



Subway Development Corporation of Washington

**Stores for Purchase or Sale
Procedures,
Application & Personal Financial Statement Form**

[rev. September 1, 2007]



Below are the procedures for buying an existing Subway store, both for new and for existing franchisees, as well as procedures for selling an existing location and appropriate application and personal financial statement forms. Please review the procedures that best apply to you. We hope that clear understanding of these procedures will help to make the transfer process a smooth one.

Thank you for your interest in Subway!

TRANSFER PROCEDURES

Prospective New Franchisee

Thank you for your interest in purchasing a Subway® franchise. Since you have shown interest in purchasing an existing Subway® franchise, outlined below are some guidelines and list of documents that will help you to understand the transfer approval process. Please **DO NOT** sign any contracts or intent to buy, until you have been officially approved by our office. It is highly recommended that you retain a lawyer and a CPA to assist you in this process and transaction.

To begin the process you must show your ability to purchase

A net worth of \$450,000 and/or cash on hand of \$150,000 for a minimum of 3 months. If you meet this requirement you need to forward a personal financial statement with the information necessary to allow us to verify sufficient funds or you could have your bank prepare verification for you to submit to our office.

1. The Initial Approval Process involves:

- All prospective franchisees must schedule to take the Wonderlic Test – basic English & Math Test. Everyone who is planning to be named on the Franchise Agreement or be a partner must take and pass the test.
- After you have passed the tests you will be provided with additional paperwork that must be completed.

This includes:

1. Preliminary Questionnaire
2. Business Plan Outline
3. Business Plan Questionnaire
4. Restaurant Visit Report

We must receive this completed paperwork within 30 days

- An application must also be completed with an original signature.
 - Credit Report Disclosure & Authorization Form must be signed.
 - A meeting will then be scheduled with our Operations and Real Estate departments for your formal interview.
 - Disclosures or UFOC -- the acknowledgment of receipts must be signed and notarized and have to have been in possession of the buyer for a minimum of ten business days prior to any further paperwork being signed.
 - Remodel Commitment Statement – if applicable
 - Understanding from the buyer/s that they must attend two weeks Franchisee training in Milford, CT, before settlement and seventy hours with their Field Consultant in the store after final settlement.
2. Upon approval to purchase a Subway™ store, a list of stores for sale will be provided to you, if you have not already decided which store you are interested in purchasing. You can then call the sellers direct on the phone numbers provided and begin dialogue to obtain information about the store of your interest, e.g. purchase price, lease information, sales volume, profitability etc. Our office does not provide you with this information nor does it get involved with any negotiations.
3. When you have decided to buy a store we will provide you with the Remodel Requirements or Décor/Equipment Requirements of the store and approximate pricing of the remodeling cost or Décor/Equipment that may need to be replaced. The remodel pricing will only be provided if the store is due for an upgrade in the coming year per DAI

requirements. This process takes a minimum of three weeks and it will help you negotiate the sale price more effectively. The original rent deposit for the store is a non-transferable asset and will not be refunded to the seller, so this should also be taken into account while preparing the contract of sale.

4. Once you have a contract with the seller of the store you can then schedule a meeting to begin the Request for Transfer paperwork at our office. You will need to bring in a signed contract and a certified/cashier's check for the transfer fee, which varies from store to store. We highly recommend that a complete list of inventory, equipment and small-ware be included as a part of the contract.
5. The Transfer Request Paperwork is then sent to DAI and it takes a minimum of three to four weeks for them to review and send us the settlement paperwork. In the course of this process, DAI may request additional information to process your transfer. The information may be requested either from the buyer or the seller and it is processed through our office.
6. The buyer is then required to attend training, for which you will be registered by our office. We can register you after the Training Department has received approval confirmation from the Transfer Department.
7. When the settlement paperwork is received, our office will schedule the settlement date between the buyer and the seller and subject to the availability of the Field Consultant assigned to the store as he/she has to spend seventy (forty-five or fifteen for existing franchisees) hours with the franchisees as they take over the store. At settlement certain requirements will have to be fulfilled by both the buyer and the seller. These will be explained to you prior to the settlement (i.e. operations manual, certificate of insurance, voided check, estoppels etc.)

Please contact us at the following offices should you have additional questions or concerns:

Washington/Baltimore Region 703-790-1010
Eastern VA Region 757-558-4212
Southwest VA Region 540-951-0389

TRANSFER PROCEDURES

Existing Franchise Owners

Thank you for your continued interest in **Subway®** franchising. Outlined below are guidelines and a list of documents to help you understand the approval and transfer process. Please understand that this approval procedure applies to the purchase of both NEW and EXISTING locations:

1. The first step is to inform our office that you want to be approved. Our office will request an **RFAF (Request for an Additional Franchise)** from your Field Consultant (FC). This is a review of the operational history of your store which will be submitted to our office. This takes a minimum of 10 days, depending on the FC's schedule. At this point if your FC feels you will not be approved due to consistent non-compliance or other issues, he/she will notify you and SDC verbally without preparing a written RFAF. You can request an RFAF at a later date after you have corrected your compliance and operational issues and have shown a solid trend of substantial compliance. The written RFAF is submitted to our office for review and any necessary feedback will be given at that time.
2. After review of the compliance and RFAF, you will be required to **submit a Financial Statement (form attached at the end of this document), a Business Plan, a detailed Training Plan and an Organizational Chart.**
3. You are then scheduled for an **interview with the SDC** representatives.
4. A list of **Subway®** stores for sale will be provided to you, if you have not already selected a store you are interested in purchasing. You can **contact the sellers directly** at the phone numbers provided and start a dialogue to obtain the information about the store, e.g. purchase price, lease information, sales volume, profitability etc. Our office does not provide you with this information, nor does it get involved with any negotiations.
5. Please **DO NOT** sign any contracts or intent to buy, until you have been officially approved by our office. It is highly recommended that you retain a lawyer and a CPA to assist you in this process and transaction.
6. When you have been approved and have decided to buy an existing Subway Store, we will provide you with the **Remodel Requirements or Décor/Equipment Requirements** of that store along with the approximate pricing of the remodeling cost or Décor/Equipment that needs to be replaced. The remodel pricing will only be provided if the store is due for an upgrade in the current year. You must understand that this process takes a minimum of three weeks as per DAI requirements.
7. You must provide us with the following documents in order to complete the Initial Paperwork for Transfer.
 - An **application, financial statement with verification of sufficient funds**, showing the buyers ability to purchase, letter of credit etc. (both forms attached at the end of this document)
 - **Credit Report Disclosure & Authorization Form**
 - **Disclosures or UFOC – FTC and / or VA** – the acknowledgment of receipts have to be signed and notarized and have to be in possession of the buyer for a minimum of ten business days
 - **Business Plan**
 - **Affidavit of Disclosure**
 - **Remodel Commitment Statement**

- **Certified Check** made out to DAI for the Transfer Fee/Franchise Fee
 - A signed **Contract of Sale**
8. The **Initial Transfer Paperwork is sent to the DAI Headquarters**. It takes a minimum of three to four weeks for the settlement paperwork to be prepared and received back. In the course of this process DAI may request additional information of either the buyer or the seller and it will be processed through our office.
 9. When the settlement paperwork is received, our office will schedule **Settlement between the buyer and the seller**, subject to the availability of the Field Consultant assigned to the store as he/she has to spend either forty-five or fifteen hours with the franchisees as they take over the store. At settlement, certain requirements will have to be fulfilled by both the buyer and the seller. These will be explained to you prior to the settlement (i.e., operations manual, certificate of insurance, voided check, estoppels etc.)

With any questions please contact offices as follows:

Washington/Baltimore Region 703-790-1010
Eastern VA Region 757-558-4212
Southwest VA Region 540-951-0389



TRANSFER PROCEDURES

Selling Franchisee

Since you have shown interest in selling your **Subway®** store, we would like to provide you with some guidelines that would help you to make this process smoother and easier for you to follow:

1. Please call our office to add the store that you are intending to sell to our **Subway®** stores for sale. We have list of pre-approved people interested in becoming **Subway®** Franchisees and we will refer them to you.
2. You must call our office to start the Initial Approval Process when you are approached by a buyer showing interest in purchasing your store. DO NOT engage anyone in a negotiation until they have been approved by our office. Both new and existing franchisees must be pre-approved. Provide buyer with as much information as possible e.g. purchase price, lease information, sales volume, profitability etc. Our office does not provide any store related information.
3. Upon the prospective buyer approval, you can begin negotiating the sale price and the terms of the sale. When finalized, the contract of sale should be signed and you request a date for Initial Transfer Paperwork. If your store is due for an upgrade within the next year, per DAI requirements or needs Décor/Equipment replacement, the buyer will be provided with either an Edit list or an approximate cost of the décor items/and/or equipment. The rental deposit for the store is a non-transferable asset and will not be returned to you. Both these items will have to be negotiated within the contract of sale.
4. Depending upon the Transfer Department's approval of the paperwork and the availability of training classes the buyer will be registered for training. The registration is done by our office.
5. We can schedule a final settlement date in coordination with the Field Consultant, after the buyer returns from training and we have the settlement paperwork from DAI,

The transfer process has been designed keeping in mind the interest of all parties involved. We are merely the facilitator of this process and are here to assist you in any way we can.

With any questions please contact offices as follows:

Washington/Baltimore Region 703-790-1010
Eastern VA Region 757-558-4212
Southwest VA Region 540-951-0389



Application for Additional Information

The filing of this form does not obligate the applicant to purchase or the franchisor to sell a franchise. Complete in full and do not use abbreviations. Please print clearly or type.

YOUR PERSONAL INFORMATION

Date MM / DD / YYYY Where did you hear about the SUBWAY® franchise? _____

Name First Last Middle Initial Citizen of _____

Date Of Birth MM / DD / YYYY Tax ID/Social Security Number _____ Gender - Male Female

Other names known by _____ Are you of legal age in your State/Province/Residence Area? Yes No

Have you ever been convicted of a felony or its equivalent?
Yes No

Have you ever been associated directly or indirectly with terrorist activities?
Yes No

Have you been involved in any litigation proceeding within the last 5 years?
Yes No

(If yes, on a separate sheet of paper provide the following for each proceeding: names of the parties involved, date filed, court where filed and nature of the proceeding.)

Telephone(Home) _____ (Fax) _____ (Mobile) _____
area code / country & city code

Residence Address _____

City _____ State/Province _____ Zip/Postal Code _____

Country _____ Email Address _____

SPOUSE PERSONAL INFORMATION (Use A Separate Application for Partners)

Spouse's Name First Last Middle Initial Citizen of _____

Date Of Birth MM / DD / YYYY Tax ID/Social Security Number _____ Gender - Male Female

Other names known by _____ Are you of legal age in State/Province/Residence Area? Yes No

Have you ever been convicted of a felony or its equivalent?
Yes No

Have you ever been associated directly or indirectly with terrorist activities?
Yes No

Have you been involved in any litigation proceeding within the last 5 years?
Yes No

(If yes, on a separate sheet of paper provide the following for each proceeding: names of the parties involved, date filed, court where filed and nature of the proceeding.)

EDUCATIONAL BACKGROUND

Highest Education Achieved	Schools Attended	Years	Grade or Degree Attained
<input type="checkbox"/> College Degree or higher	_____	_____	_____
<input type="checkbox"/> Some College	_____	_____	_____
<input type="checkbox"/> High School/GED	_____	_____	_____
<input type="checkbox"/> Didn't Complete High School	_____	_____	_____

BUSINESS INFORMATION (Complete All Questions)

Self Employed Employed By _____

No. Years _____ Nature of Business _____

Title _____ Describe Position _____

Address _____

City _____ State/Province _____ Zip/Postal code _____

Telephone (Bus.) _____ Telephone (Alt.) _____
area code / country & city code

Select Your Business Experience Level

Restaurant Mgmt.
 Other Business Mgmt.
 Restaurant Non-Mgmt.
 No Business Experience

May we contact you at work?
Yes No

FINANCIAL INFORMATION (Please List Figures in US Dollars)

Income from current occupation \$ _____ / yr.

Income from other sources \$ _____ / yr.

Pls. explain other income _____

Personal Bank(s)/Branch _____ Address _____

Individual Liquid Assets (Cash, Stocks etc.) a) \$ _____

Individual Fixed Assets (Home, Car etc.) b) \$ _____

Individual Total Assets (a + b) c) \$ _____

Individual Liabilities (Mortgages, Loans etc.) d) \$ _____

Your Individual Total Net Worth (c - d) e) \$ _____
Excluding any financing listed below.

Would this business be your sole income source? Yes No

Is there other financing not included in (e) above? Yes No

If yes, how much financing is available? \$ _____

REFERENCES (Excluding Relatives)

Name	Address	Telephone (area code/country & city code)

PARTNERS (All partners should fill out a separate Application)

Will you have partner(s)? Yes No If not, you may skip this section. Otherwise, please complete all relevant sections below.

Partner's Name:	% Ownership	Gender			
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;">First</td> <td style="width: 30%; border-bottom: 1px solid black;">Last</td> <td style="width: 30%; border-bottom: 1px solid black;">Middle Initial</td> </tr> </table>	First	Last	Middle Initial	<input type="checkbox"/> Active <input type="checkbox"/> Silent	<input type="checkbox"/> Male <input type="checkbox"/> Female
First	Last	Middle Initial			

To include a partner's financial information, ensure they complete a separate Application for Additional Information

RESTAURANT OPERATIONS

If qualified, when will you invest in a franchise? <input type="checkbox"/> Now <input type="checkbox"/> Within 6 months <input type="checkbox"/> 6 months to 1 year <input type="checkbox"/> Over 1 year	How involved will you be in operating the restaurant? <input type="checkbox"/> 0% Not Involved At All <input type="checkbox"/> 50% Somewhat Involved <input type="checkbox"/> 100% Completely Involved	Preferred Geographic Franchise Area 1st Pref. _____ 2nd Pref. _____ Estimated training date should you choose to invest: <u>MM / DD / YYYY</u>
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I understand that the granting of a franchise is at the sole discretion of the Franchisor (Doctor's Associates Inc., Subway Franchise Systems of Canada, Ltd., Subway Systems Australia Pty. Ltd., Subway Systems do Brasil, Ltda., Subway Partners Colombia, C.V., Sandwich and Salad Franchises of South Africa (Pty.) Ltd., or Subway International B.V. or similarly situated franchising affiliate of Subway International B.V. or Doctor's Associates Inc.)

I understand that any information I receive from the Franchisor or from any employee, agent or franchisee of the Franchisor is highly confidential ("Confidential Information"), has been developed with a great deal of effort and expense to the Franchisor, and is being made available to me solely because of this Application. I agree that I shall treat and maintain all Confidential Information as confidential, and I shall not, at any time, without the express written consent of the board of directors of the Franchisor, disclose, publish, or divulge any Confidential Information to any person, firm, corporation or other entity, or use any Confidential Information, directly or indirectly, for my own benefit or the benefit of any person, firm, corporation or other entity, other than for the benefit of the Franchisor.

I authorize the procurement of an investigative consumer report, a general background search and an investigation in accordance with anti-terrorism legislation, such as the USA Patriot Act and Executive Order 13224 enacted by the US Government (collectively referred to as "Investigations"). I understand that these Investigations may reveal information about my background, character, general reputation, mode of living, association with other individuals or entities, creditworthiness, litigation history and job performance. I understand that, upon written request, within a reasonable period of time, I am entitled to additional information concerning the nature and scope of these Investigations. I hereby release a representative of the Franchisor, a credit bureau, security consultant or other investigative service provider selected by the Franchisor, its officers, agents, employees, and/or servants from any liability arising from the preparation of these Investigations.

This authorization for release of information includes but is not limited to matters of opinion relating to my character, ability, reputation, association with others and past performance. I authorize all persons, schools, companies, corporations, credit bureaus, law enforcement agencies or other investigative service providers to release such information without restriction or qualification to a representative of the Franchisor, a credit bureau, security consultant or other investigative service provider selected by the Franchisor and any of its officers, agents, employees and/or servants. I voluntarily waive all recourse and release them from liability for complying with this authorization. This authorization/release shall apply to this as well as any future request for these Investigations by the above named individuals or entities. I authorize that a photocopy or facsimile of this release be considered as valid as the original.

I agree that I will settle any and all previously unasserted claims, disputes or controversies arising out of or relating to my application or candidacy for the grant of a SUBWAY® franchise from Franchisor, exclusively by final and binding arbitration at a hearing to be administered by a neutral arbitrator in accordance with the Commercial Rules of the American Arbitration Association and to be held at Bridgeport, Connecticut, USA, unless my local laws require otherwise. Such claims include, but are not limited to, claims under federal, state, provincial or common law, such as employment law, civil rights law, contract law and tort law.

Everything that I have stated in this application is true and I understand that the information provided by me will be relied upon by the Franchisor. In accordance with anti-terrorist legislation, I understand that I will not be approved to purchase a franchise if I have ever been a suspected terrorist or associated directly or indirectly with terrorist activities. I read, understand, and agree to all of the above. Additionally, I understand that the Franchisor may require me to pass a standardized Math and English exam, unless I fall under one of the exemptions set forth in the Franchisor's Offering Circular.

Date _____ Applicant's Signature (required) _____

Date _____ Spouse's Signature (required) _____

Submit your completed application in one of the 3 convenient ways listed -

- ◆ Online - at <http://www.subway.com/apply>
- ◆ By Fax - to +1.203.783.7336
- ◆ By Mail - to SUBWAY HQ, 325 Bic Dr., Milford CT 06460, USA - attn: Franchise Sales



PERSONAL FINANCIAL STATEMENT

As of ____/____/____

You must complete this form to the best of your knowledge. Incomplete or inaccurate information may delay the approval of or result in the disapproval of your application to purchase a SUBWAY® franchise or of your request to purchase an existing SUBWAY® restaurant through a transfer. The information that you provide must be current. Any form older than six (6) months will not be accepted. Please answer ALL questions. Use "Not Applicable" or "None" when necessary.

Name (Full Legal Name)			
Spouse's Name (Full Legal Name)			
Residence Address			
City	State	Postal Code	Country
Business #		Home #	
Business of Applicant			

ASSETS (Omit Cents)

Cash on hand & checking account balance	\$ _____
Savings Accounts	\$ _____
IRA or Other Retirement Account	\$ _____
Accounts & Notes Receivable	\$ _____
Cash Surrender Value Only of Life Insurance	\$ _____
(Complete Section 8)	
Stocks and Bonds)	\$ _____
(Describe in Section 3)	
Real Estate	\$ _____
(Describe in Section 4)	
Automobile-Present Value	\$ _____
Other Personal Property	\$ _____
(Describe in Section 5)	
Other Assets	\$ _____
(Describe in Section 5 and include ownership interest in any existing SUBWAY® restaurants)	
Total \$	_____

LIABILITIES (Omit Cents)

Accounts Payable	\$ _____
Notes Payable to Banks and Others	\$ _____
(Describe in Section 2)	
Installment Account (Auto)	\$ _____
Mo. Payments \$	
Installment Account (Other)	\$ _____
Mo. Payments \$	
Loan on Life Insurance	\$ _____
Mortgages on Real Estate	\$ _____
(Describe in Section 4)	
Unpaid Taxes	\$ _____
(Describe in Section 6)	
Other Liabilities	\$ _____
(Describe in Section 7)	
Total Liabilities	\$ _____
Net Worth	\$ _____
Total \$	_____

SECTION 1: SOURCE OF INCOME

Salary	\$ _____
Net Investment Income	\$ _____
Real Estate Income	\$ _____
Other Income (Describe below)*	\$ _____

CONTINGENT LIABILITIES

As Endorser or Co-Maker	\$ _____
Legal Claims & Judgments	\$ _____
Provision for Federal Income Tax	\$ _____
Other Special Debt	\$ _____

DESCRIPTION OF OTHER INCOME IN SECTION 1
*Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

SECTION 2: NOTES PAYABLE TO BANKS AND OTHERS (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

SECTION 3: STOCKS AND BONDS. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

SECTION 4: REAL ESTATE OWNED (List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)

	Property A	Property B	Property C
Type of Property			
Address			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Account Number			
Mortgage Balance			
Amount of Payment per Month/Year			
Status of Mortgage			

SECTION 5: OTHER PERSONAL PROPERTY AND OTHER ASSETS, INCLUDING OTHER SUBWAY® RESTAURANTS

(Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency)

SECTION 6: UNPAID TAXES (Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)

SECTION 7: OTHER LIABILITIES (Describe in detail.)

SECTION 8: LIFE INSURANCE HELD

(Give face amount and cash surrender value of policies. - name of insurance company and beneficiaries. Only include cash surrender values in asset section).

I authorize Doctor's Associates Inc. and/or its affiliates, to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above information and the statements contained in any attachments are a true and accurate statement of my (our) financial conditions of the stated date(s). These statements are made for the purpose of either obtaining approval to purchase a SUBWAY® franchise or approval to purchase an existing SUBWAY® restaurant through a transfer. I understand FALSE statements may result in denial of my application to purchase or of my request to transfer.

_____	____/____/____	_____
Signature	Date	Social Security Number
_____	____/____/____	_____
Signature	Date	Social Security Number