

## ESCROW AGREEMENT

This Escrow Agreement, made this \_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_, by \_\_\_\_\_ organized under the  
laws of the State of \_\_\_\_\_, (hereinafter referred to as  
“Franchisor”) and \_\_\_\_\_ (hereinafter referred to as  
“Bank”).

WHEREAS, the Franchisor desires to offer and sell franchises in the Commonwealth of Virginia, and

WHEREAS, it is the discretion of the Virginia State Corporation Commission (the “Commission”) as Administrator of the Virginia Retail Franchising Act, to require an escrow of franchise fees and other fees paid by the franchisee to the Franchisor, and

WHEREAS, in order to conform to the procedures for arranging an escrow account, the Franchisor desires to enter into an Escrow Agreement with the Bank, pursuant to which franchise fees and other fees are to be held in escrow for the purpose of complying with the Virginia Retail Franchising Act.

NOW, THEREFORE, with the foregoing recitals hereinafter incorporated by reference and made a part hereof, it is agreed as follows:

1. The Franchisor shall, until release of escrowed funds as hereinafter provided, deposit with the Bank, all monies obtained from each franchisee that contracts to operate the franchised business within the Commonwealth of Virginia.
2. All funds delivered by the Franchisor to the Bank will be placed in a separate account designated substantially as follows: \_\_\_\_\_
3. The Bank shall pay out funds, plus interest if any, from the Escrow Account only upon the occurrence of one of the following conditions:
  - a. A letter from the President or Secretary of the Franchisor directing the Bank to pay out such funds to \_\_\_\_\_ accompanied with a written notice from the Commission stating that it takes no exception to the release of such funds to \_\_\_\_\_.
  - b. Upon written notice from the Commission, the Bank shall return the deposited franchise fees and other fees to a specific franchisee.
  - c. The Bank shall pay funds into court or disburse or deliver them in accordance with any order of any court of competent jurisdiction.
4. The Franchisor will supply the Bank with the name and address of each franchisee, together with the amount of the deposit that represents each franchisee’s franchise fees and other fees, and the Bank will retain records containing the same information.

5. Any funds deposited in the Escrow Account pursuant to this Escrow Agreement shall be invested and kept invested by the Bank in obligations of the United States, or a savings account or savings accounts of the Bank, or money market funds of or available to the Bank and to which the Bank or an affiliate is investment advisor or provides other services and receives reasonable compensation for such services, provided the money market funds are rated AAAM by Standard and Poor's and Aaa by Moody's Investor Services, or U.S. Treasury Bills, Notes or Bonds until such funds are to be disbursed as provided in Paragraph 3 hereof. All interest received and any increment shall be added to the funds so deposited in the Escrow Account and shall be distributed as provided in Paragraph 3 hereof.

6. The Commission may inspect the records of the Bank, insofar as they relate to this Escrow Agreement, for the purpose of determining compliance with and conformance to the provisions of this Escrow Agreement. At the Commission's discretion, statements indicating the status of escrow shall be furnished by the Bank to the Commission.

7. The Franchisor shall pay to the Bank reasonable compensation for expenses incurred and services rendered by the Bank under this Escrow Agreement.

8. The Bank shall have no duty to determine the propriety of any deposit or disbursement of funds. Additionally, the Bank shall have no duty to the Franchisor, the Commission, any franchisee or any other party except as expressly stated in this Escrow Agreement. The Franchisor does hereby indemnify the Bank from any and all costs, claims and expenses, including attorneys' fees, which may be incurred by or which may accrue to the Bank relating to the opening or maintenance of any account established under this Escrow Agreement.

9. All proceeds deposited pursuant to this Escrow Agreement shall not be subject to any liens or charges by the Bank, or judgments or creditor's claims against the Franchisor.

10. The Franchisor shall give each franchisee a copy of this Escrow Agreement prior to collecting any funds from that franchisee.

11. The Bank's duties under this Escrow Agreement shall terminate upon final distribution of all monies deposited as provided hereunder.

12. This Escrow Agreement is governed by the laws of the Commonwealth of Virginia.

Form K  
7/1/07

IN WITNESS WHEREOF, each party has caused this Escrow Agreement to be signed and executed, and its corporate seal hereto affixed, in its name by its proper and fully authorized officer or officers on the day and year first above written.

ATTEST:

NAME AND ADDRESS OF BANK

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

(Bank's Secretary)

By: \_\_\_\_\_

Title: \_\_\_\_\_

NAME AND ADDRESS OF FRANCHISOR

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

(Franchisor's Secretary)

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **ESCROW INSTRUCTION SHEET**

- A. The Franchisor shall return a fully executed copy of the escrow agreement, with original signatures, to the Division of Securities and Retail Franchising before its application will be made effective.
- B. The Franchisor shall also provide to the Division in writing, the name of the bank, the name, address and telephone number of the person(s) at the bank who may be contacted for information regarding the escrow account, and the account number. Any changes to this information shall be immediately provided to the Division.
- C. Funds in the escrow account will only be released upon completion by the Franchisor of its pre-opening obligations to the Franchisee. Requests for the release of escrowed funds shall be in writing and shall be sent to the Division. The Franchisor shall state in the request the exact amount of the funds to be released. The Division shall receive written certification from the Franchisee whose funds are to be released to the Franchisor. The certification shall state the amount of funds to be released, and that the Franchisor's pre-opening obligations to the Franchisee have been satisfied.
- D. Please refer to 21 VAC 5-110-65 of the Virginia Administrative Code, entitled "Escrow and Deferral", for additional information on the operation of escrow accounts.