

FRANCHISE AGREEMENT

(Comprehensive United States Template)

This Franchise Agreement (“Agreement”) is made and entered into as of the _____, by and between:

FRANCHISOR:
Legal Name:
Entity Type:
State of Organization:
Principal Address:
Email:

and

FRANCHISEE:
Legal Name:
Entity Type:
State of Organization:
Principal Address:
Email:

Franchisor and Franchisee are referred to individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, Franchisor has developed a distinctive and proprietary business system for the operation of the following business concept:

Business Description:

WHEREAS, such business system includes proprietary operational methods, training programs, marketing techniques, supplier relationships, confidential information, and intellectual property;

WHEREAS, Franchisor licenses qualified independent operators to conduct business under uniform standards in order to maintain brand consistency, consumer goodwill, and system integrity;

WHEREAS, Franchisee desires to acquire a franchise to operate a business using the Franchisor's System and Marks within a defined territory;

WHEREAS, the Parties acknowledge that franchising in the United States is regulated under federal law, including the Federal Trade Commission Franchise Rule (16 C.F.R. Part 436), and may also be subject to various state registration, disclosure, termination, and non-renewal laws;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

1. DEFINITIONS

- 1.1. **"System"** means the comprehensive business format and operational method developed by Franchisor, including trade secrets, procedures, marketing strategies, customer service standards, product specifications, approved suppliers, training programs, and operational controls.
- 1.2. **"Marks"** means all trademarks, service marks, trade names, logos, slogans, domain names, social media identifiers, and trade dress owned or licensed by Franchisor.
- 1.3. **"Gross Sales"** means all revenue generated by the Franchised Business from any source, whether in cash or otherwise, without deduction, except for bona fide sales taxes collected for remittance to governmental authorities.
- 1.4. **"Territory"** means the geographic area described as follows:
- 1.5. **"Operations Manual"** means the confidential manual and related materials issued by Franchisor that set forth operational standards and procedures, as amended from time to time.
- 1.6. **"Franchised Business"** means the business operated by Franchisee pursuant to this Agreement.

2. GRANT OF FRANCHISE

- 2.1. Franchisor hereby grants to Franchisee a limited, revocable, non-transferable license to operate one Franchised Business using the System and Marks within the Territory during the Term.

- 2.2. Unless expressly provided in this Agreement, no exclusive rights are granted. Any grant of exclusivity shall be expressly set forth below.

Exclusivity Terms:

- 2.3. Franchisee acknowledges that the franchise granted is subject to Franchisee's compliance with all applicable federal, state, and local laws, including any state-specific franchise registration and disclosure requirements.
- 2.4. Franchisee acknowledges that this Agreement does not confer any ownership interest in the System or Marks.

3. TERM

- 3.1. The initial term of this Agreement shall be _____ years commencing on the Effective Date, unless terminated earlier pursuant to this Agreement.
- 3.2. The Agreement may be renewed only in accordance with Section 14 and subject to compliance with applicable state franchise relationship laws.

4. INITIAL AND CONTINUING FEES

- 4.1. **Initial Franchise Fee.** Franchisee shall pay an initial franchise fee of \$ _____.

This fee is non-refundable except where required by applicable law.

- 4.2. **Royalty Fee**

Franchisee shall pay a continuing royalty equal to:

% of Gross Sales

\$ _____ per

Royalties shall be paid on a _____ basis.

- 4.3. **Advertising Contribution**

Franchisee shall contribute **% of Gross Sales or \$ _____** per _____ to a national or regional marketing fund, if established.

- 4.4. **Technology or System Fees.** Franchisee shall pay such technology or system fees as may be specified by Franchisor from time to time.

- 4.5. **Audit Rights**

Franchisor shall have the right to audit Franchisee's records. If underreporting exceeds %, Franchisee shall reimburse audit costs in addition to unpaid amounts and interest.

5. SITE SELECTION AND DEVELOPMENT

- 5.1. Franchisee shall submit proposed site information to Franchisor for approval. Approval shall not constitute a guarantee of success.
- 5.2. Franchisee shall construct and equip the premises in accordance with Franchisor's specifications.

Development Timeline:

- a. Plans Due:
- b. Construction Start:
- c. Completion Date:

- 5.3. Franchisee shall not commence operations until Franchisor provides written approval.

6. TRAINING AND SUPPORT

- 6.1. Franchisor shall provide initial training to Franchisee or designated managers. The duration, location, and content shall be determined by Franchisor.
- 6.2. Franchisor may provide ongoing support, which may include operational consultations, updated training programs, marketing assistance, and periodic system improvements.
- 6.3. Franchisor retains discretion to modify the System to maintain competitiveness and brand consistency.

7. FRANCHISEE OBLIGATIONS

- 7.1. Franchisee shall operate strictly in accordance with the System and Operations Manual.
- 7.2. Franchisee shall devote full-time effort to the Franchised Business or designate an approved manager.
- 7.3. Franchisee shall maintain complete and accurate books and records in accordance with generally accepted accounting principles (GAAP).
- 7.4. Franchisee shall maintain the following insurance coverage:

Insurance Requirements:

- 7.5. Franchisee shall comply with all applicable federal, state, and local laws, including employment, tax, health, safety, and consumer protection laws.

8. INTELLECTUAL PROPERTY

- 8.1. Franchisee acknowledges Franchisor's exclusive ownership of all rights, title, and interest in and to the Marks and System.
- 8.2. Franchisee shall use the Marks only as authorized and shall not modify or combine them without prior written consent.
- 8.3. Franchisee shall immediately notify Franchisor of any infringement or unauthorized use.
- 8.4. Upon termination or expiration, Franchisee shall immediately cease all use of the Marks and remove all branded materials.

9. ADVERTISING AND MARKETING

- 9.1. Franchisee shall conduct local advertising in accordance with Franchisor's standards.
- 9.2. All advertising materials must be approved by Franchisor prior to use unless pre-approved templates are provided.
- 9.3. Franchisor may establish regional or national marketing programs funded by Franchisee contributions.

10. NON-COMPETITION AND CONFIDENTIALITY

- 10.1. During the Term and for the maximum period permitted under applicable state law thereafter, Franchisee shall not directly or indirectly engage in a competing business within miles of the Territory.
- 10.2. Franchisee shall maintain the confidentiality of all proprietary information both during and after the Term.
- 10.3. The Parties acknowledge that enforceability of post-term restrictions may vary by state law.

11. TRANSFER AND ASSIGNMENT

- 11.1. Franchisee shall not assign or transfer this Agreement without Franchisor's prior written consent.
- 11.2. Any approved transferee must meet Franchisor's then-current qualification standards and execute the then-current franchise agreement.

11.3. Franchisor reserves the right of first refusal on any proposed transfer.

12. DEFAULT AND TERMINATION

12.1. Events of Default include material breach, nonpayment, insolvency, abandonment, criminal misconduct, or unauthorized transfer.

12.2. Where required by state law, Franchisee shall be provided written notice and opportunity to cure.

12.3. Certain defaults may permit immediate termination without cure where allowed by applicable law.

13. POST-TERMINATION OBLIGATIONS

Upon termination, Franchisee shall:

- a. Cease use of the Marks;
- b. Return confidential materials;
- c. De-identify the premises;
- d. Pay all outstanding obligations;
- e. Comply with post-term covenants.

14. RENEWAL

14.1. Franchisee may request renewal no later than days prior to expiration.

14.2. Renewal is conditioned upon:

- a. Full compliance with Agreement terms;
- b. Payment of renewal fee of \$;
- c. Execution of Franchisor's then-current agreement.

14.3. No automatic right to renewal exists unless required by state law.

15. INDEMNIFICATION

15.1. Franchisee agrees to indemnify and hold harmless Franchisor from any claims arising out of Franchisee's operation of the Franchised Business, except where caused by Franchisor's gross negligence or willful misconduct.

16. RELATIONSHIP OF THE PARTIES

- 16.1. The Parties acknowledge that Franchisee is an independent contractor. Nothing herein shall be construed to create a partnership, joint venture, fiduciary relationship, employment, or agency relationship.

17. GOVERNING LAW AND DISPUTE RESOLUTION

- 17.1. This Agreement shall be governed by and construed in accordance with the laws of the State of _____, except to the extent superseded by applicable federal law.
- 17.2. Any legal action or proceeding arising out of or relating to this Agreement shall be brought exclusively in the courts located in _____, and the Parties hereby consent to the jurisdiction and venue of such courts.
- 17.3. If the Parties agree, any dispute arising out of or relating to this Agreement shall be resolved by binding arbitration in accordance with _____.
- 17.4. Nothing herein shall be deemed to waive any non-waivable rights under applicable federal or state franchise laws.

18. GENERAL PROVISIONS

- 18.1. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof.
- 18.2. Amendments. This Agreement may be amended only by a written instrument signed by both Parties.
- 18.3. Severability. If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall remain in full force and effect.
- 18.4. Force Majeure. Neither Party shall be liable for failure to perform due to events beyond its reasonable control.
- 18.5. Waiver. Any waiver of any provision of this Agreement must be in writing.
- 18.6. Compliance with FTC Franchise Rule. The Parties shall comply with applicable federal and state franchise disclosure laws.
- 18.7. Survival. Any provisions which by their nature should survive termination shall survive.

EXECUTION

FRANCHISOR:
By:
Title:
Date:
Signature:

FRANCHISEE:
By:
Title:
Date:
Signature: