



## Broker Disclosure Document

## Who We Are and What We Do:

FranNet was founded in 1987 by Howard Bassuk and through his company, Hobassco, began offering FranNet consulting services. In 2006, a group of established FranNet office owners bought FranNet from Mr. Bassuk. Our principal business address is 10302 Brookridge Village Blvd., Suite 201, Louisville, KY 40291.

FranNet's services consist of providing guidance, information, and support to prospective franchise owners (clients/candidates) and assisting them through a process in which the candidate outlines a profile of the type of franchise that is most suitable for the candidate. Based on the candidate's interests, goals and skill sets, FranNet Consultants present the candidate with franchise opportunities that fit their profile, along with a process that outlines the steps to research the prioritized franchise opportunities. This enables the candidate to make an educated decision and for the Franchisor to be presented with prequalified candidates that fit its franchisee profile. FranNet Consultants do not sell franchises. The Franchisor controls the sales process, and the candidate ultimately makes the decision to buy or reject each franchise presented to them.

FranNet, LLC is a franchise company and annually files a Franchise Disclosure Document which includes three-year audited financial statements and all other required information. Despite having very few franchises available, FranNet files an updated FDD in all registration states on an annual basis.

FranNet's Franchisees and Associates (Consultants) live and work in their territories. We are a "local" based organization. We can refer the franchise candidates to local attorneys and CPAs. We can refer the candidates to the local SCORE or SBDC counselor for assistance with business plans because we have a working relationship with these organizations.

## FranNet Executive Leadership

- **Chairman of the Board of Directors: Jack Armstrong**
  - Mr. Armstrong currently serves as Chairman of the Board of Directors of FranNet since June 2012. He has been on the Board of Directors since 2006 serving as Chief Executive Officer from June 2012- January 2015, Vice Chairman of the Board of Directors from November 2006 until June 2012.
- **Chief Executive Officer and Director: Jania Bailey**
  - Ms. Bailey was appointed Chief Executive Officer of FranNet on January 16, 2015, she was promoted from the position of Chief Operations Officer and presiding President. She has served on the Board of Directors since joining the company in 2006.
- **Vice Chairman of the Board of Directors: Blair Nicol**
  - Mr. Nicol was appointed Vice Chairman of the Board of Directors as of June 8, 2012. Mr. Nicol has served as a Director of FranNet since November 2006. Blair Nicol is also Managing Partner of Nicol Holdings, LLC.

## FranNet Franchisees & Associates

A full list of our FranNet Consultants can be found on the FranNet website.:

<https://frannet.com/franchise-consultants/>

We are very proud of the professionalism and integrity of our consultants. These individuals are focused on providing the best possible service to the markets in which they serve. FranNet currently has four second generation FranNet consultants in the ranks. This speaks volumes to the commitment and longevity of our consultants.

### **FranNet Franchisees and Associates Registration**

As of June 2018, all FranNet Franchisees and Associates are required to be registered in the state of New York, regardless of whether the Franchisee or Associate operates in those states. At FranNet, we believe all appropriate disclosure should be available to the candidates with whom we work.

## FranNet Mission

- We are committed to providing continuous marketing, business, and operational support to our Franchisees & Associates so that they are the most knowledgeable, professional, and successful Franchise Consultants in the industry.
- We are committed to providing focused attention to the franchisors we represent.
- We are committed to representing franchisors that our Franchisees & Associates can be proud to present to their prospects.
- We are committed to honesty, integrity and responsiveness to every Franchisee, Associate, Franchisor, and candidate whom we have the privilege of serving.
- We are committed to helping our Franchisees & Associates achieve financial success.
- We are committed to protecting and enhancing the FranNet brand and reputation.
- Our culture is based on our values, as a result, we expect everyone in our organization to promote, integrate and exhibit these values daily.

## FranNet Core Values

- Commitment to excellence.
- Providing quality service to our clients/candidates.
- Treating each other with respect, support, cooperation, and dignity.
- Continuous growth and improvement in all areas of our organization.

## FranNet Value to Franchisors

- Franchisors are presented candidates that know the fundamentals of their business and are interested in their brand, thereby wasting less time and resources.

- We mitigate the franchisor’s risk because our candidates have been educated about choices, due diligence and are encouraged to do intensive research and to employ professional advisors.

## FranNet Value to the Candidates

- We provide guidance, information, and support as candidates seek their personal goals.
- We assist the candidates by providing research tools and information to them.
- We also help the candidate find other professionals, including franchise attorneys, financial institutions, and business advisors.
- We introduce candidates to a variety of franchisors, so that rather than having to go from place to place to learn about specific businesses, they can learn the basics about several all-in-one spot.

## FranNet Client Bill of Rights

**The following information is provided to every client/candidate of FranNet when they begin the relationship with a FranNet Consultant.**

1. FranNet Consultants will assist you in determining if franchise ownership is right for you.
2. FranNet Consultants adhere to the Code of Ethics of the International Franchise Association and the FranNet code of conduct.
3. FranNet Consultants will not pressure you or “talk you” into an opportunity that you do not believe fits your goals, budget or skill set.
4. FranNet Consultants listen to you and will take into consideration your expressed personal and professional concerns and/or interests when discussing potential franchise opportunities.
5. FranNet Consultants are available to coach and help you through the investigative process. You are accountable for your own commitments such as timelines, appointments, tasks, etc.
6. You may freely associate with any company or broker group that you believe is in your best interest.
7. FranNet Consultants will help you find the best resources to answer questions or concerns if they are unable to answer them. You have the right to disagree or question the consultant at any time during the process.
8. If you decide that franchise ownership is not for you, you are under no obligation to continue the process. You can discontinue your work with FranNet at any time.

## FranNet’s Role in Your Business Ownership Journey

At FranNet, our goal is not to convince you that franchise ownership and new business opportunities are the right thing for you. Rather, we will help you understand the pros and cons of owning your own business and guide you through a process that will allow you to make an informed decision.

## Your Responsibilities in the Business Ownership Journey

The choice to buy a franchise at all, or any particular franchise, is yours and yours alone. You should conduct a thorough independent investigation of each franchise you consider. Once you decide to enter into a franchise agreement, your relationship is governed by that contract and FranNet cannot resolve any issues or dispute you may later have with your franchisor. In addition, FranNet does not represent that you can or will attain any particular level of revenue, costs or expenses or that you will generate income, which exceeds the initial payment of, or investment in, the franchise. Therefore, we strongly suggest that you consult your legal and financial advisors or personal accountant before you enter into any franchise agreement.

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## **Voluntary Disclosure Document**

## Item 1 - Broker Education

### Training Provided to FranNet Franchisees and Associates

FranNet has an extensive training program for all new Franchisees and Associates. In addition to the training for the new Franchisees and Associates, FranNet has an expansive library of training programs for continued education. FranNet offers on-going training in several different formats for the entire organization.

FranNet encourages the consultants to partake in continuing education offerings from the IFA and other industry providers.

FranNet requires that all Consultants complete the IFA FranGuard program within 6 months of joining the company.

## Item 2 - Franchisors Standards and Diversity

### Franchisor Selection Criteria

FranNet goes through a selection process very similar to the due diligence process we advise our clients follow when reviewing franchisors. The FranNet Selection Process is summarized below:

- Initial conversation/interview with the franchisor to obtain an overview of the concept.
- After the initial call, the franchisor is asked to complete a full application for consideration and to submit their FDD and financial statements for review.
- A full review is completed on the FDD and financials including an outside company comparing key performance indicators to competition in the same industry.
- FranNet's Inventory Committee reviews and evaluates all documentation. Upon approval by the Inventory Committee, the concept is advanced to the validation phase. Specifically, FranNet contacts a sampling of franchisees at the concept to learn more about the culture and support from the franchisor to the franchisees.
- After a satisfactory review, FranNet proposes and agrees to a contract before the franchisor is considered inventory for the FranNet system.

### Franchisor Diversity

As of July 2021, FranNet's current list of franchisors cover 103 different SIC (Standard Industry Classification) codes. No single SIC group accounted for over 18.5% of the franchisors currently on the list.

### FranNet Inventory 2021 SIC Codes and Percentages

7311 - Advertising Agencies = 2.91%	5734 - Electronics Stores = 0.97%
3585 - Air Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Mfg. = 0.97%	1731 - Electrical Contractors and Other Wiring Installation Contractors = 0.97%
7389 - All Other Business Support Services = 3.88%	8211 - Elementary and Secondary Schools = 0.97%
7699 - All other Home Furnishing Stores = 0.97%	8299 - Exam Preparation and Tutoring = 10.67%
7299 - All Other Personal Services 3.88%	7342 - Exterminating and Pest Control Services = 3.88%
1799, 7353 - All Other Specialty Trade Contractors = 3.88%	7991, 7997, 7999 - Fitness and Recreational Sports Centers = 18.44%
7993 - Amusement Arcades = 0.97%	5713 - Floor Covering Stores = 1.94%
8361 - Assisted Living Facilities for the Elderly = 1.94%	5812 - Full-Service Restaurants = 6.79%
7532 - Automotive Body, Paint, and Interior Repair and Maintenance = 0.97%	7538 - General Automotive Repair = 0.97%
7536 - Automotive Glass Replacement Shops = 0.97%	7699 - Home and Garden Equipment Repair and Maintenance = 1.94%
5531 - Automotive Parts and Accessories Stores = 1.94%	8082 - Home Health Care Services = 7.76%
7241 - Barber Shops = 0.97%	7352 - Home Health Equipment Rental = 0.97%
7299 - Barbershop, Beauty Parlor, or Hair Styling Salon 2.91%	7349 - Janitorial Services = 18.44%
7231 - Beauty Salons = 7.76%	0782 - Landscaping Services = 2.91%
2591 - Blind and Shade Mfg. = 1.94%	8299 - Language Schools = 0.97%
7217 - Carpet and Upholstery Cleaning Services = 0.97%	4225 - Lessors of Miniwarehouses and Self-Storage Units = 0.97%
8641 - Child and Youth Services = 2.91%	5812 - Limited-Service Restaurants = 5.82%
8351 - Child Day Care Services = 2.91%	7699 - Locksmiths = 0.97%
7215 - Coin-Operated Laundries and Drycleaners = 0.97%	8742 - Marketing Consulting Services 0.97%
2759 - Commercial Printing (Except Screen and Books) 1.94%	1771 - Masonry Contractors = 0.97%
7629 - Consumer Electronics Repair and Maintenance = 0.97%	5047 - Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers = 1.94%
5999 - Cosmetics, Beauty Supplies, and Perfume Stores = 0.97%	3442 - Metal Window and Door Mfg. = 0.97%
7331 - Direct Mail Advertising = 1.94%	5736 - Musical Instrument and Supplies Stores = 0.97%
7216 - Drycleaning and Laundry Services (Except Coin-Operated) = 0.97%	
1742 - Drywall and Insulation Contractors = 0.97	

### Item 3 – Franchise Placements

The following table shows the percentage of actual FranNet placements of new franchisees by industry category for the most recent five-year period, ending on December 31, 2020.

Business Type	5 Year Placement Percentage
Consumer Services	36.2%
Home Based/ Mobile	19.0%
Business to Business Services	12.2%
Generic	8.9%
Retail No Inventory	7.7%
Retail With Inventory	7.6%
Automotive	4.7%
Food	3.6%
<b>Grand Total</b>	<b>100.00%</b>

## Item 4 - Fees Paid by Candidate/Client

The client/candidate never pays a fee to FranNet. There is no exception to this rule. We do not charge the candidate for our time or services. All fees are paid by the franchisor. This arrangement is like an Executive Recruiter in the job search process.

## Item 5 - Fees Paid by Franchisors to FranNet for Successful Placement

The fees paid by franchisors for the successful placement of a candidate vary due to several factors such as the total investment for the franchise, the franchise fee, the demand for the concept or specific industry and number of units sold in a package. The fee paid by the franchisor to FranNet does not affect in any way the candidate's investment in the franchise business. Fees paid to FranNet are consistent with industry standards.

## Item 6 - Prohibited Practices

FranNet Consultants provide the candidate an overview of the franchisors being presented for consideration.

FranNet consultants do not:

- Provide or review the Franchise Disclosure Document.
- Provide any franchise sales materials to the candidate for the franchisor.
- Discuss or project earnings claims or Item 19 information.
- Guarantee any type of earnings or return on investment.

**Please acknowledge your receipt of this document:**

Received this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

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Candidate/Client Signature