

Sample Franchise Contract

THIS AGREEMENT is made day of 201() between
the registered office of which is (hereinafter called "the Franchisor") of the first part
and of (hereinafter called "the Franchisee") of the second part

WHEREAS:-

A. The Franchisor has spent time money and effort in obtaining and developing knowledge of
and expertise ("the Know-How") in hereinafter called "The Services".

B. The Franchisor wishes to expand the Provision of the Services, and is willing to grant to the
Franchisee the rights set out herein.

C. The Franchisee desires the right during the continuance of this Agreement to provide the
Services from the premises specified in Schedule One hereto ("the Premises") under the Marks
(detailed in Schedule Two), as directed in the operation manual ("the Manual").

D. The business of providing and marketing the Services is hereafter called "the Business".

E. The equipment from time to time required by the Franchisee for use in the Business is
hereafter called "the Equipment".

NOW IT IS AGREED AS FOLLOWS:-

1. Rights Granted

The Franchisor grants to the Franchisee during the period of this Agreement and subject to the
terms and conditions hereof the rights to carry on the Business in accordance with this
Agreement from the Premises, to utilise the Know-How and to use the Marks.

2. Term

Subject as herein appears this Agreement shall be for a period of years,
commencing the day of 201().

3. Renewal

If the Franchisee gives written notice of his desire to renew the Agreement, then provided that at
the time such notice is given this Agreement is valid and subsisting and the Franchisee shall not
be in breach of his obligations under this Agreement, the Franchisor and the Franchisee will
enter into a new standard Agreement in such form as is currently being offered to new
Franchisees at that time, to operate from the date of the expiry of this Agreement.

4. Franchisor's obligations

The Franchisor shall:-

(a) Assist the Franchisee to establish and efficiently operate the Business from the Premises and
to provide him with a Manual, the copyright in which shall at all times remain the property of the
Franchisor;

(b) Train the Franchisee and the Franchisee's staff in the correct operation of the Business at the
cost specified in Schedule Three.

(c) Train the Franchisee and the Franchisee's new and existing staff in the Services. The cost of

this training shall be as detailed in Schedule Three.

(d) Give the Franchisee such reasonable continuing assistance and advice as the Franchisor considers necessary for the efficient running of the Business.

(e) Ensure that the Manual shall be kept up to date with any alterations and/or improvements in or to the operation of the Business.

5. Franchisee's obligations concerning the marks

(1) The Franchisor authorises the Franchisee to use the Marks solely for the purpose of promoting the Business and any usage will be in accordance with the reasonable directions of the Franchisor;

(2) The Franchisee undertakes not to do anything to prejudice or damage the goodwill in the Marks or the reputation of the Franchisor, but may challenge the Franchisor's intellectual property rights;

(3) If the Franchisee becomes aware of any infringement of the Marks by any other party trading with Marks similar or identical to the Marks, the Franchisee shall immediately notify the Franchisor thereof in writing;

(4) The Franchisee shall use only the Marks in connection with the Services;

(5) The Franchisee shall comply with all reasonable requirements from time to time laid down by the Franchisor as regards the use and presentation of the Marks;

(6) The Franchisee shall ensure that any items of equipment regularly used by the Franchisee in carrying out the Services, shall carry such words devices and/or designs and in such prominence and colour, as may be specified by the Franchisor;

(7) Where required by the Franchisor the Franchisee shall join with the Franchisor at the Franchisor's cost and expense in making or to make application to become the registered user of the Marks and to conform to the terms of the said registered user agreement.

6. The Franchisee's obligations concerning the Equipment

The Franchisee agrees in order to protect the Franchisor's intellectual property rights and maintain the common identity and reputation of the network to comply with quality specifications laid down for the Equipment.

7. The Franchisee's general obligations

In order to maintain the uniform high standards of the Services, and to protect the Franchisor's intellectual property rights and maintain the common identity and reputation of the franchise network, the Franchisee hereby agrees;

Carry on business

(a) To carry on the Business under the Marks and no other name;

Premises

(b) Not to carry on the Business from any location other than the Premises without the Franchisor's prior written consent.

Commencement

(c) To commence the business from the day of 201() and to carry it on as a legally and economically independent party.

Hours

(d) To provide the Services from the Premises at least between the hours of 9.00 am and 5.30 pm on Monday to Friday inclusive;

Diligence

(e) To use his best endeavours and the highest standards in all matters connected with the Business and to carry on the business diligently and in a manner in all material respects to the reasonable satisfaction of the Franchisor and as may be reasonably required by the Franchisor from time to time in accordance with its image and reputation;

Personnel

(f) To ensure that all personnel employed by him in the Business shall at all times be clean and tidily clothed in any designated clothing or otherwise. The Franchisee shall ensure that they comply with all of the Franchisor's requirements as regards cleanliness, clothing, appearance or demeanour;

Staff training

(g) To ensure that all his employees are trained by the Franchisor before actually working in the business;

Access to staff and customers

(h) To permit the Franchisor and or his agent without any further or other authority or notice, to speak to customers and the Franchisee's staff about the Services being provided by the Franchisee;

Franchisor's requirements

(i) To comply with all reasonable requirements consistent with the terms of this Agreement as are from time to time notified by the Franchisor for the efficient conduct of the Business;

Insurance

(j) To insure with a major reputable insurance company in an adequate sum against all normal and reasonably foreseeable risks relating to the conduct of the Business including product liability howsoever arising negligence or other acts or omissions by the Franchisee or any person for whom the Franchisee is responsible and cover all public and employees liability and death of or injury to any customer or any other person or damage to any motor vehicle used by the Franchisee and provide copies of such insurance policies and proof of premium payments to the Franchisor upon its request and the Franchisee will provide to each insurer full and complete information relevant to or which may be required in respect of any insurance policy and, ensure that he does nothing which in any way invalidates it;

Notice of status

(k) To clearly indicate on all literature and correspondence and by way of a prominently displayed notice board at the Premises the fact that it is an independent franchisee of the franchisor and is in no other way connected with it.

Indemnity

(l) To indemnify and keep indemnified the Franchisor from and against all loss damage or liability suffered by it as a result of the Franchisee's acts or omissions.

8. The Franchisee's financial obligations

The Franchisee shall pay to the Franchisor the following sums;

- (a) Immediately upon signing this agreement a franchise fee in the sum specified in Schedule Three below.
- (b) Upon the Franchisor's request and prior to receiving initial training to pay the Franchisor for the initial and continuous training referred to in clause 4 above.
- (c) A monthly Service Management Fee equivalent to 5% of the previous month's turnover.
- (d) Subject to clause 9 below at the request of the Franchisor, a contribution to the Franchisor's Advertising and Promotion Fund.

9. Promotion and advertising

- (1) The Franchisee shall upon receiving written notice from the Franchisor pay on a monthly basis, a sum equivalent to 2% of the previous month's gross turnover or £2,000 per annum whichever is the higher into the Franchisor's Promotion and Advertising Fund.
- (2) The Franchisor shall keep records of the fund and shall pay the monies into a separate designated bank account in the name of the "Advertising and Promotion Fund" The Franchisor shall use these funds solely for the national and regional advertising of the services.

10. Franchisee's accounts

The Franchisee shall maintain proper books of account relating to the business and shall employ a Chartered/Certified Accountant to prepare annual accounts for the business and the Franchisee shall supply the Franchisor:

- (a) within thirty days after the end of each financial year with an audited certificate as to the Franchisee's gross turnover during such period calculated in accordance with this Agreement;
- (b) within ninety days after the end of each financial year with a certified copy of the audited profit and loss accounts and balance sheet of the Franchisee's Business and such other accounting and financial information relating to it as may reasonably be required by the Franchisor;
- (c) The Franchisee shall provide to the Franchisor any certificates etc. set out in (a) and (b) above which shall be prepared after the termination of this Agreement but which shall relate to any financial period of the Franchisee which falls in whole or in part within the period of this Agreement.

11. Audit

- (1) The Franchisor or its Auditor or authorised representative shall be entitled to inspect and audit the books of account and all supporting documentation of the Franchisee relating to the

Franchisee's Business at anytime in respect of the whole or any part of the period of this Agreement and within six months after the receipt by the Franchisor of the audited accounts for the year or other period of this Agreement up to the termination or surrender of this Agreement or sale or transmission of the Franchisee's Business to a new Franchisee by the Franchisor giving written notice to the Franchisee such inspection or audit to be during reasonable business hours;

(2) If the audit (or any other periodic inspection not being a full audit) shows that the accounting of the Franchisee as to the calculation of the payments due under this agreement, and/or any other financial matter is incorrect, the Franchisee undertakes promptly to rectify the defect in the amount accounted for and/or the accounting system defect as the case may be.

12. The sale of the business

(1) The Franchisee may not assign or delegate his Franchise or any other right or obligation under this Agreement, but may sell his Business with the prior written consent of the Franchisor and subject to the conditions listed in (2) below, the Franchisor undertakes to grant to a purchaser of the Franchisee's Business who is acceptable to the Franchisor, an Agreement for the period of not less than years commencing on the date of the sale of the said Business such Agreement to be in the form of the standard Agreement offered by the Franchisor to its Franchisee's current at that time;

(2) The conditions required to obtain the written consent of the Franchisor to the sale of the Franchisee's Business shall be:

- (a) any proposed purchaser shall meet the Franchisor's standards in all respects;
- (b) the Franchisee shall pay to the Franchisor the sum of 20% of the sale price if the Franchisor has introduced the purchaser, and 5% otherwise (except that where the Franchisor exercises these options under Sub-Clause (3) below to purchase the business, no such payment shall be due to the Franchisor);
- (c) the Franchisee must not be in breach of any obligations to the Franchisor under the terms of this Agreement;
- (d) the sale must be completed in time to enable the Franchisor to enter into a replacement Franchise Agreement with the purchaser before the expiry of this Agreement.

3. (a) the Franchisee shall submit to the Franchisor a copy of the proposed purchaser's written offer (the Purchase Offer) to purchase the said Business from the Franchisee together with a financial statement of affairs and a business history of the proposed purchaser and any further information which the Franchisor may reasonably require;

(b) upon receipt of the Purchase Offer accompanied by such items the Franchisor shall have in addition to its other rights hereunder, an option to purchase the said Business for the same amount and on the same terms as those set out in the purchase offer such option to be exercised by notice in writing given to the Franchisee within twenty-eight days after the receipt by the Franchisor of the purchase offer during which period the terms of the Purchase Offer can not be altered;

(c) if the Franchisor does not exercise such option and consents to the proposed purchase a condition thereof is that the proposed purchaser shall deposit twenty-five percent of the purchase price with the Franchisor and that upon completion of the sale the purchaser shall pay the balance of the purchase price to the Franchisor's solicitor (as agent for the Franchisee) subject to a lien for any monies owed to the Franchisor by the Franchisee, and the Franchisor shall deduct from the said purchase price the amount of any unpaid obligations of the Franchisee to the Franchisor together with the amount due in accordance with this agreement and shall remit any outstanding balance of the purchase price to the Franchisee within thirty days after the date of the receipt of the final amount of the purchase price by the Franchisor;

(d) if the sale of the business proceeds under (c) above, it is a condition of the consent of the Franchisor that the terms of the offer notice are the terms of the sale and if the sale price or any other significant term of the offer notice is changed the amended terms shall constitute a new offer notice which shall be submitted to the Franchisor to be processed under this sub-clause in place of the original offer notice.

(4) This Agreement is only granted to the Franchisee on the condition (which is of the essence of this Agreement) that it is granted to him as an individual person and if the Franchisee intends to change the structure of his trading style to a partnership or to a Limited Company or in any other manner it is agreed that any such intended change shall be deemed to be an assignment of this Agreement which shall require the prior written consent of the Franchisor under this Clause;

(5) The Franchisor shall be entitled to assign the benefit of this Agreement to any other party at anytime and shall inform the Franchisee thereof in writing within a reasonable time thereafter.

13. The death of the franchisee

In the event of the Franchisee dying during the period of this Agreement and if a replacement Franchisee nominated in writing by the personal representative of the Franchisee and who is acceptable to the Franchisor as set out in Clause 12 above enters into a written undertaking with the Franchisor within twenty-eight days from the date of the death of the Franchisee to observe and perform all the obligations imposed on the Franchisee by this Agreement then this Agreement shall continue in force with the substitution of the new Franchisee. In the event of no replacement Franchisee being nominated or accepted or in the event of him declining to undertake with the Franchisor as aforesaid then:

(a) The Franchisor shall manage the business on behalf of the personal representative of the Franchisee until such time as a new Franchisee is appointed or the Franchisor terminates this Agreement pursuant to this Clause and during such management period, the Franchisor shall be entitled to the Caretaker fee specified in Schedule 4 below together with the cost of the travel accommodation and subsistence of any employee or other representative of the Company engaged in such management and entitled to 20% of the pre-tax profits of the business (such profits to be calculated in accordance with generally accepted accounting policies applied on a consistent basis).

(b) Both the Franchisor and the Franchisee's personal representatives shall try to find a purchaser who shall be acceptable to the Franchisor and if a purchaser is found the Franchisor shall grant to him an Agreement according to Clause 12 above and the Franchisee's estate shall be entitled to such sum as the purchaser is willing to pay for the grant of such Agreement (after deducting 20% thereof which shall be payable to the Franchisor).

(c) If such a replacement Agreement has not been entered into within six months from the date of the death of the Franchisee, the Franchisor shall have the option at any time thereafter to terminate this Agreement on paying to the Franchisee's personal representatives a sum equal to 5% of the annual turnover of the last accounting period.

14. Termination

(1) The Franchisor may terminate this Agreement forthwith by notice in writing to the Franchisee:

(a) If the Franchisee shall have committed any material breach of his obligations hereunder or shall have failed to remedy any remediable breach within a period of twenty-eight days of the receipt of a notice in writing of the Franchisor requiring him to do so;

(b) If the Franchisee shall commit an act of bankruptcy or have a receiving order made against him or make any arrangement or assignment with or for the benefit of his creditors or suffer distress or execution to be levied or threatened on any of its properties;

(c) If any sum or document required under the terms of this Agreement is not paid or submitted at the latest within twenty-one days following its due date;

(d) If the Franchisee ceases or takes any steps to cease his business;

(e) If the Franchisee challenges the Franchisor's intellectual property rights.

(2) The termination or expiry of this Agreement shall be without prejudice to any rights and obligations conferred or imposed by this Agreement in respect of any period after such termination and shall also be without prejudice to the rights of either party against the other in respect of any antecedent breach of any of the terms and conditions hereof.

15. Post termination provisions

(1) In the event of the termination of this Agreement howsoever arising. In order to protect the Franchisor's intellectual property rights and reputation:

(a) the Franchisee shall forthwith return to the Franchisor all stationery and signs bearing the Marks then in its possession whether or not supplied by the Franchisor; (b) the Franchisee shall not at anytime thereafter:

(i) disclose or use any confidential information or Know-How related to the business acquired by him during or as a result of this Agreement (save that it shall be allowed to use such Know-How that has come into the public domain by means other than the Franchisee's breach);

(ii) make any use of the Marks;

(iii) purport to be a Franchisee of or otherwise associated with the Franchisor;

(iv) use any recommendation or reference provided as a result of his work as a Franchisee;

(2) The Franchisee shall not for a period of one year thereafter directly or indirectly be engaged concerned or interested in a business which competes with the Services within a radius of ten miles from the Premises (save for a financial interest which does not allow it to influence the economic conduct of such a business).

(3) The Franchisee shall not for a period of one year thereafter directly or indirectly be engaged concerned or interested in a business similar to the Business which operates within a radius of ten miles from any premises in the United Kingdom from which the Business is being carried on by any franchisee of the Franchisor or by the Franchisor itself (save for a financial interest which does not allow it to influence the economic conduct of such a business).

16. Copyright

(1) The copyright and all other rights in the text of the Manual photographs all other documents supplied by the Franchisor and all secret or confidential information contained therein are the property of the Franchisor and the Franchisee undertakes not to copy the Manual photographs and other documents supplied by the Franchisor or to disclose any of its contents or concepts to any other party and not himself to make any direct or indirect use thereof otherwise in providing the Services.

(2) For the purpose of this Clause:

(a) The Manual shall be deemed to include the Manual as originally provided to the Franchisee together with all additions and amendments thereto from time to time;

(b) Secret or confidential information shall include all confidential information provided to the Franchisee from time to time by memorandum or correspondence or otherwise howsoever appertaining to the provision of the Services and the business of the Franchisor (save for that which has come into the public domain other than through the Franchisee's own breach).

17. Entire agreement

This Agreement and the Manual expresses the entire agreement between the parties hereto which supersedes any other negotiations or agreements on the subject matter hereof and;

(a) the parties confirm that the whole of their negotiations and intentions have been included herein within the context of and expressing clearly the requirements of the parties.

(b) there are no warranties representations or other matters relied upon by the Franchisee causing his signature hereto which have not been satisfied herein;

(c) this Agreement shall not be modified in any way except by a written instrument signed by both parties hereto.

18. Waiver

The failure of the Franchisor to exercise any power given to it hereunder or to insist upon strict compliance by the Franchisee with any obligation hereunder and no custom or practice of the parties shall constitute any waiver of any of the Franchisor's rights under this Agreement. Waiver by the Franchisor of any particular default by the Franchisee shall not affect or impair the Franchisor's rights in respect of any subsequent default of any kind by the Franchisee nor shall

any delay by or omission of the Franchisor to exercise any rights arising from any default of the Franchisee affect or impair the Franchisor's rights in respect of the said default or any default of any kind.

19. Severability

If any item or provision contained in this Agreement or any part thereof (in this Clause called the "offending provision") shall be declared or become unenforceable invalid or illegal for any reason whatsoever including but not detracting from the generality of the foregoing a decision by the competent domestic or European courts an Act of Parliament, European Economic Community legislation or any statutory or other bye-laws or regulations or any other requirements having the force of law the other terms and provisions of this Agreement shall remain in full force and effect as if this Agreement had been executed without the offending provision appearing herein. In the event that the exclusion of any offending provisions shall in the opinion of the Franchisor adversely affect either the Franchisor's right to receive payment of fees or remuneration by whatever means payable to the Franchisor or the Franchisor's Marks and Known-How methods of the business then the Franchisor shall have the right to terminate this Agreement on thirty days notice in writing to the Franchisee.

20. Warranties

The Franchisee shall make no statements representations or claims and shall give no warranties to any customer or potential customers in respect of the Business save such as may have been specifically authorised by the Franchisor such authority to be given either in writing or in the Manual in force at the relevant time. The Franchisee hereby undertakes with the Franchisor to keep it fully and effectively indemnified against all claims demands losses expenses and costs which the Franchisor may incur as a result of any breach by the Franchisee of this provision or of any other provision contained in this Agreement.

21. Improvements

(1) The Franchisee shall use all reasonable endeavours to conceive and develop new and improved methods of carrying out the Services and improvements in the apparatus operating procedure and other additions or modifications to the Services (hereinafter referred to as "Improvements"). The Franchisee agrees to disclose fully any Improvements to the Franchisor and the Franchisor shall determine the feasibility and desirability of incorporating them into the relevant Services. Any non-patentable Improvement approved by the Franchisor may be used by the Franchisor and all Franchisees of the Franchisor without any obligation to the Franchisee for royalties or otherwise;

(2) The Franchisee shall give the Franchisor the right of first refusal at a fair price (to be fixed by an appropriate independent arbitrator in the event of disagreement) of all rights in any Improvement which is capable of being patented.

22. Force majeure

This Agreement shall be suspended during the period and to the extent of such period that the Franchisor reasonably believes any party to this agreement is prevented or hindered from complying with its obligations under any part of it, by any cause beyond its reasonable control including but not restricted to strikes, war, civil disorder, and natural disasters. If such a period of suspension exceeds 180 days, then the Franchisor shall upon giving written notice to the Franchisee, be able to require that:

- (1) all money due to the Franchisor shall be paid immediately, and
- (2) the Franchisee shall immediately cease trading, until further notice from the Franchisor.

23. Arbitration

If any dispute shall arise between the parties hereto concerning the construction interpretation or application of any of the provisions of this Agreement whether during the continuance of this Agreement or after the termination thereof by whatever cause such dispute shall be referred to the arbitration of a single arbitrator to be appointed by the President for the time being of the Law Society of England, provided always that this Clause shall have no application to terms of this Agreement concerning restrictions against competition and non-disclosure, and the parties hereto agree to be bound by the terms of such arbitration and to bear the costs of such arbitration in equal shares.

24. Definition

Masculine includes the feminine and the singular the plural and vice versa and obligations undertaken by more than a single person including a company or firm are joint and separate obligations.

25. Notices

Any notice required to be given for the purposes of this Agreement shall be given by sending the same by prepaid First Class post, e-mail, or facsimile to, or by delivering the same by hand at, the relevant address shown in this Agreement or such other address as shall have been notified (in accordance with this Clause) by the party concerned as being its address for the purposes of this Clause. Any notice so sent by post shall be deemed to have been served two days after posting and in proving this service it shall be sufficient proof that the Notice was properly addressed and stamped and put into the post. Any notice sent by e-mail or facsimile shall be deemed to have been served on the next day following the date of despatch thereof which is a business day.

Schedule One: "The Premises"

Schedule Two: "The Marks"

Schedule Three: "Payments"

Schedule Four: "The Caretaker Fee"

Signed for and on behalf of Limited by

..... Director

..... Witnessed by

..... Signed by
..... Witnessed by

