrees to be bound by any covenant imposing the maximum duty permitted by law found under the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the terms of this Agreement any portions which a court or agency having jurisdiction may hold to be unreasonable and unenforceable in an un-appealed final decision to which Franchisor is a party, or from reducing the scope of any covenant to the extent required to comply with such a court or agency order.

**24.5 Franchisor's Application of its Rights.** Franchisor will have the right to operate and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, deemed to have a right or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests or in the best interests of the franchise network, at the time its decision is made, without regard

to whether: (i) other alternative decisions could have been made by Franchisor; (ii) the decision of Franchisor will promote its interest; (iii) Franchisor's action applies differently to Franchisee and any other franchisees; (iv) Franchisor's decision is adverse to Franchisee's interests. Franchisor will have no liability to Franchisee for any such decision or action, unless contrary to law. The Parties intend that the exercise of Franchisor's discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions or refrain from taking actions not inconsistent with Franchisee's rights.

**24.6 Captions Only for Convenience.** All captions in this Agreement are intended solely for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision of this Agreement.

**24.7 Force Majeure.** Any delay in performance caused by circumstances beyond the control of the party affected including, but not limited to, acts of God, fire, terrorism, explosions, flood or war, shall be excused provided that the party uses its best efforts to mitigate the effects of those circumstances.

**24.8 Currency.** Unless otherwise specified, all amounts contemplated by this Agreement will be paid in United States Dollars.

## **SECTION 25 - APPLICABLE LAW AND DISPUTE RESOLUTION**

**25.1 Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the Province in which the Franchised Business is located and the laws of Canada applicable therein. Franchisor may bring an action against Franchisee for injunctive or equitable enforcement of this Agreement or collection of sums due to Franchisor by Franchisee under this Agreement.

**25.2 Non-Binding Settlement Meeting.** Except for Sections 9, 10, 11, 14, and 17, before any Party may bring an action in court or file arbitration against the other, the Parties must first meet to informally discuss the dispute (except as provided below). Any such discussion will be non-binding and will be conducted at Franchisor's corporate office. Settlement discussions must take place in good faith for no less than three (3) hours (unless the matter is resolved in less time) and occur within thirty (30) days of receipt of the notice from the Party wishing to hold the settlement conference specifying a demand for such a conference. All aspects of the settlement conference will be treated as confidential, will not be disclosed to others, and will not be admissible in any other proceeding or legal action.

**25.3 Arbitration.** The Parties agree that, except for disputes, or claims related to or based on improper use of the Marks, Confidential Information or the covenants in Section 17, all disputes, or claims between Franchisor and Franchisee and each of their respective shareholders, members, officers, agents, or employees, arising out of or related to: 1) this Agreement or any other agreement between the parties; 2) Franchisor's relationship with Franchisee; 3) the validity of this Agreement or any other agreement between the parties; and 4) any Systems Standard, must be submitted for binding arbitration, on demand of either party, to the Canadian Arbitration Association ("CAA"), Vancouver, BC office. The arbitration will be

conducted by one arbitrator and, except as this Subsection otherwise provides, according to the CAA's then current commercial arbitration rules. All proceedings will be conducted at a location in the Vancouver, B.C. area chosen by the arbitrator. Judgment on the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his award any relief which he deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and lawyers' fees and costs. The Parties by this agreement waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary or multiple damages against the other. The Parties agree to be bound by the terms of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. The Parties further agree that in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim within the same proceeding as the claim to which it relates. Any claim which is not filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Party. The Parties agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and its shareholders, officers, agents or employees, and Franchisee and its guarantors, affiliates or employees may not be consolidated with any other arbitration proceeding between Franchisor and any other person. The terms of this Subsection are intended to benefit and bind certain third party non-signatories and will continue in full force subsequent to and notwithstanding this Agreement's expiration or termination.

**25.4 Limitation of Damages.** In any arbitration or legal proceeding, Franchisor's liability to Franchisee for damages shall be limited to recovery of any Equipment Purchase Fees and Initial Franchise Fees paid by Franchisee to Franchisor.

**25.5 No Rights Exclusive of Other Rights.** No right or remedy conferred on or reserved to Franchisor by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy provided in this Agreement or permitted by law or equity, but each will be cumulative of every other right or remedy.

**25.6 Waiver of Jury Trial.** The Parties waive trial by jury in any action, proceeding or counterclaim, at law or in equity, brought by any of them against the other. Any and all claims and actions arising out of or relating to this Agreement, the relationship of the Parties, or Franchisee's operation of the Business, brought by a Party of this Agreement against the other, will be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action will be barred.

**25.7 Injunctive Relief.** Nothing contained in this Agreement will bar the right of Franchisor to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 14, and 17 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

**25.8 Franchisor's Right to Sue for Monetary Damages.** Notwithstanding the above, Franchisor may sue Franchisee in court to recover any monetary sums due hereunder, including any claim for liquidated damages which may be allowed under this Agreement.

**25.9 Lawyers' Fees and Costs.** Franchisee agrees to reimburse Franchisor for all expenses Franchisor reasonably incurs (including lawyers' fees): (i) to enforce the terms of this Agreement or any obligation owed to Franchisor by Franchisee and/or its Owners; and (ii) in the defense of any claim Franchisee and/or its Owners assert against Franchisor on which Franchisor substantially prevails in court or other formal legal proceedings.

## **SECTION 26 – ACKNOWLEDGEMENTS**

**26.1 Franchisee's Investigation of the Business Possibilities.** Franchisee acknowledges that it has conducted an independent investigation of the business of operating a TapSnap™ Franchise, and recognizes that the venture contemplated by this Agreement involves risks and that its success will be largely dependent on the ability of Franchisee (or, if Franchisee is an entity, the ability of its principals) as (an) independent businessperson(s). Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guaranty, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

**26.2 Franchisee Read the Agreement and Consulted.** Franchisee acknowledges that it has read and understood this Agreement, the attachments and agreements relating to this Agreement, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors about the benefits and risks of entering into this Agreement.

**26.3 Franchisee's Responsibility for Operation of Business.** Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Business, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Business and the implementation and maintenance of system standards at the Business.

**26.4 Different Franchise Offerings to Others.** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to others in any manner and at any time, which offers have or may have terms and conditions that may differ from the terms and conditions in this Agreement.

**26.5 Success Depends on Franchisee.** Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, largely on Franchisee's ability as an independent businessperson, his active participation in the daily affairs of the business, market conditions, area competition, quality of services provided as well as other factors. Franchisor does not make any representation or warranty as to the potential success of the business venture contemplated by this Agreement.

**26.6 No Guarantees.** Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received any warranty or guarantee, as to the revenues or profits of the business.

## **SECTION 27 – DEFINITIONS**

Words and phrases used frequently in this Franchise Agreement will have the meaning indicated:

**“Approved Vendors”** means those sellers of Products and Services which Franchisor has approved and required Franchisee to utilize in the operation of the TapSnap Franchise.

**“Call Centre Fee”** means the fee charged by Franchisor (currently 4%) of the actual Event Fee charged to customers of the TapSnap Franchise.

**“Computer System”** means the communications, computer and related systems specified in the Manuals for use by Franchisee and which include, hardware, back-up systems and internet access.

**“Corporate Accounts”** means organizations or companies that have operations or the potential for events in multi-city, multi-unit and/or multi-franchisee in Canada or the United States, and may be generated by a Referring Franchisee or by Franchisor’s internal sales representatives.

**“Customer”** means a purchaser of Products or Services from any franchisee.

**“Destination Market”** means a tourist magnet area that attracts a significant number of visitors or an area, region or civic entity that hosts a significant number of conventions, weddings or similar events; it may include any destination to which people travel for the purpose of holding or attending events not generally held, or not desirable or practical for individuals or entities to hold, in their home areas and to which they and other attendees may travel for purposes of holding or attending such events(s).

**“Equipment Purchase Fee”** means the price paid by Franchisee to Franchisor for the initial TapSnap package, including the TapSnap, event tents, lighting kits, and other items.

**“Event Fee”** means the fee(s) paid by customers for the services provided by Franchisee for a given event.

**“Event Code Fee”** means the total amount of revenues derived by you and your for all goods sold and services rendered from your TapSnap franchise for a given event or in connection with the Trade Names or Marks, whether evidenced by cash, services, property, barter or other means of exchange.

**“Franchisee”** means the individual, corporation or partnership named in this Franchise Agreement that is granted the right to operate the TapSnap Franchise.

**“Franchisor”** means TapSnap Ventures, Inc. d/b/a TapSnap™.

**“Initial Franchise Fee”** means a non-recurring, non-refundable payment paid by Franchisee to Franchisor in consideration of the grant of the TapSnap franchise and provision of the Initial Training Program.

**“Initial Training Program”** means that training which Franchisor provides to Franchisee or Franchisee’s personnel for the purpose of assisting Franchisee in starting its TapSnap Franchise.

**“iPad Sharing Station”** or **“Sharing Station”** – means the dedicated iPad based kiosk that operates our proprietary software and serves as a dedicated device at events for the sharing of photos to social media and by email.

**“Manuals”** means all instructional, educational, guidance, operational or other materials provided by Franchisor to Franchisee in furtherance of the Business.

**“Market Area”** means a geographic or demographic zone containing people or businesses which are likely to utilize the Products and Services and in which Franchisee may operate a TapSnap Franchise.

**“Marks”** means the word “TapSnap,” any design incorporating that word, and any other words or symbols currently used, or to be developed in the future by Franchisor, in connection with the System.

**“Online Management Software”** means the software provided by Franchisor for online reservations and business management by Franchisee.

**“Products”** means ancillary and related merchandise which a Franchisee may sell to customers.

**“Public Venues”** means venues such as hotels, stadiums, amusement parks, shopping malls or similar locations utilized by the general public at specific events or otherwise where a TapSnap is not portable.

**“Renewal Fee”** means a percentage, not to exceed 25%, of the then current Initial Franchise Fee, which Franchisor charges Franchisee for entering into a new Franchise Agreement for an additional franchise term.

**“Referring Franchisee”** means the SnapBook software, any online Management software and any other software which Franchisor requires Franchisee to utilize.

**“Required Software”** means the Snap Book software, any Online Management Software and any other software which Franchisor requires Franchisee to utilize.

**“Royalty”** means the fee (10%) paid by Franchisee to Franchisor out of any Event Fees charged to Franchisee’s customers in return for the ongoing rights and privileges granted to Franchisee under this Franchise Agreement.

**“Services”** means digital photo entertainment kiosk services offered at various events using proprietary technology.

**“SnapBook”** means the online management and reservation software.

**“SnapCast”** means the application that runs in a web browser and is viewed on a single or multiple large projection screens or monitors and displays images taken with the TapSnap kiosk or Social Photographer service, Tweets, and Instagram pictures.

**“Social Photographer”** means the photography service that utilizes our proprietary software running on an Android device that enables TapSnap franchisees to provide a mobile photographer at events and have the photos synchronize to the TapSnap kiosk, iPad Sharing Station and SnapCast social media wall.

**“System”** means the proprietary uniform system offering the Products and Services having

high standards of quality developed by the Franchisor for use by Franchisees.

**“TapSnap Franchise” or “the Business”** means the business of operating a TapSnap and using the Marks and System, along with other assistance provided by Franchisor.

**“TapSnap”** means Franchisor’s branded digital photo entertainment equipment.

**WHEREFORE**, the Parties of this Agreement have duly executed this Agreement in duplicate on the date first above written and is only binding when executed by an authorized officer of Franchisor.

**FRANCHISOR**

**TAPSNAP VENTURES, INC.**

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

Name: \_\_\_\_\_

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

**FRANCHISEE**

\_\_\_\_\_

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

Name: \_\_\_\_\_

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

Address for Notices:

Franchisor  
TapSnap Ventures, Inc.  
102-930 1<sup>st</sup> Street West,  
North Vancouver, BC V7P 3N4  
Canada  
Attn: Scott McInnes, CEO  
Facsimile: (604) 608-9595  
With a copy to (that does not constitute notice):

## EXHIBIT A DATA SHEET

1. Initial Fees:
- A. Initial Franchise Fee. The Initial Franchise Fee will be \$17,500.
  - B. Equipment Purchase Fee. The Equipment Purchase Fee will be based on the number of TapSnap™ Systems being purchased as follows:
 

1 TapSnap™	\$ 20,995
2 TapSnap™ Systems	\$ 37,990
3 TapSnaps™ Systems	\$ 55,485
4 TapSnaps™ Systems	\$ 72,980

The FRANCHISEE shall be responsible for the following closing costs at the time of signing the Franchise Agreement:

A.	Equipment Purchase Fee:	_____
B.	Shipping and Handling charges	_____
C.	Franchise Fee	\$17,500
D.	Additional Area	_____
E.	Initial Launch Advertising Deposit	\$2,500
F.	iPad Sharing Station _____	
G.	Additional Trainee _____	
_____		_____
	Total	\$ _____

2. The Market Area shall be as follows:

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3. The approximate population of your Market Area is \_\_\_\_\_,000 people. The pricing tier for your market area is \_\_\_\_\_.

4. The Minimum Initial Launch Advertising Expenditure shall be \$ \_\_\_\_\_.

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

Date: \_\_\_\_\_

Initial: \_\_\_\_\_  
**TAPSNAP VENTURES, INC.**

Date: \_\_\_\_\_

## EXHIBIT B LIST OF PRINCIPALS, DESIGNATED PRINCIPAL & GENERAL MANAGER

1. **Owners:** List the full name and mailing address of each person or entity who directly or indirectly owns an equity or voting interest in the Franchisee, and describe the nature of the interest.

Name: _____  Address: _____ _____	Ownership Interest: _____ _____ % of Total Ownership Interests _____ Additional Information: _____  
Name: _____  Address: _____ _____	Ownership Interest: _____ _____ % of Total Ownership Interests _____ Additional Information: _____  
Name: _____  Address: _____ _____	Ownership Interest: _____ _____ % of Total Ownership Interests _____ Additional Information: _____  

2. **Designated Principal Owners:** The following individuals named in Paragraph 1 are designated as Principal Owners, although they do not hold five percent (5%) or more of the equity ownership interests in Franchisee:

Name: _____	Name: _____

3. **Management:** As required according to Section 8.3 of the Franchise Agreement, the following Principal Owner will be designated as a Designated Principal.

Name: \_\_\_\_\_

4. **Management:** As required according to Section 8.3 of the Franchise Agreement, the

following person will be designated as a General Manager.

Name: \_\_\_\_\_

5. **Ownership Structure and Initial Capitalization:** Franchisee and its Owners represent and warrant that the ownership structure and initial capitalization of Franchisee is as follows:

**OWNERSHIP STRUCTURE**

<b>Owner</b>	<b>Number of Ownership Interests</b>	<b>Percentage Ownership</b>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

As of the date of this Agreement there are \_\_\_\_\_ ( \_\_\_\_\_ ) Ownership interests which are issued and outstanding. There are no other authorized classes of shares.

## EXHIBIT C LOGO AND MARKS

### THE MARKS

<u>MARKS</u>	<u>APPLICATION OR REGISTRATION NUMBER</u>	<u>DATE OF REGISTRATION OR APPLICATION</u>
TapSnap™ Photo	8564848458	May 21, 2013
TapSnap™ with Design	85648515	May 21, 2013
Instantly Social, Utterly Fun	85648515	December 3, 2013

### MARKS FOR WHICH WE HAVE MADE APPLICATION

<u>MARKS</u>	<u>SERIAL NUMBER</u>	<u>PUBLICATION DATE</u>
Revolutionary Phototainment System	84-784,906	September 18, 2013
TapSnap Phototainment (logo and design)	85-826,737	September 18, 2013

**EXHIBIT D**  
**CONFIDENTIALITY AND NON-COMPETE AGREEMENT**  
**FOR FRANCHISEE'S PRINCIPALS AND EXECUTIVES**

**THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT** ("Agreement") is made this day of \_\_\_\_\_ 20\_\_\_\_, by and between \_\_\_\_\_, a ("Franchisee"), and \_\_\_\_\_, who is a Principal, member, partner, officer, executive or G.M. of Franchisee ("You").

**Introduction**

TapSnap™ Ventures, Inc. ("Franchisor") and its affiliates operate a business that provides digital photo booth services and associated products under Marks utilizing a format and system of sales and service. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a TapSnap™ Franchise (the "**Business**") under the terms and conditions of the Franchise Agreement.

In connection with your ownership or position with Franchisee, you will be trained by Franchisor's personnel, you will learn of Franchisor's confidential information concerning the methods of operation of a Business and Franchisor's TapSnap™ Business.

Now, therefore, it is agreed that as a consideration your relationship with Franchisee and the rights granted to Franchisee under the Franchise Agreement, you agree that you will comply with all of the following obligations:

1. **Franchisor Franchise Confidential Information/Term.** You agree that you will not communicate Franchisor Confidential Information or Trade Secret Information to any Person, and that you will not use Franchisor Confidential Information or Trade Secret Information for your benefit or the benefit of any other Person. The rights and obligations contained in this Section 1 shall continue to bind you during the term of the Agreement and (i) with respect to all Franchisor Trade Secrets Information, at all times hereafter so long as such Trade Secrets constitute trade secrets under applicable law, and (ii) with respect to all Franchisor Confidential Information, for the period of three (3) years from the date of termination of the Agreement. This Agreement shall terminate upon your termination of employment with Franchisee, except that provisions that expressly survive termination of this Agreement shall survive for the period stated herein.

2. **Definitions.** As used in this Agreement, the following terms are agreed to have the following meanings:

- (a) The term "**Franchisor Confidential Information**" means any information, knowledge or know-how concerning the methods of operation of the Business and the TapSnap Business that you may learn of or that otherwise becomes known to you during the term of the Franchise Agreement or the time of your relationship with Franchisee that is non-public, proprietary and confidential (whether or not Franchisor or we have specifically designated that information as "confidential") in nature or tends to confer a competitive advantage over one who does not possess the information but is not a Trade Secret. Franchisor Confidential Information does not

include information that (i) is or becomes public knowledge through no fault or omission of you; (ii) is generally known in the trade or business through no fault or omission of you; or (iii) is independently developed by you without reference to Franchisor Confidential Information Trade Secrets Information.

- (b) The term "**Franchisor Trade Secret Information**" means Franchisor's trade secrets (as defined by British Columbia law) and includes information in whatever form, of Franchisor, from which Franchisor derives economic value, actual or potential, from not being generally known to other Persons, and is the subject of Franchisor's efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality, such information including, but not limited to: know-how; information about existing, new or envisioned Franchisor products, services, processes and their development and performance; any scientific or technical information; computer software and firmware; business and financial information; unpublished lists of names; and information relating to manufacturing, purchasing, inventories, data processing, personnel, marketing, sales, prices and quotations; data; compilations; devices; methods; drawings; lists of actual or potential customers or suppliers, product specifications and designs and marketing plans.
- (c) The term "**Person**" means any person(s) or entity (other than Franchisor or Franchisee).
- (d) All capitalized terms not defined herein shall have the meaning given to such terms in the Franchise Agreement.

### **3. Covenants Not to Compete.**

- (a) You agree that during the term of your employment with Franchisee and for a period of twenty-four (24) months thereafter, unless Franchisor gives you prior written approval, you will not, directly or indirectly, for yourself, or through, any Person:
  - (i) Attempt to or actually solicit, entice, divert or induce any Person who is, or was during the period of your employment a Customer or referral source of the Business or any other TapSnap™ Franchisee, for the purpose of recommending or suggesting to such Person that the business they do with the Business or any other TapSnap™ Franchisee be placed with any Person other than Business or applicable TapSnap™ Franchisee. The foregoing sentence only shall apply to (i) those customers or referral sources who were customers or referral sources of the Business or applicable TapSnap™ Franchisee during the period of your employment with the Business and with whom you had significant contacts and (ii) potential customers or referral sources of the Business or applicable TapSnap™ Franchisee with whom you had significant contacts during the period of your employment with the Business.
  - (ii) Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the TapSnap™ Business;
  - (iii) Employ or seek to employ anyone who is then employed by Franchisor or employed by any of Franchisor's franchisees, or to otherwise induce such

individual to leave his employment unless such individual has ceased to be employed by Franchisor or its franchisees for at least six (6) months;

- (b) After the Agreement and After a Transfer, you covenant that, for a continuous uninterrupted period of two (2) years commencing on the date of: (a) a transfer permitted under Section 14 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section.
- (i) You will not either directly or indirectly, own, maintain, operate, engage in, provide assistance to, or have any interest in any Competitive Business which operates within the Market Area or within fifty (50) miles thereof, or actively solicits customers with whom you had material contact while operating the Business. However, this provision will not apply to the operation by you of any business in the System under a franchise agreement with Franchisor.
- (ii) You will not lease, assign, or sell Franchisee's interest in any ownership of the equipment or assets of the Business to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.
- (iii) You will not solicit or hire any present employee of Franchisor or any other franchisee. "Present employee" means, for purposes of this subsection, a current employee or one who was in the employ of Franchisor or any other franchisee during the six (6) month period immediately before being hired by Franchisee.

**4. Legal and Equitable Remedies.** You understand and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

- (a) Franchisor will have the right to enforce this Agreement by going to a court and obtaining an injunction or other equitable relief, without prejudice to any other remedies that we may have for breach of this Agreement;
- (b) You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and
- (c) You must reimburse Franchisor for any court costs and reasonable lawyer's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

**5 Severability.** Each term of this Agreement may be considered severable from the others. If a court finds that Franchisor may not enforce a clause in this Agreement as written, but the court would allow Franchisor to enforce if in a way that is less burdensome to you, you agree to comply with the court's less-restrictive interpretation.

**6. Delay.** No delay or failure by Franchisor to exercise any right under this Agreement, and no exercise of that right, will constitute a waiver of that right or any other right. No waiver of any violation of this Agreement will be construed as a waiver of any succeeding violation.

**7. Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it against you, independently or jointly with Franchisee.

**8. Entire Agreement.** This Agreement constitutes the entire agreement among the parties and supersedes all prior agreements and understandings, oral or written, among the parties with respect to the subject matter of this Agreement. This Agreement may be replaced by a later agreement between the parties containing confidentiality covenants substantially identical to those set forth herein and, upon the execution of the later agreement, this agreement will be deemed superseded thereby and void.

**9. Binding Effect; Assignment; Amendment and Waiver.** This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Except as specifically provided herein, no person shall take any act which would allow any right hereunder to be assigned or held by any other person without the written consent of the other party hereto. No amendment, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision of this Agreement, unless otherwise expressly provided.

**10. Counterparts; Headings.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same Agreement and may be executed in counterpart signature pages executed via facsimile transmission, and any such counterpart executed and delivered via facsimile transmission shall be deemed an original. Headings are for reference purposes only.

**11. Applicable Law and Venue.** This Agreement shall be interpreted according to British Columbia law, without regard to the conflict of law principles thereof. The parties agree and consent to the jurisdiction of the Courts of Vancouver, British Columbia, in addition to any other court of competent jurisdiction.

**IN WITNESS WHEREOF,** You have read and understand the terms of this Agreement, and voluntarily signed this Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**"Franchisee"**

\_\_\_\_\_, a \_\_\_\_\_

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

Name: \_\_\_\_\_

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

**"You"** \_\_\_\_\_

## **EXHIBIT E**

### **GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT**

As an inducement to TapSnap Ventures, Inc. ("Franchisor"), to enter into a Franchise Agreement between Franchisor, and \_\_\_\_\_ ("Franchisee"), dated \_\_\_\_\_, 20\_\_\_\_ (the "Agreement"), the undersigned ("Guarantor(s)"), jointly and severally, unconditionally guarantee to Franchisor, and its successors and assigns that all of Franchisee's monetary obligations under the Agreement will be punctually paid and performed by the Guarantors.

Upon demand by Franchisor, Guarantors each by this guaranty jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned, Franchisor may, without notice to Guarantors, extend, modify or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the Guarantors each by this agreement jointly and severally waive notice of same and agree to remain bound by any and all such amendments and changes to the Agreement.

Guarantors each by this agreement jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, liabilities, costs, and expenses (including, reasonable lawyer's fees, reasonable costs of financial and other investigation, and court costs,) resulting from, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement or any amendment to this Agreement.

The Guarantors each by this guaranty jointly and severally acknowledge and expressly agree that this Guaranty does not grant the Guarantors any right to use the "TapSnap<sup>TM</sup>" franchises' Marks or system.

This Guaranty will terminate on the termination or expiration of the Agreement, except that all obligations and liabilities of the Guarantors which arose from events which occurred on or before such termination will remain in full force and effect until satisfied by Guarantors, and all covenants which by their terms continue in force after the expiration or termination of the Agreement will remain in force. Upon the death of an individual guarantor, the estate of such Guarantor will bound by this Guaranty, but only for defaults and obligations by this Agreement existing at the time of death), and the obligations of the other Guarantors will continue in full force.

Each Guarantor represents and warrants to Franchisor that neither Guarantor (including any and all of its employees, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this guaranty provision will be in writing and will be personally delivered, in the manner agreed to under Section 24 of the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty will have same meaning as in the Agreement, and will be construed in accordance with Section 27 of the

Agreement. This Guaranty will be construed under the laws of British Columbia. In the event of any conflict of law, the laws of British Columbia will prevail without regard to, and without giving effect to, the application of British Columbia conflict of law rules. The Guarantors agree and consent to the jurisdiction of the Courts of Vancouver, British Columbia in addition to any other court of competent jurisdiction.

IN WITNESS WHEREOF, the undersigned has signed this guaranty provision as of the date shown.

GUARANTOR(S)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **EXHIBIT F TELEPHONE LISTING AGREEMENT**

THIS TELEPHONE LISTING AGREEMENT (the "Telephone Listing Agreement") is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_ (the "Effective Date"), by and between TapSnap Ventures, Inc. d/b/a TapSnap, a British Columbia corporation (hereinafter the "Franchisor"), and \_\_\_\_\_ (the "Franchisee").

### WITNESSETH:

WHEREAS, Franchisee desires to enter into a TapSnap™ Franchise Agreement (the "Franchise Agreement"); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Telephone Listing Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

### **1. DEFINITIONS**

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

### **2. TRANSFER; APPOINTMENT**

2.1 Interest in Telephone Numbers and Listings. Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the "Telephone Numbers and Listings") related to the TapSnap™ Business or the Marks (all of which right, title, and interest is referred to herein as Franchisee's "Interest").

2.2 Transfer. On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

2.3 Appointment; Power of Lawyer. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Telephone Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful lawyer-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute

and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Telephone Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including, without limitation, this Telephone Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

- (i) Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor;
- (ii) Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and
- (iii) Execute the Telephone Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

### **3. MISCELLANEOUS**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Telephone Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and lawyers of Franchisor and its affiliates, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Telephone Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor under this Telephone Listing Agreement are

solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date hereof, it will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Telephone Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Telephone Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Telephone Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Telephone Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Telephone Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

FRANCHISOR:  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:  
  
If an Individual:  
  
Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

If other than an Individual:  
  
[INSERT ENTITY NAME]  
  
\_\_\_\_\_

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

**EXHIBIT B**  
**AGENTS FOR SERVICE OF PROCESS**

**Name and address of agent in Manitoba**

**Name and address of agent in Ontario**

**EXHIBIT C**  
**FINANCIAL STATEMENT**

Professional *Strength* • Personal *Service* • Practical *Solutions*

## TAPSNAP VENTURES, INC.

*A Canadian-Controlled Private Corporation*

### FINANCIAL STATEMENTS

June 30, 2015

  
GALLOWAY  
BOTTESELLE  
& COMPANY  
*Independent member firm of*  
**Porter Hétu**  
*International*  
Professional Services Group

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## INDEX TO FINANCIAL STATEMENTS

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## NOTICE TO READER

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On the basis of information provided by management, we have compiled the balance sheet of TapSnap Ventures, Inc. as at June 30, 2015 and the statements of earnings and retained earnings and cash flow for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

*Galloway Battershall & Company*

Chartered Professional Accountants  
Vancouver, BC  
August 19, 2015

# TAPSNAP VENTURES, INC.

## STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the year ended June 30, 2015

Unaudited - see notice to reader

	2015	%	2014	%
Revenue	\$ 3,607,294	100.0	5,025,302	100.0
Cost of goods sold	1,740,017	48.2	2,873,526	57.2
Gross earnings	1,867,277	51.8	2,151,776	42.8
Expenses				
Advertising and promotion	495,957	13.7	607,286	12.1
Amortization	196,984	5.5	157,438	3.1
Automobile	17,792	0.5	13,986	0.3
Bank charges and interest	35,220	1.0	39,166	0.8
Consulting	10,000	0.3	24,040	0.5
Office	40,922	1.1	65,705	1.3
Professional development	-	-	5,196	0.1
Professional services	58,666	1.6	83,103	1.7
Rent and occupancy	114,871	3.2	111,901	2.2
Telephone	17,514	0.5	27,745	0.6
Travel	33,507	0.9	55,433	1.1
Wages and benefits	596,931	16.5	541,077	10.8
	<u>1,618,364</u>	<u>44.8</u>	<u>1,732,076</u>	<u>34.6</u>
Earnings before income taxes	248,913	7.0	419,700	8.2
Provision for income taxes (Note 11)	23,529	0.7	11,771	0.2
Net earnings	225,384	6.3	407,929	8.0
Beginning retained earnings	3		(245,750)	
Dividends	(225,383)		(162,176)	
Ending retained earnings	\$ 4		3	

See accompanying notes



# TAPSNAP VENTURES, INC.

BALANCE SHEET  
As at June 30, 2015

*Unaudited - see notice to reader*

	2015	2014
<b>ASSETS</b>		
Current		
Cash	\$ 274,959	323,172
Accounts receivable	387,036	494,406
Inventory (Note 3)	377,213	337,916
Prepaid expenses	8,717	20,425
	<u>1,047,925</u>	<u>1,175,919</u>
Branding fund (Note 4)	313,992	311,451
Property and equipment (Note 5)	64,393	29,286
Product development (Note 6)	527,222	458,044
Other (Note 7)	44,073	37,853
	<u>\$ 1,997,605</u>	<u>2,012,553</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 203,596	292,444
Income taxes payable	11,609	11,771
Deferred revenue	527,261	404,159
	<u>742,466</u>	<u>708,374</u>
Due to 0740246 BC Ltd. (Note 9)	1,255,134	1,304,175
	<u>1,997,600</u>	<u>2,012,549</u>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (Note 10)	1	1
Retained earnings	4	3
	<u>5</u>	<u>4</u>
	<u>\$ 1,997,605</u>	<u>2,012,553</u>

*See accompanying notes*

Approved:

\_\_\_\_\_  
*Scott McInnes, Director*



# TAPSNAP VENTURES, INC.

## STATEMENT OF CASH FLOWS For the year ended June 30, 2015

*Unaudited - see notice to reader*

	2015	2014
<b>Operating activities</b>		
Net earnings	\$ 225,384	407,929
Non-cash item:		
Amortization	196,984	157,438
	<u>422,368</u>	<u>565,367</u>
Changes in non-cash working capital:		
Accounts receivable	107,370	(363,124)
Inventory	(39,297)	(64,127)
Prepaid expenses and deposits	11,708	(5,925)
Accounts payable and accrued liabilities	(88,847)	194,658
Branding fund	(2,541)	(240,152)
Income taxes	(162)	11,771
Deferred revenue	123,102	243,108
	<u>533,701</u>	<u>341,576</u>
<b>Financing activities</b>		
Dividends	(225,383)	(162,176)
Due to 0740246 BC Ltd.	(49,040)	144,707
	<u>(274,423)</u>	<u>(17,469)</u>
<b>Investing activities</b>		
Acquisition of property and equipment	(293,618)	(266,224)
Deposits	(13,873)	(8,889)
	<u>(307,491)</u>	<u>(275,113)</u>
Change in cash position	(48,213)	48,994
Beginning cash position	323,172	274,178
Ending cash position	\$ 274,959	323,172

*See accompanying notes*



# TAPSNAP VENTURES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

*Unaudited - see notice to reader*

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**Note 1      Operations**

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The company is a franchisor offering a proprietary photo booth business opportunity internationally. The head office is based in Vancouver, BC. The company has operating franchises in Canada and in the United States.

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**Note 2      Franchising**

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The company executes franchise agreements that set the terms of its arrangements with each franchisee. The franchise agreements require the franchisees to pay an initial, non-refundable fee of \$5,000 - \$15,000 (USD). The franchise agreements also require the franchisees to pay continuing fees based upon a percentage of sales. Franchise fees are broken into three parts: royalty, call centre and branding. Subject to the company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration.

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**Note 3      Inventory**

---

Consists of finished photo booth kiosks, parts for their assembly, apparel and other promotional inventory.

---

**Note 4      Branding fund**

---

The company has established a Branding fund for the purpose of increasing value to the brand through uniform advertising and promotion. Franchisees contribute a percentage of Event Fees to the fund. The company directs all programs financed by the Branding fund, with sole control over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. The company may spend, on behalf of the Branding fund, in any fiscal year an amount greater or less than the aggregate contribution of all franchisees to the Branding fund in that year. The company advanced marketing costs for the year ended June 30, 2015 in excess of fees collected as follows:

	<u>2015</u>	<u>2014</u>
Opening balance	\$ 311,451	71,299
Franchise marketing expense	126,470	303,142
Branding fees collected from franchisees	<u>(123,929)</u>	<u>(62,990)</u>
Branding fund at June 30, 2015	<u>\$ 313,992</u>	<u>311,451</u>



# TAPSNAP VENTURES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

*Unaudited - see notice to reader*

---

Note 5	Property and equipment		
		<u>2015</u>	<u>2014</u>
	Computer	\$ 25,838	1,326
	Equipment	<u>59,891</u>	<u>33,836</u>
		85,729	35,162
	Accumulated amortization	<u>21,336</u>	<u>5,876</u>
	Net book value	<u>\$ 64,393</u>	<u>29,286</u>

---

Note 6	Product development		
		<u>2015</u>	<u>2014</u>
	Software development costs	\$ 871,147	636,458
	Hardware development costs	<u>37,472</u>	<u>29,112</u>
		908,619	665,570
	Accumulated amortization	<u>381,397</u>	<u>207,526</u>
	Net book value	<u>\$ 527,222</u>	<u>458,044</u>

---

Note 7	Other		
		<u>2015</u>	<u>2014</u>
	Lease deposits	\$ 20,778	17,778
	Website development cost, net of amortization	<u>23,295</u>	<u>20,075</u>
		<u>\$ 44,073</u>	<u>37,853</u>

---

Note 8	Accounts payable and accrued liabilities		
		<u>2015</u>	<u>2014</u>
	Accounts payable - trade	\$ 198,272	285,675
	Due to government agencies	<u>5,324</u>	<u>6,769</u>
		<u>\$ 203,596</u>	<u>292,444</u>

---

Note 9 Due to 0740246 BC Ltd.

Payables to 0740246 BC Ltd., the parent company, are unsecured, non-interest bearing and without fixed terms of repayment.



# TAPSNAP VENTURES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Unaudited - see notice to reader

---

### Note 10 Share capital

---

Authorized:

Unlimited	Class "A" voting common shares without par value
Unlimited	Class "B" voting common shares without par value
Unlimited	Class "C" non-voting common shares without par value
Unlimited	Class "A" preferred shares with a par value of \$0.001 each
Unlimited	Class "B" preferred shares without par value
Unlimited	Class "C" preferred shares without par value
Unlimited	Class "D" preferred shares without par value

Issued and fully paid:

		<u>2015</u>	<u>2014</u>
100	Class "A"	\$ <u>1</u>	<u>1</u>

---

### Note 11 Income taxes

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The provision for income taxes recorded on the financial statements differs from the amounts that would be obtained by applying the statutory rate to income before taxes as follow:

	<u>2015</u>	<u>2014</u>
Net income before income taxes	\$ 248,913	419,700
Non-deductible expenses	6,694	2,494
Unrecognized tax benefits	(81,311)	(127,385)
Losses from prior year	-	(207,617)
	<u>174,296</u>	<u>87,192</u>
Net income for tax purposes	174,296	87,192
Statutory rates - %	<u>38.000</u>	<u>38.000</u>
Expected income tax expense	66,231	33,133
Effect on income tax expense of:		
Small business deduction	(29,630)	(14,823)
Federal abatement	(17,429)	(8,719)
Provincial tax	<u>4,357</u>	<u>2,180</u>
Income tax expense	\$ <u>23,529</u>	<u>11,771</u>



## LIST OF FRANCHISEES

Current Franchisees as of June 30, 2015

### Franchisees that are in operation.

Snap Event Pics Ltd  
Janet Irvan  
1194 Pulpit Rd,  
Peterborough, ON K9J 7M7  
888.242.5712 1003

Kirk Allison  
210A 12A Street North #345  
Lethbridge, AB T1H 2J1  
888.242.5712 1004

Carol McCue  
38 Morris Street,  
Carleton Place, ON K7C 4M9  
888.242.5712 1016

J2 Phototainment Inc  
Judy DeLaney  
66 Woodpark Circle SW,  
Calgary, AB T2W 6E9  
888.242.5712 1040

0986422 BC Ltd  
Stewart Winrob  
11719 Glenhurst St,  
Maple Ridge, BC V2X 7Z3  
888.242.5712 1078

Photo Time Events  
Gladys Dalton & Lori King  
52 McRiven PL,  
St John's, NL A1A 4X1  
888.242.5712 1107

### Franchisees that have signed agreements but are not yet operating.

Naina Parmar  
511 A.E Adams Cres,  
Saskatoon, SK S7K 5N1  
888.242.5712 1074

**EXHIBIT E**  
**LIST OF FRANCHISEE CLOSURES**  
**Franchise Closures as of June 30, 2015**

No franchisees have been terminated, cancelled, not renewed or reacquired by us or otherwise left the System

**EXHIBIT F**  
**FRANCHISOR OWNED AND OPERATED UNITS**  
**As of June 30, 2015**

**Operating franchisees that are owned by an affiliate of the Franchisor.**

TapSnap Ventures Inc  
102-930 1<sup>st</sup> Street West,  
North Vancouver, BC V7P 3N4

## EXHIBIT G PRE-OPENING MANUAL TABLE OF CONTENTS

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Copyright 2013

# Pre-Opening Manual



**“Revolutionary Phototainment System”**

## CONFIDENTIALITY

The contents of this Pre-Opening Manual are confidential and constitute trade secrets, which are the sole and exclusive property of **TapSnap™ Ventures, Inc.**

This Pre-Opening Manual is provided to franchisees of **TapSnap™ Ventures, Inc.** in strictest confidence.

The Franchisee acknowledges and understands that this Manual is the sole and exclusive property of **TapSnap™ Ventures, Inc.** and that it must be returned forthwith to **TapSnap™ Ventures, Inc.**, upon the expiration or termination of the Franchise Agreement for any reason.

The Franchisee further acknowledges and understands that it is a violation of the Franchise Agreement to allow the contents of this Manual to be reproduced in whole or in part or to allow this Manual to be used for any purposes other than those intended.

The Franchisee agrees to maintain this Manual in a safe place with controlled access.

Please sign both copies of the *Pre-Opening Manual Acknowledgement*, return one copy to us and retain one copy with this Manual.

**PRE-OPENING MANUAL ACKNOWLEDGMENT**

**THE CONTENTS OF THIS MANUAL ARE CONFIDENTIAL AND THE PROPERTY OF TAPSNAP™ VENTURES, INC. AND ARE NOT TO BE DISCLOSED TO ANYONE OUTSIDE THE TAPSNAP™ FRANCHISE SYSTEM.**

As a TapSnap™ franchisee this Manual is loaned to you for your own confidential and personal use. The provisions of this Manual constitute provisions of your franchise agreement with TapSnap™ Ventures, Inc. In consideration of receipt of this Manual, please sign in the space provided and retain a copy of this form in the front of your manual.

The Manual and its contents are proprietary and confidential and must be returned to TapSnap™ Ventures, Inc. upon request.

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchise Market Area

\_\_\_\_\_  
Date

\_\_\_\_\_  
Manual No.

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# TapSnap™ Software Manual

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