

Developing Franchise Agreements

This playbook outlines the sequential steps required for small business franchisors and franchisees to draft, review, and understand franchise agreements effectively. It guides through the creation to the finalization of the agreement.

Step 1: **Research**

Gather information on legal requirements, industry standards, and relevant regulations that pertain to franchise agreements. This includes understanding both federal and state franchise laws.

Step 2: **Drafting**

Create the first draft of the franchise agreement. This document should include key sections such as the franchisor's intellectual property, fees, training and operational support, the duration of the franchise, territory rights, and clauses related to termination and renewal.

Step 3: **Review**

Conduct an internal review of the drafted franchise agreement. Ensure all legal terms are correctly used and that the agreement aligns with the business's goals and legal requirements.

Step 4: **Legal Consultation**

Consult with a franchise attorney to review and verify the legality of the agreement. Make sure it complies with all franchise laws and best practices. Address any legal concerns that arise during the consultation.

Step 5: **Revise**

Revise the franchise agreement based on feedback from legal consultation. Make any necessary changes to fine-tune the agreement and ensure it is clear, fair, and mutually beneficial for both franchisor and franchisee.

Step 6: **Second Review**

Review the revised franchise agreement internally once more. Check for clarity, completeness, and ensure that all changes have been properly incorporated.

Step 7: **Finalize**

Finalize the franchise agreement for use. This final version should be free of errors and ready for presentation to potential franchisees.

Step 8: **Educate**

Develop materials and sessions to educate potential franchisees about the franchise agreement. Explain the terms and conditions, highlighting their rights and responsibilities under the agreement.

Step 9: **Negotiations**

Engage in negotiations with potential franchisees. Discuss terms and resolve any concerns they may have about the agreement. Make adjustments as necessary, within reason, to finalize the agreement.

Step 10: **Execution**

Both parties sign the finalized franchise agreement. Ensure all signatures are obtained and that each party retains a copy of the agreement for their records.

General Notes

Keep Records

Maintain comprehensive records of every revision and finalization step of the franchise agreement for future reference or legal documentation.

Open Communication

Maintain open lines of communication with potential franchisees throughout the process to foster a good working relationship.

Regular Updates

Regularly update the franchise agreement to reflect changes in regulations, market conditions, or the franchisor's policies.