

**FRANCHISE AGREEMENT
FOR PHOTO DEVELOPER
(ALBERTA)**

TABLE OF CONTENTS

1.	DEFINITIONS.....	6
2.	GRANT.....	7
2.1	Grant.....	7
2.2	Restricted Territory.....	7
3.	INITIAL FEE & ROYALTY.....	8
3.1	Initial Fees.....	8
3.2	Continuing Royalty.....	8
3.3	Sales Taxes.....	8
4.	TERM.....	8
4.1	Initial Term.....	8
4.2	Renewal.....	8
5.	TRAINING AND OPERATING ASSISTANCE.....	9
5.1	Training by the Franchisor.....	9
5.2	Operating Assistance.....	10
6.	PREMISES.....	10
6.1	Use of Premises.....	10
6.2	Sublease or Lease By Franchisee.....	10
6.3	Lease Terms.....	10
6.4	Option to Terminate.....	11
7.	DESIGN AND CONSTRUCTION.....	11
7.1	Development of Premises By The Franchisee.....	11
7.2	Development of Premises By the Franchisor.....	12
7.3	Costs.....	12
7.4	Development Cost.....	12
7.5	Fixtures, Equipment and Signs.....	12
8.	OPERATION OF FRANCHISED BUSINESS.....	13
8.1	Duties and Obligations.....	13
8.2	Products and Services.....	14
8.3	Brands.....	14
8.4	Pricing.....	14
8.5	Loss or Damages.....	14
8.6	Discounts, Rebates, Bonuses.....	15
8.7	System Modifications.....	15
8.8	Transfer of Funds.....	15
9.	OPERATING MANUAL AND CONFIDENTIALITY.....	15
9.1	Compliance with Manual.....	15
9.2	Non-Disclosure.....	15
9.3	Manual is Property of the Franchisor.....	16
10.	ADVERTISING.....	16
10.1	Local Advertising.....	16
10.2	Manner of Advertising Locally.....	16
10.3	Advertising Funds.....	17
10.4	Internet Website and Electronic Commerce.....	18
11.	PROPRIETARY MARKS.....	18
11.1	No Permanent Interest.....	18
11.2	Franchisee's Obligations with Respect to Proprietary Marks.....	18
11.3	Notices.....	19
11.4	Infringement or Change of Proprietary Marks.....	19
12.	ACCOUNTING, RECORDS, REPORTS, AUDITS AND INSPECTIONS.....	19
12.1	Bookkeeping, Accounting and Records.....	19
12.2	Reports and Financial Information.....	19
12.3	Inspection and Audit of Books and Records.....	20
12.4	Auditors Report to be Final.....	20

12.5	Right to Inspect Franchised Business and Premises	21
13.	INSURANCE	21
13.1	Types of Insurance.....	21
13.2	Policies of Insurance.....	21
13.3	Copies.....	21
13.4	Placement of Insurance by the Franchisor.....	21
14.	RESTRICTIVE COVENANTS AND TRADE SECRETS	22
14.1	Competition During Term of Agreement	22
14.2	Competition After Transfer, Expiration or Termination.....	22
14.3	Solicitation of Employees	22
14.4	Acknowledgement of Corporate Franchisee	22
15.	TRANSFER	22
15.1	Transfer by the Franchisee	22
15.2	Requirements for Transfer.....	23
15.3	Right of First Refusal	24
15.4	Sale of Shares or Other Interest in the Franchisee	24
15.5	Assignment by the Franchisor.....	25
16.	DEATH OR INCAPACITATION	25
16.1	Death or Incapacitation.....	25
16.2	Valuation.....	26
16.3	Deemed Permanently Disabled	26
17.	TERMINATION.....	26
17.1	Events of Termination	26
17.2	Effect of Termination	28
17.3	Rights of the Franchisor	29
17.4	Determination of Purchase Price.....	29
17.5	Additional Remedies	30
17.6	Survival of Covenants	30
17.7	Failure to Act Not to Affect Rights.....	30
18.	GUARANTOR'S COVENANTS.....	30
18.1	Guarantee and Indemnity	30
18.2	Waiver of Right to Proceed.....	31
18.3	Any Dealings Binding on Guarantor	31
18.4	Settlement Binding on Guarantor.....	31
18.5	Bankruptcy of the Franchisee.....	31
18.6	Guarantor's Covenants Binding.....	32
18.7	Guarantor to be Bound	32
19.	SECURITY TO THE FRANCHISOR.....	32
20.	ACKNOWLEDGEMENTS.....	32
20.1	Independent Investigation	32
20.2	Entire Agreement.....	32
21.	GENERAL PROVISIONS.....	32
21.1	Overdue Amounts.....	32
21.2	Indemnification of the Franchisor.....	33
21.3	Legal Fees	33
21.4	No Liability.....	33
21.5	Legal Relationship.....	33
21.6	Joint and Severable.....	33
21.7	Severability	33
21.8	Franchisee May Not Withhold Payments Due to the Franchisor	34
21.9	Notice	34
21.10	Headings, Article Numbers.....	34
21.11	Applicable Laws	34
21.12	Time of the Essence	34
21.13	Waiver of Obligations	34
21.14	Franchisee and Guarantor Defined, Use of Pronoun	35
21.15	Lawful Attorney	35
21.16	Default Cumulative	35

21.17	Set-Off by the Franchisor.....	35
21.18	Further Assurances.....	35
21.19	Binding Agreement.....	36
21.20	When Agreement Binding on the Franchisor.....	36
21.21	Rights of the Franchisor are Cumulative.....	36
21.22	Force Majeure.....	36
	SCHEDULE "A".....	37
	SCHEDULE "B".....	38
	SUBLEASE AGREEMENT.....	38
	APPENDIX "A".....	39
	HEAD LEASE.....	39
	SCHEDULE "C".....	40
	RESTRICTIVE COVENANT.....	40
	SCHEDULE "D".....	41
	GENERAL SECURITY AGREEMENT.....	41
	APPENDIX "A".....	42
	PERMITTED ENCUMBRANCES.....	42

THIS AGREEMENT made this _____ day of _____, _____.

AMONG:

(FRANCHISE COMPANY)
a corporation incorporated
under the laws of Ontario;

(hereinafter referred to as the "Franchisor")

OF THE FIRST PART;

-and-

(hereinafter referred to as the "Franchisee")

OF THE SECOND PART;

-and-

_____ in the City of _____,
in the Province of _____;

(hereinafter referred to as the "Guarantor")

OF THE THIRD PART;

-and-

(PHOTO DEVELOPER)
a corporation incorporated
under the laws of the State/Province of _____

(hereinafter referred to as "Photo Developer")

OF THE FOURTH PART.

WHEREAS Photo Developer has developed a unique marketing plan and system (hereinafter called the "System") for the development, opening and operating of distinctive photo-processing stores which feature a quality fast photo-processing service and which offer for sale related imaging services and products;

AND WHEREAS Photo Developer owns certain trade names, trademarks, service marks, certification marks, logos, emblems and indicia of origin which are used in association with the System, including but not limited to the certification marks " _____ " and " _____ ";

AND WHEREAS the certification marks " _____ " and " _____ " have always been used and are used exclusively by franchisees and not by Photo Developer and such use by the franchisees has always been and is in association with services which conform strictly to the standards and specifications established by Photo Developer.

AND WHEREAS Photo Developer continues to develop, use and control the use of such Proprietary Marks, including such certification marks, in order to identify for the public the source and services and products marketed thereunder and the System and to represent the System's high standards of quality, appearance, and service.