

ESCROW AGREEMENT
Appendix C—Illustration A

Agreement, made this _____ day of _____, _____ by _____
(name of franchisor) , a _____ (type of business entity)
organized under the laws of the State of _____ (hereinafter referred to as “Franchisor”),
and _____ hereinafter referred to as “BANK”, as Escrowee for the franchisees of
Franchisor;

WHEREAS, Franchisor is desirous of establishing franchises in the State of Illinois; and
WHEREAS, it is in the discretion of the Illinois Attorney General as Administrator of the
Illinois Franchise Disclosure Act, to require an escrow of the franchise fees; and
WHEREAS, in order to conform to the procedures for arranging an escrow account,
Franchisor desires to enter into an escrow agreement with BANK, pursuant to which
initial franchise fees are to be held in escrow until Franchisor has met its initial
obligations to its franchisees.

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

1. Franchisor shall deposit with BANK initial franchise fees received from franchisees that
are required to be escrowed under the order of the Administrator, but BANK shall not be
responsible for insuring that any part or all moneys received by Franchisor from each or
any one franchisee are deposited with BANK.
2. Franchisor will supply BANK with the name and address of each franchisee, together
with the amount of the deposit which represents moneys paid by each franchisee and
BANK will maintain records containing the same information.
3. All moneys received by BANK from Franchisor shall be held by BANK as escrowee for
the exclusive purpose herein described and will be placed in a single segregated account
designated substantially as follows:

_____ (Name of Bank), AS ESCROWEE FOR
FRANCHISES OF _____ (Name of Franchisor) (hereinafter
referred to as “Escrow Account.”)

4. BANK shall accept such funds as Franchisor shall deliver to BANK, as escrowee, and
BANK shall acknowledge the receipt of funds from Franchisor; however, BANK shall not be
responsible for the accuracy of the information provided to it by Franchisor.

5. Any funds deposited hereunder in the Escrow Account shall be invested and kept invested
by BANK, at the option of the Franchisor, in instruments of its choosing, until they are to be
disbursed as provided in paragraph 6 hereof. All interest received and any increment thereon
shall be added to the funds so deposited in the Escrow Account and shall be distributed as
provided in paragraph 6.

6. BANK shall pay out funds, plus interest, if any, from the Escrow Account upon the occurrence of one of the following conditions:

- (a) Upon receipt of a letter from an officer of Franchisor directing BANK to pay out such funds to Franchisor, accompanied by a written notice from the Administrator stating that he takes no exception (hereinafter referred to as “No Exception Notice”) to the release, BANK shall pay part or all of the moneys held in escrow for the benefit of a specified franchisee, plus interest, if any, to Franchisor.
- (b) Upon written notice from the Administrator BANK shall return part or all of the deposited franchise fee and other funds, plus interest, if any, to a specified franchisee.
- (c) BANK shall pay funds into court or disburse or deliver them in accordance with any final order of any court of competent jurisdiction.

BANK shall not be personally liable for any act taken or omitted by it in good faith and in the exercise of its own best judgment. BANK shall also be fully protected in relying upon any written notice, demand, certificate or document which it in good faith believes to be genuine.

7. BANK is authorized, in its sole discretion, to disregard any and all notices or instructions given by any of the undersigned or by any other person, firm or corporation, except only such notices or instructions by the Administrator as are hereinafter provided for and orders of process of any court entered or issued with or without jurisdiction. If any property subject hereto is at any time attached, garnished, or levied upon under any court order or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case of any court order affecting such property or any part thereof, then and in any of such events BANK is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree which it is advised by legal counsel of its own choosing is binding upon it; if it complies with any such order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.

8. Written consent of BANK to act in the capacity of escrowee shall be manifested upon the duly authorized execution of this Agreement. The Administrator may, at any time, inspect the records of BANK, insofar as they relate to this Escrow Agreement. At the Administrator’s discretion, statements indicating status of the escrow shall be furnished by BANK to the Administrator. An executed duplicate original of this Agreement shall be filed with the Administrator at Illinois Attorney General, Franchise Division, 500 South Second Street, Springfield, Illinois 62706.

9. BANK shall be paid by Franchisor for any expenses incurred by it and reasonable compensation for its services hereunder. Funds held by BANK pursuant to this Agreement shall not be subject to any liens or charges by BANK.

10. If BANK believes it to be reasonably necessary to consult with counsel concerning any of its duties in connection with this Agreement, or in the event BANK retains counsel upon becoming involved in litigation on account of any deposit or of this Agreement, Franchisor shall reimburse BANK for and indemnify and hold BANK harmless against any and all costs, attorney's fees, charges, disbursements and expenses in connection with such consultation or litigation.

11. Franchisor unconditionally guarantees that, in the event BANK misapplies, dissipates, converts or is otherwise responsible for a deficiency in the funds deposited in the Escrow Account through the exercise of less than a fiduciary standard of care, Franchisor shall reimburse each and every franchisee to the extent of such deficiency if such amounts deposited are required to be returned to such franchisee under paragraph 6(a) through (c) hereof.

12. Franchisor shall give each franchisee a copy of this Agreement prior to collecting any moneys from such franchisee.

13. BANK's duties as escrowee shall terminate upon final distribution of all moneys received under this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed, the parties intending to be legally bound hereby.

ATTEST:

Its Secretary

BANK _____

By: _____

Its: _____

FRANCHISOR _____

By: _____

Its: _____