

SUBFRANCHISE AGREEMENT

AGREEMENT, made as of the ____ day _____, ____ by and between

Franchisor Corp Name, a [jurisdiction] corporation, located at
[address in full]
(hereinafter the "Franchisor")

-and-

Subfranchise Corp Name located at
[address in full]
(hereinafter referred to as the "Subfranchisor")

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WITNESSETH:

WHEREAS, Franchisor, its subsidiaries and its affiliates have acquired, developed and innovated unique methods of merchandising, promotion, production, quality control and distribution of food products and clothing for the franchised operation of [Franchise Name] under the trademark and trade name of "____" (the "Trademarks") as described in Franchisor's Subfranchise Uniform Franchise Offering Circular ("Subfranchise UFOC") which has been previously received by Subfranchisor; and

WHEREAS, Subfranchisor acknowledges receipt on [Insert Date] (the "Disclosure Date") of the Subfranchise UFOC and Franchise UFOC; and

WHEREAS, Franchisor is authorized to issue [trademark name] subfranchise agreements and [Franchise Name] franchise agreements in the State of _____ including the Counties of _____ (approximate population _____); and

WHEREAS, Franchisor awards [Franchise Name] franchise agreements for traditional and nontraditional franchises. Nontraditional franchises shall be deemed to be franchise locations installed within another primary business such as colleges, universities, convenience stores, supermarkets, hospitals, department stores, etc. Traditional franchise locations are generally developed via the execution of a lease for the franchise premises by a subsidiary leasing corporation of the Franchisor which is subleased to the approved [Franchise Name] franchisee. Nontraditional franchises are developed by the execution of a standard nontraditional franchise agreement without the execution of a lease for the [Franchise Name] premises, except in certain circumstances when a lease is obtained; and

WHEREAS, pursuant to this agreement and as described in the UFOC, Subfranchisor is obligated to provide to [Franchise Name] support services on behalf of Franchisor including, but not limited to, assistance in the nature of consultation, advice and guidance regarding location selection, lease negotiations, construction coordination, "Grand Openings", store training, marketing advice and implementation, promotions, point of sale purchases or any other administrative tasks designated by Franchisor as support programs that need to be implemented for proper management of the Territory (collectively the "Support Services"); and

WHEREAS, it is the desire of Subfranchisor to become a regional support entity to provide the Support Services in the Territory required by Franchisor in order to receive a portion of the initial and continuing franchise fees received from each franchisee in the Territory as hereinafter described and in the UFOC; and

WHEREAS, Franchisor is willing to sell and grant to Subfranchisor, a subfranchise agreement, under the terms and conditions set forth herein for the Counties of _____, State of _____ (hereinafter the "Territory"); and

WHEREAS, after consultation with independent counsel and a diligent investigation of all available information, Subfranchisor is willing to purchase and receive a grant by Franchisor of a subfranchise agreement, under the terms and conditions set forth herein for the Territory.

NOW, THEREFORE, in consideration of the mutual promises and covenants, it is mutually agreed as follows:

1. CONSIDERATION:

In consideration of Franchisor's execution of this agreement, Subfranchisor agrees to pay to Franchisor the non-refundable sum of \$_____ (the "Subfranchise Fee") on the date first above written.

2. GRANT OF EXCLUSIVE SUBFRANCHISE RIGHTS; TERRITORY; TERM:

2.1 The area subject to this agreement shall be the Territory defined above.

- 2.2 The term of this agreement shall commence simultaneously with the execution of this agreement by all relevant parties. The term of this agreement shall continue for a term of [number] years (the "Term") unless terminated as provided for herein.
- 2.3 Subject to compliance with the obligations of Subfranchisor as contained herein and in the UFOC, Franchisor hereby grants and conveys to Subfranchisor the exclusive right to be a Subfranchisor of Franchisor in the Territory in connection with the sale of [trademark name] franchises or branded products in the Territory or with respect to subfranchise rights to receive Subfranchisor's portion of the receipts obtained from [trademark name] franchisees and branded product sales for the sale of authorized products under the trademark of "trademark name" and such other associated names, tag lines and slogans as Franchisor may own or use as described herein and in the UFOC. Notwithstanding the expiration of the Term, whether by termination, expiration or otherwise, Subfranchisor shall retain all rights to receive continuing franchise fees from franchises developed prior to the termination or expiration of the Term, including any and all franchise agreement renewals or the relocation of franchises arising from the expiration of their respective leases (but not for branded products). Nothing contained in this paragraph shall be deemed to limit or modify the right of Franchisor (i) to terminate this agreement for any of the defaults set forth herein subject to any and all applicable notice and cure rights granted to Subfranchisor; (ii) to issue [trademark name] franchise agreements to [trademark name] franchisees in the Territory; or (iii) to require the leasing corporations to execute master leases and thereafter grant subleases to franchisees in the Territory. Franchisor agrees that so long as this agreement is in full force and effect, Franchisor shall not directly or indirectly issue another [trademark name] subfranchise in the Territory or issue a grant to a third party of any part of Subfranchisor's rights thereof.

3. OBLIGATIONS OF THE FRANCHISOR:

Franchisor promises and covenants as follows:

- 3.1 To permit Subfranchisor to use the Trademarks, its logotypes and any other trademarks or service marks which Franchisor may authorize and designate for use by Subfranchisor, including tag lines and slogans. Subfranchisor upon Franchisor's request agrees to use the newest trademarks developed by Franchisor upon the minimum of at least thirty (30) days prior written notice to Subfranchisor;
- 3.2 To furnish by lending Subfranchisor a copy of the [trademark name] Subfranchise, Operations, Local Restaurant Marketing and Construction Manuals (hereinafter collectively the "Manual(s)"), together with any subsequent changes or amendments thereto. Subfranchisor agrees not to copy, publish or duplicate the contents of said Manual except when needed to supply each [trademark name] franchisee or for dissemination to the officers and key employees of Subfranchisor;
- 3.3 To supply Subfranchisor, free of charge, one complete sample set of all sales materials and forms, including the standard franchise agreement and applicable UFOC to be delivered to each prospective franchisee at the first meeting or ten (10) business days (excluding holidays and weekends) prior to the execution of a franchise agreement and to be used by Subfranchisor in connection with the sale of each individual franchise unit. UFOCs, brochures and sales materials are generally purchased from printers hired for such purposes;
- 3.4 To make available to Subfranchisor the right to consult in person at the office of Franchisor or by telephone with Franchisor's officials and staff in its [city] office or at such other location designated by Franchisor about problems relating to design, construction and operation of franchise units at the office of Franchisor so that Subfranchisor will have available to it the experience and expertise of Franchisor. Currently, Franchisor has executive/legal department offices in [city, state], accounting, operations and sales offices in [city, state] and construction and equipment offices in [city, state]. Additional or replacement offices may be developed in the future and the advice and consultation will be provided from the respective offices of Franchisor;