

## MODEL LEASE CLAUSE

### **Make Termination of Franchise Agreement a Lease Default**

You can adapt the following Model Lease Clause, drafted by Scott Frank, a partner at Arnstein & Lehr, when leasing space to franchisees of national retailers. The clause makes termination of the franchise agreement a default under the lease, allowing you to evict the franchisee and transferring the lease obligations to the franchisor. Finally, it allows you to approve the subsequent tenant/franchisee assigned by the franchisor. Show this clause to your attorney before using it in your leases.

#### **TERMINATION OF FRANCHISE AGREEMENT**

In addition to any causes for default set forth in Section [*insert Default section #*] hereof, it shall be a default hereunder in the event the Franchise Agreement is terminated for any reason. In addition to all remedies for Tenant default as provided herein, in the event of such termination, Tenant agrees to immediately surrender possession of the Premises to Landlord. Upon such surrender, Landlord agrees to accept Franchisor as a replacement tenant, on the same terms and conditions as then presently exist under this Lease, provided (i) Franchisor notifies Landlord of its agreement to assume the Tenant's position under this Lease no later than ten (10) days after the termination of the Franchise Agreement; and (ii) Franchisor shall not further assign this Lease other than in accordance with the next succeeding paragraph. Upon receipt of Franchisor's agreement to assume the Lease, in the event Tenant has not timely vacated the Premises, Landlord shall commence legal proceedings to obtain possession of the Premises, and Franchisor shall cooperate in Landlord's efforts. Franchisor's assumption agreement shall become effective upon Landlord's receipt of a judgment for possession. Nothing contained herein shall serve to release Tenant of any liabilities or obligations as it may have arising out of its default hereunder.

Franchisor shall have no right to further assign this Lease other than (i) in accordance with the provisions of Section [*insert Sublease/Assignment section #*] of this Lease; or (ii) to a qualified replacement franchisee who will operate the Premises as a franchise of Franchisor and who has the financial strength, in Landlord's reasonable discretion, to meet the Tenant's obligations for the remainder of the Lease. In addition, any replacement franchisee shall provide a personal guaranty of a principal substantially equivalent to the guaranty received from the original Tenant's principal(s).