



**FRANNET**<sup>®</sup>

LOCAL. TRUSTED. FRANCHISE EXPERTS.

## BROKER DISCLOSURE DOCUMENT



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## 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 meet with our clients face-to-face. We see the franchisees we place on a regular basis. We refer the franchise candidates to local attorneys and CPAs. We know the local banks that make the loans. We refer the candidates to the local SCORE or SBDC counselor for assistance with business plans.

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## 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 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.

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## FRANNET FRANCHISEES & ASSOCIATES

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

<https://www.frannet.com/consultant-directory/>

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 states of New York and Washington, 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. We anticipate this registration to be complete by December 2018.

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## 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 on a daily basis.

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## 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.

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## 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, the law, due diligence and are encouraged to do intensive research and to employ professional advisors.

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## 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.

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

## FRANNET CLIENT BILL OF RIGHTS

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.

# FRANNET, LLC.

## VOLUNTARY DISCLOSURE DOCUMENT

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### 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 a number of 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.

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### 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 in order 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 2018, FranNet's current list of franchisors cover 64 different SIC (Standard Industry Classification) codes. No single SIC group accounted for over 10% of the franchisors currently on the list.

### FranNet Inventory 2018 SIC Codes and Percentages

0752 – Animal Specialty Services, except veterinary = 2%	5941 – Sporting Goods Stores and Bicycle Shops = <1%
0781 – Landscape Counseling and Planning = 1%	5999 – Misc Retail Stores, Not Elsewhere Classified = <1%
1521 – General Contractors, Single Family Homes = 5%	6531 – Real Estate and Rental Leasing = 1%
1542 – General Contractor, Non-Residential = <1%	7212 – Laundry, Cleaning and Garment Services = <1%
1711 – Plumbing, Heating, and Air Conditioning = <1%	7215 – Coin-Operated Laundries = <1%
1721 – Painting and Paper Hanging = 3%	7231 – Beauty Shops = 8%
1771 – Concrete Work = <1%	7241 – Barber Shops = <1%
1799 – Special Trade Contractors, NEC = <1%	7299 – Misc Personal Services, NEC = 3%
2591 – Drapery Hardware and Window Blinds and Shades = <1%	7331 – Direct Mail Advertising Services = <1%
2759 – Commercial Printing, Not Elsewhere Classified = 2%	7336 – Commercial Art and Graphic Design = <1%
3993 – Signs and Advertising Specialties = 1%	7344 – Photocopying and Duplicating = <1%
4212 – Local Trucking without Storage = 1%	7349 – Building Cleaning and Maintenance Services, not elsewhere classified = 10%
4225 – General Warehousing and Storage = <1%	7361 – Employment Agencies = 2%
5015 – Motor Vehicle Parts, Used = <1%	7389 – Business Services, NEC = <1%
5023 – Home Furnishings = 1%	7532 – Top, Body, and Upholstery Repair Shops and Paint Shops = <1%
5033 – Roofing, Siding, and Insulation Materials = <1%	7538 – General Automotive Repair Shops = 1%
5193 – Flowers, Nursery Stock, and Florists' Supplies = <1%	7549 – Automotive Services, except repair and carwashes = <1%
5461 – Retail Bakeries = 1%	7629 – Electrical and Electronic Repair Shops = <1%
5499 – Misc Food Store = <1%	7699 – Repair Shops = 2%
5531 – Auto and Home Supply Stores = <1%	7991 – Physical Fitness Facilities = 7%
5621 – Women's Clothing Stores = <1%	7993 – Coin-Operated Amusement Devices = <1%
5699 – Misc Apparel and Accessory Stores = 1%	7997 – Memberships Sports and Rec Clubs = 2%
5712 – Furniture Store = <1%	7999 – Amusement Services = <1%
5713 – Floor Covering Stores = <1%	8082 – Home Health Care Services = 5%
5734 – Computer and Computer Software Stores = <1%	8093 – Specialty Outpatient Facilities, NEC = <1%
5812 – Restaurants = 7%	

8299 – Schools and Educational Services, not elsewhere classified = 3%

8351 – Child Day Care Services = 1%

8361 – Residential Care = <1%

8611 – Business Associations = <1%

8721 – Accounting, Auditing, and Bookkeeping Services = <1%

8742 – Management Consulting Services = 3%

8748 – Business Consulting Services, NEC = <1%

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### 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, 2018.

<b>Business Type</b>	<b>5 Year Placement Percentage</b>
Personal Services	34.29%
Business Services	22.93%
Commercial and Residential Services	21.19%
Quick Service Restaurants	7.47%
Retail Products and Services	7.10%
Educational Services	3.49%
Automotive	2.64%
Real Estate	0.89%
<b>Grand Total</b>	<b>100.00%</b>



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#### 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 similar to an Executive Recruiter in the job search process.

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#### 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 a number of 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. Fees paid to FranNet are consistent with industry standards.

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#### 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 \_\_\_\_\_, 2019

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Candidate/Client Signature