LAREDO & SMITH, LLP

IN BRIEF

NEWSLETTER • JUNE 2017

Starting Your Own Business – The Franchise Model, Part II

While the purchase of a franchise affords a business owner many crucial advantages in the marketplace over a traditional, non-franchise business, a prospective franchisee's failure to properly conduct its due diligence, both independently and with the assistance of experienced advisors, can prove fatal to the business's success. The following are four important areas of due diligence:

Read the Documents Carefully and Critically. Franchise agreements are often for a long-term (five to ten years is not uncommon), can contain a lot of legalese, and may include onerous terms such as liquidated damages clauses, broad indemnification obligations, personal and spousal guarantees, and both in-term and post-termination non-competition covenants. It is important to carefully review and understand the agreement, including worst case scenarios and how to protect against them (even though, for the most part, franchisors typically will not agree to many changes).

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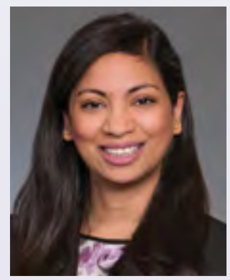
Jessica Conklin spoke on an alumni panel for Boston University Academy where she discussed how the school helped her succeed in her career path.



Payal Salsburg and **Jessica Conklin** co-taught second graders about the law through the Boston Bar Association's 2017 Law Day in the Schools program.

Mark Smith moderated a panel for the Boston Bar Association's annual Developments in Criminal Law program.

Jessica Conklin, Payal Salsburg and **Eric Sigman** ran as a team in the 10th annual Lawyers Have Heart road race in Boston.

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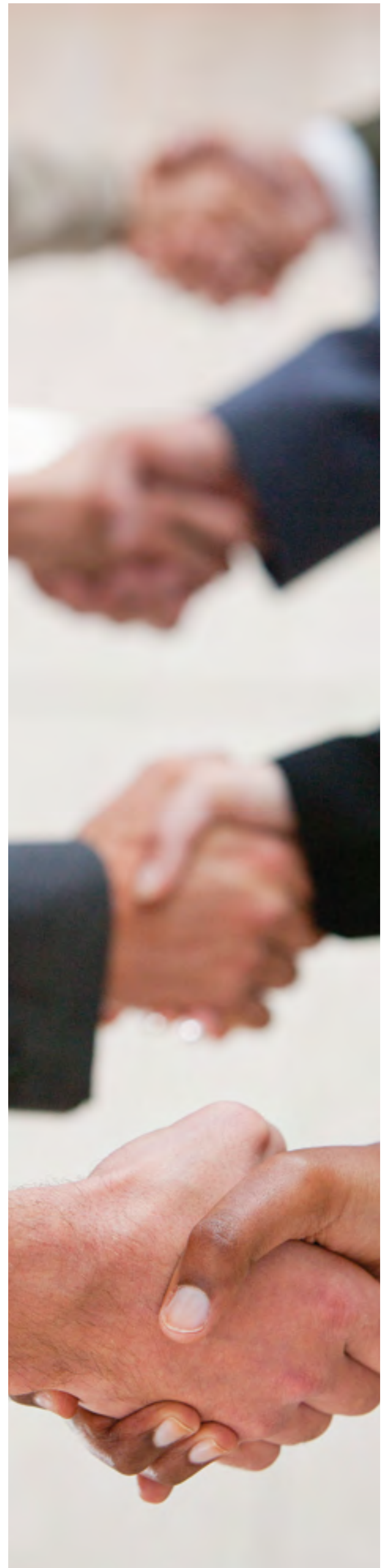
The Franchise Disclosure Document (FDD) (and its exhibits and attachments), which must be provided with the franchise agreement, is required to be written in plain English and to accurately and clearly describe both the business and legal terms of the offering. There is a wealth of important information in the FDD and it should be studied carefully along with the agreement itself.

Talk to Existing and Former Franchisees. Some of the most valuable information about a franchise system and the experience of being a franchisee can be found through interviewing existing and former franchisees. Such conversations can provide key insights into the operations of the franchise as well as the corporate culture, the quality of support of the franchisor and the overall experience of opening a new location.

Strength of the Brand. Carefully consider the strength of the brand when evaluating a franchise opportunity. An untested or recently launched brand presents a higher risk. Likewise, when a franchise system moves into a new region, the brand may not be well established, thus putting a prospective franchisee at a potential disadvantage. In such circumstances, it is important to carefully examine the franchisor's commitment to establishing and growing the brand.

Careful due diligence is a key element to a successful franchise experience.



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