

The Legal Do's and Don'ts in the FranNet Process

Tips:

- ❖ *Investigate and then conclude*
- ❖ *Be a conduit of information rather than a direct actor*
- ❖ *Recommendations rather than directives*
- ❖ *Understand the significance of the words you use:*
 - *Statements committing to do or not do something*
 - *Statements admitting responsibility*
 - *Statements concerning other's intentions*
- ❖ *Dangers of Electronic Communications:*
 - *False sense of privacy*
 - *False sense of an ability to delete*
 - *Often drafted casually or carelessly*
 - *Messages can be copied and resent to others others than the intended recipients*
 - *Create a permanent record*
- ❖ *Carry Insurance. FranNet named an "additional insured" (It's required!)*

Phase 1: Initial Contact & the Entrepreneur's Profile

- *Send the Broker Disclosure Document (BDD) and Client Bill of Rights (CBoR) before the client meeting in which you build the business model and make referrals. Document the client's receipt of the documents.*
- *Provide clear rules and expectations. Set the up-front contracts.*
- *Refer only - stay in your lane*

- Document your discussions with prospects (here and all throughout the process)
- Don't promise or imply success. Don't make promises that are out of your control. (here or in Phase 2 or 3)
- Don't circumvent or usurp the franchisor's normal application process. Be mindful of the communication process. (here and in Phase 2 or 3)

Phase 2: Client Meeting and Entrepreneur Profile Review

- Recommend a minimum of three franchisors
- Don't verify income expectations or income replacement.
- Don't promise or imply success. Don't make promises that are out of your control. (here or in Phase 3)
- **DO NOT FORWARD EMAILS FROM THE FRANCHISOR THAT INCLUDE FINANCIAL REPRESENTATIONS OR SALES MATERIALS.** Do not share two minute drills or any other handouts/flyers provided by the franchisor. Have the franchisor provide the details.
- Do not forward emails from other FranNetters that talk about the success of their clients in the concept.
- If you refer a semi-absentee concept, make sure the prospect reviews with the franchisor the expectations on time commitment.
- Coach the prospects to ask franchisors the hard questions (here and in Phase 3)
- Don't circumvent or usurp the franchisor's normal application process. Be mindful of the communication process. (here and in Phase 3)
- Document your discussions with prospects (here and all throughout the process)
- Projections to lenders or other third-parties need to be handled carefully. DO NOT review or give opinions on projections for business plans.

Phase 3: Client in Process

- Don't promise or imply success. Don't make promises that are out of your control.
- Do not review the Franchise Disclosure Document (FDD) with the client. Defer to the franchisor and franchise attorney. We have a short handout reviewing the items in the FDD, that can be provided and reviewed.
- DO NOT share the item 19 excerpt. PERIOD.
- Tell prospects to call all the franchisees of a system that they can, encourage in-depth validation. Don't try to help by steering prospects to a particular franchisee (or their projections).
- Coach the prospects to ask franchisors the hard questions
- Document your discussions with prospects
- Don't circumvent or usurp the franchisors normal application process. Be mindful of the communication process.

Phase 4: Closing and Post-Sale

- Once the client has purchased a franchise, any issues they have related to that purchase must be addressed by the franchisor.
 - Be sympathetic but tell them to seek his/her own legal advice.
 - Alert the home office
- Contact from the franchisor:
 - Collect the facts
 - Don't make comments or admissions
 - Alert the home office