

FRANCHISE AGREEMENT CHECKLIST

A. GENERAL INFORMATION

- Legal name of franchisor
- Address for agreement purposes
- Contact person
- General description of business being franchised
- Jurisdictions in which franchises will be offered for sale

B. FRANCHISE APPLICATION

- Amount of good faith deposit
- Completely or partially refundable, or non-refundable in the event of cancellation
 - if partially refundable, amount to be retained
 - for reasonable expenses incurred
 - fixed sum

C. FRANCHISE AGREEMENT

- Grant
 - exclusive, non-exclusive or site specific territory
 - size of territory, if exclusive
 - will maintenance of exclusivity be subject to criteria
 - minimum sales volume
 - minimum inventory purchases
- Initial Franchise Fee
 - amount of initial fee
 - when payable
 - if over time, when
 - is it to be refundable in any situation
 - failure to secure location
 - failure to complete training course
 - failure to secure financing
- Royalty

- based on a percentage of gross sales, or other method of calculation (i.e.: fixed amount)
- if percentage, amount of royalty
- will federal goods and services tax be included in calculation
- frequency of payment
 - weekly/monthly/quarterly
- by what date following end of period for which payment being made
- Term
 - length of initial term
 - will renewal be allowed
 - if so
 - number of renewal terms
 - length of each renewal term
 - will a renewal fee be required
 - will performance criteria need to be met
 - will a new current franchise agreement have to be signed
 - can royalties/advertising fees increase
 - will franchisee have to be able to maintain lease
 - any other special conditions for renewal
- Training
 - will a training program be provided
 - will there be an extra cost to franchisee
 - will franchisee pay expenses
 - how many people to receive training
 - length of training program
 - will retraining be included
- Premises
 - who will enter into headlease
 - is sublease required

- if sublease, will administration or other fees be charged
- if franchisee on headlease, is lease assignment agreement required
- Construction
 - who will construct premises
 - if franchisee, will specifications be provided
 - will franchisor specify equipment, etc.
 - if franchisor to construct, when will construction costs be payable
 - if payable over time, frequency
- Operation of Business
 - will franchisor specify all items/services offered
 - any special licences required
 - will principal's full-time and attention be required
 - if not, is full-time manager to be designated
 - is secrecy and confidentiality agreement required for key employees
 - will franchisor supply inventory, etc.
 - will franchisee be obligated to purchase from franchisor
 - will franchisee be allowed to purchase elsewhere
 - criteria for such purchases
 - who will obtain benefit of volume rebates, discounts
- Operation Manual
 - will franchisor develop an operating manual
- Advertising:
 - local advertising requirement
 - if so: method of calculating amount to be spent
 - percentage of gross sales
 - general advertising fund
 - if so
 - method of calculating amount of contribution

- percentage of gross sales
- frequency of payment
 - weekly/monthly/quarterly
 - same time as royalty payments
- Trade-Marks
 - list of trade-marks used (names and designs)
 - are trade-marks registered or unregistered
 - is application to be made
 - if application already made, status of application
 - legal name of owner of trade-marks
 - will separate trade-mark licence agreement be required
- Accounting/Reporting requirements
 - frequency and type of reporting
 - weekly sales reports
 - quarterly statements
 - yearly statements
 - audited or unaudited
 - right to audit/inspect
- Non-competition
 - length of non-competition term
 - geographical restriction
 - employee secrecy agreement required
- Assignment
 - is consent not to be unreasonably withheld
 - any "special" criteria for allowing assignment
 - will there be an assignment fee
 - fixed amount
 - expenses incurred
 - will option to require a new current franchise agreement be signed

- will option exist to increase royalties/advertising fees
- will franchisor have right of first refusal to purchase
 - time period within which to exercise right
- Death/Incapacitation
 - definition of incapacitation
 - will heirs be permitted to succeed on favourable terms
 - no assignment fee
 - will franchisor repurchase on more favourable terms
- Termination
 - any "special" events of default
 - obligations upon termination
 - option to repurchase assets
 - if so: method of determining purchase price
 - fair market value
 - depreciated value
- Guarantors
 - names of guarantors
- Security
 - will franchisor have option to require security agreement executed
- Insurance
 - amount and type
- General
 - automatic funds transfer provision
 - applicable law
 - Force Majeure*