

Franchising Legal Counsel

Ororus Advisors

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Overview

First and foremost, we would like to express our gratefulness for the trust you have placed in our firm. Ororus Advisors has always considered it a privileged to be entrusted to perform legal services for sophisticated clients. Our team will dedicate its utmost effort in rendering the best result possible so that you can constantly grow faster and stronger without needing to worry about legal matters while conducting your business.

This below proposal is a comprehensive approach to your Franchising legal requirements based on information gathered from you. We will elaborate on each service included to set the scope of services being offered.

Fast Facts

Lebanon has no specific legislation regarding franchising

Lebanese law does not provide for specific regulations regarding franchising, and therefore does not provide with a specific definition of franchising and of franchise agreements. Lebanon has however enacted specific regulations regarding commercial agencies and exclusive distribution, with the Decree-Law No. 34/67, and due to the broad definition given to commercial agencies and the common economic role they share with franchising, franchise agreements may be qualified by Lebanese Courts as commercial agency agreements.

The Decree-Law No. 34/67 provides for extensive protection and mandatory rules so as to safeguard local commercial agents. Under Article 1§1, a commercial agent is defined as:

“the mandatory who undertakes, within the framework of his usual and independent profession and without being bound by an employment contract, any necessary negotiations of sale and purchase, hire or provision of services, and if need be, carries on such activity in the name of producers or merchants and for their account.”

Article 1§2 provides for an extensive definition of commercial agents as follows:

“The merchant who, on his own account, sells what he purchases according to a contract which gives him the quality of sole and exclusive representative or distributor, shall be considered as a commercial agent.”

Exclusive distributors are therefore considered as commercial agents under this Decree-Law, and are subject in consequence to the following mandatory rules:

- ***Right for compensation based on wrongful termination by the principal or by its refusal to renew the agreement upon its expiration;***

- *Right to stop the import of products object of the local commercial agent's representation in the territory, or right to request the seizure of such products until the principal executes any final judgments issued against him under the Decree-Law.*
- *The mandatory application of Lebanese law and jurisdiction of Lebanese Courts, notwithstanding any contractual choice of law and of forum, which would be considered as void.*

The main question for foreign franchisors is therefore whether or not the principles of freedom of trade and of contract would apply to their franchise agreements and whether or not a contractual choice of law and of forum would be enforceable in Lebanon. Local merchants may under such Decree-Law attempt to base any claim on the Decree-Law when their contractual relationship permits any likeness with commercial agencies and exclusive distributors.

However, the Beirut Court of Appeal, in a Decision No. 1106/2009 dated 30 July 2009, defined franchise agreements as follows:

- *The grant of a right to use a trademark and/or a trade name in connection with the manufacturing and/or the distribution of products and/or services;*
- *The transfer of a certain know-how from the franchisor to the franchisee;*
- *Cooperation between the parties.*

Franchise agreements should therefore be excluded from the scope of the Decree-Law.

The Code of Ethics enacted by the Lebanese Franchise Association

The Lebanese Franchise Association has enacted a Code of Ethics under which it is provided that its members are subject, in particular, to a disclosure obligation as follows:

"In order to allow prospective Individual Franchisees to enter into a binding document with full knowledge, they shall be given a copy of the present Code of Ethics as well as full and accurate written disclosure of all information material to the franchisee relationship, within a reasonable time prior to the execution of these binding documents."

The Code of Ethics provides also with the essential minimum terms which must be stipulated in a franchise agreement as well as an obligation to draft or to have translated such agreements as well as all agreements in connection with the franchise agreement into "the official language of the country of the Individual Franchisee is established in". This Code applies to the Franchisor/Franchisee and to the Master Franchisee/Franchisee relationships but not to the Franchisor/Master Franchisee relationship.

As for Trademarks

Registration of Trademark in Lebanon is made in the Intellectual Property Bureau - Ministry of Economy.

Your current corporation

Corporation

Name	
Type of corporation	
Subscribed Capital	
Shareholder	
Industry	
Services offered	
PPB (Principal place of business (Deed or Rent agreement needed))	

Intellectual property

	Lebanon	PPB2	United States
Registered trademarks			
Registered patents			
Registered designs			
Copyrights			
Website protection			


Employment law

Number of employees	
Employment benefit plans	If you have established an employment benefit plan or retirement plan
Social security	If not everyone has it, please specify how many (i.e 3/5)
Confidentiality agreements / Non compete signed	Yes / or No

Real Property

	Lebanon	PPB2	PPB3
Owned property			
Leased Property			

Major contracts and pending litigation if any

With	Product / service offered or requested	Inception date	Renewal / expiration date	Original signed copy (Yes/ no)
				

Analysis

Based on the information gathered in the previous section, our team has conducted the following analysis of your business and assessed your current situation and your legal needs moving forward

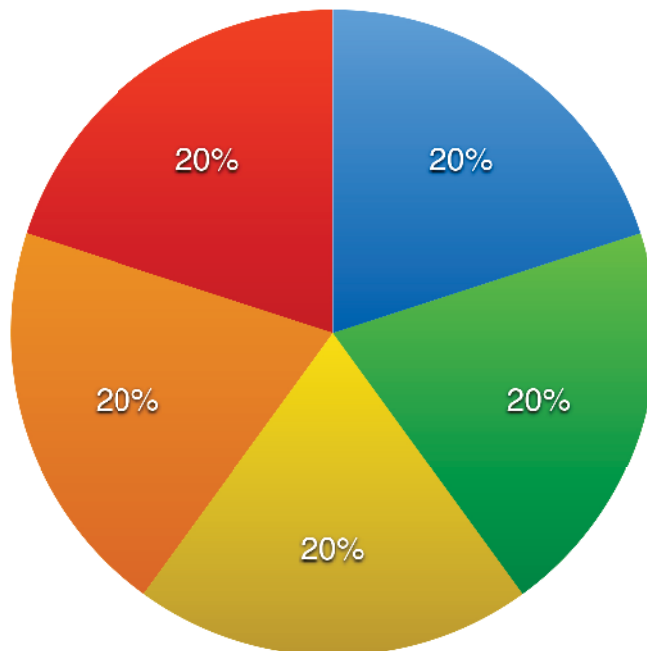
Data

We have noticed that

- Corporate structure: Efficient / Not efficient
- Intellectual property: Protected / Unprotected
- Real estate: Protected / Unprotected
- Employment law: Protected / Unprotected
- Contracts: Frequent / Not frequent, and whether: Protected / Unprotected.

Legal services chart

- Corporate structure
- Intellectual property
- Employment
- Real estate
- Contracts



Franchising

Steps to be ready for franchise

In order to be able to franchise your business, you need to be able to prepare the following documents which we can assist in completing.

- 1) Legal due diligence
- 2) Financial due diligence,
- 3) Intellectual property protection,
- 4) Master Franchise agreement and secondary agreements,
- 5) Brand Guidelines,
- 6) Franchise Kit (Includes operational process),

Strategy

Based on our analysis, we have set out the following strategy to be able to put you up to date on the legal side and to be able to advise you as your corporate general counsel moving forward.

Work strategy

Required steps

The following are the required steps we will have to perform in order to put your corporation up to date

- Legal due diligence:
 - Corporate structure assessment + capital structure
 - Intellectual property assessment
 - Employees contracts and social security
 - Real estate contracts and/or taxes
 - Contracts renegotiation / classification
- Financial due diligence:

Franchising services

Based on our analysis and the services we offer, we have assessed that your corporation requires the following from its Franchise counsel:

- Legal due diligence
- Financial due diligence
- Intellectual property protection
- Master Franchise agreement and secondary agreements
- Brand guidelines
- Franchise Kit

Action Plan

General Counsel

Key Objectives	Task	By Whom	Deadlines
Legal due diligence		Ororus Advisors	
Financial due diligence		//	
Intellectual property protection			
Master Franchise agreement and secondary agreements		//	
Brand guidelines			
Franchise kit			