

Code of Ethics

1. DEFINITION OF FRANCHISING:

Franchising is a system of marketing goods and/or services and/or technology, which is based upon a close and ongoing collaboration between legally and financially separate and independent undertakings, the Franchisor and its individual franchisees whereby the franchisor grants its individual franchisees the right, and imposes the obligation to conduct a business in accordance with the Franchisor's concept. The right entitles and compels the individual Franchisee, in exchange for a direct or indirect financial consideration, to use the Franchisor's trade name, and/or trade mark and/or service mark know-how(*), business and technical methods, procedural system, and other industrial and/or intellectual property rights, supported by continuing provision of commercial and technical assistance, within the framework and for the term of a written franchise agreement, concluded between the parties to this purpose .

(*) Know-how means a body of non-patented practical information, resulting from experience and testing by the Franchisor, which is secret, substantial and identified;

"secret "means that the know-how, as a body or in the precise configuration and assembly of its components, is not generally known or easily accessible; it is not limited in the narrow sense that each individual component of the know-how should be totally unknown or unobtainable outside the Franchisor's business;

"substantial" means that the know-how includes information which is of importance for the sale of goods or the provision of services to end users, and in particular for the presentation of goods for sale, the processing of goods in connection with the provision of services, methods of dealing with customers, and administration and financial management; the know-how must be useful for the Franchisee by being capable, at the date of conclusion of the agreement, of improving the competitive position of the Franchisee, in particular by improving the Franchisee's performance or helping it to enter a new market.

"identified" means that the know-how must be described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfills the criteria of secrecy and substantially; the description of the know-how can either be set out in the franchise agreement or in separate document or recorded in any other appropriate form.

2. GUIDING PRINCIPLES

2.1. The Franchisor is the initiator of a franchise network, composed of itself and its individual Franchisees, of which the Franchisor is the long- term guardian.

2.2. The obligations of the Franchisor: The Franchisor shall:

* have operated a business concept with success, for a reasonable time and in at least one, pilot unit and before starting the franchise network;

* be the owner, or have legal rights to the use of its network's trade name trade mark or other distinguishing identification;

* provide the Individual Franchisee with initial training and continuing commercial and/or technical assistance during the entire time of the agreement.

2.3. The obligations of the Individual Franchisee; The Individual Franchisee shall:

* devote its best endeavors to the growth of the franchise business and to the maintenance of the common identity and reputation of the franchise network;

* supply the Franchisor with verifiable operating data to facilitate the determination of performance and the financial statements necessary for the effective management guidance, and allow the Franchisor, and/or its agents to have access to the individual Franchisee's premises and records at the Franchisor's request and at reasonable times;

* not disclose to third parties the know-how provided by the Franchisor, neither during nor after the termination of the agreement.

2.4. The ongoing obligations of both parties:

Parties shall exercise fairness in their dealings with each other. The Franchisor shall give written notice to its Individual Franchisees of any contractual breach and, where appropriate, grant reasonable time to remedy default;

Parties should resolve complaints, grievances and disputes with good faith and goodwill through fair and reasonable direct communication and negotiation ;

3. RECRUITMENT, ADVERTISING AND DISCLOSURE

3.1. Advertising for the recruitment of Individual Franchisees shall be free of ambiguity and misleading statements.

3.2. Any publicly available recruitment, advertising and publicity material containing direct or indirect reference to future possible results, figure or earnings to be expected by Individual Franchisees, shall be objective.

3.3 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.

3.4. If a Franchisor poses a Pre-contract on a candidate Individual Franchisee, the following principles should be respected:

- " Prior to the signing of any pre-contract, the pre-contract shall define the terms and include a termination clause;
- " Franchisee should be given written information on the purpose of any consideration he may be required to pay the Franchisor to cover the latter actual expenses, incurred during and with respect to the pre-contract phase; if the franchise agreement is executed, the said consideration should be reimbursed by the Franchisor or set off against possible entry fee to be paid by the Individual Franchisee;
- " The Franchisor can impose non-competition and/or secrecy clauses to protect its know-how and identity.

4. SELECTION OF INDIVIDUAL FRANCHISEES

A Franchisor should select and accept an Individual Franchisee among those who, upon reasonable investigation, appear to possess the basis skills, education and personal qualities and financial resources sufficient to carry on the franchisee business.

5. THE FRANCHISE AGREEMENT

5.1 The franchise Agreement should comply with the National Laws and this Code of Ethics.

5.2 The agreement shall reflect the interests of the members of the franchised network in protecting the Franchisor's industrial and intellectual property rights and in maintaining the common identity and reputation of the franchised network. All agreements and all contractual arrangements in connection with the franchise relationship should be written in or translated by a sworn translator into the official language of the country of the Individual Franchisee is established in, and signed agreements shall be given immediately to the Individual Franchisee.

5.3 The franchise agreement shall set forth without ambiguity the respective obligations and responsibilities of the parties and all other material terms of the relationship.

5.4 The essential minimum terms of the agreement shall be the following:

- " the rights granted to the Franchisor
- " the rights granted to the Individual Franchisee;

- " the goods and/or services to be provided to the Individual Franchisee;
- " the obligations of the Franchisor;
- " the obligations of the Individual Franchisee;
- " the duration of the agreement which should be long enough to allow Individual Franchisees to amortize their initial investments specific to the franchise;
- " the basis for any renewal of the agreement;
- " the terms under which the Individual Franchisee may sell or transfer the franchised business and the Franchisor's preemption rights in this respect;
- " provisions relevant to the use by the Individual Franchisee of the Franchisor's distinctive signs, trade name, trade mark, service mark, store sign, logo or other distinguishing identification ;
- " the Franchisor's right to adapt the franchise system to new or changed methods;
- " provisions for termination of the agreement;
- " provisions for surrendering promptly upon termination of the franchise agreement any tangible and intangible property belonging to the Franchisor or other owner thereof.

6. The Code of Ethics and the Master Franchise System

The Code of Ethics shall apply to the relationship between the Franchisor and the Individual Franchisees and equally between the Master Franchisee and Individual franchisees. It shall not apply to the relationship between the Franchisor and the Master Franchisees.

ATTESTATION

WE, THE UNDERSIGNED,

HAVING FULLY READ THE CODE OF ETHICS ABOVE, AGREE TO THE TERMS LAID DOWN IN IT, AND DO HEREBY COMMIT OURSELVES TO ABIDE BY IT AS AN INTEGRAL PART OF OUR MEMBERSHIP IN THE LEBANESE FRANCHISE ASSOCIATION; IN WITNESS WHEREOF WE HAVE INITIALED EACH PAGE OF THE ABOVE CODE OF ETHICS AND AFFIXED OUR SIGNATURE ON THIS LAST PAGE OF IT.

Name.....

Date:.....

Company.....

Signature.....

Stamp.....

