

Seyfarth FPG - FDD Renewal Timeline / Playbook

Phase 1:
November
- January

Strategic Review of Franchise Agreement / FDD, etc.

- Detailed review of FDD and Franchise Agreement to address current legal issues and trends, changes in the law, etc.
- Prepare “issue list” by disclosure item to review with client team
- Review contracts to be executed by franchisee (assess continuing enforceability / update provisions)
- Review IP portfolio (file / update TM registrations, patents, copyrights, etc.)
- Review any state specific law changes
- Review website content, advertising, etc. (make sure consistent with FDD, including any inadvertent FPR)
- Schedule Conference Call with Seyfarth team and client to review strategic assessment

Initial FDD Planning Call with Client Team

- Review / determine exemption status; renewal deadline / schedule by state
- Prepare master schedule
- Review / confirm audit schedule
- Review new Business Developments, policies, initiatives and whether there a need to set up a call / meeting with business stakeholders. Examples:
 - Any changes to business model (i.e, any new facility / image / maintenance standards; any changes to delivery model through client app or 3rd party marketplace apps;
 - Any acquired businesses that provide services to franchisees, etc.
 - Any franchisee claims/issues to consider
 - Are there any potential franchise agreement changes to consider based on any pending litigation or based on Strategic Review

Conference Calls with Appropriate Business Units to Discuss New Business Developments

FDD Renewal Timeline / Playbook

Phase 2:
January -
February

Request / Gather Updated Information from Business Units

- Communicate with applicable business units what information is needed and deadlines (with appropriate business contract)
- Set up a tickle file to automatically send out a reminder if not received by the initial deadline with additional follow up if needed
- Examples of Information Needed:
 - Item 1 - Number of outlets operated by client and its subsidiaries
 - Item 2 - Changes to key management (directors, officers, and other executives)
 - Item 3 – Litigation (contact applicable outside counsel for updates and old cases to be removed)
 - Item 5
 - Changes to the Initial Fees
 - Franchise Fee Range
 - Number of F’ees that failed to meet the relevant financial requirement, etc.
 - Item 6
 - Any changes to the fees or any new programs?
 - Item 7
 - Any changes to the fees/expenses/opening costs?
 - Licenses and permits
 - Insurance costs

FDD Renewal Timeline / Playbook

Phase 2:
January -
February

Information Needed from Business Units (cont'd):

- Item 8
 - Any new restrictions on sources of products or services or changes to the distribution system
 - Amount spent on advertising
 - Revenues from franchisee's required purchases and/or leases and percentage of total revenues & total revenue amount
- Item 11
 - Update re: advertising / marketing fees / spend
- Item 13
 - Updates about trademarks and known infringers
- Item 19
 - Evaluate any Item 19 FPR
- Item 20
 - Outlets and franchisee information / franchise statistics
 - Franchise Fee Range
 - If applicable, updates to Franchise Owners Association information (i.e., correspondence from FOAs, etc.)
- Item 21
 - New audit

FDD Renewal Timeline / Playbook

Phase 3:
March -
April

Prepare Schedule for State Filings (based on expiration / renewal dates)

Example of Information Needed (cont'd):

- Item 22
 - Any new amendments to add or outdated amendments to remove?
- Exhibits
 - Review exhibits

Update FDD and FA:

- Update year-end financial and Item 20 information
- Provide drafts of updated / revised FDD and FA (addressing new business developments/initiatives, acquisitions, or changes in the law, etc.)
- Update Master FDD as information is received from the client
- Provide a sample updated FDD Master based upon Strategic Review and the disclosure item review
- Solicit feedback from client on proposed changes
- Quality check the Master FDD
- Revise FDD as needed per instructions from auditor

Quality Check by Seyfarth

Update State Registrations

Schedule Franchise Sales Compliance Training

- Schedule refresher training in franchise sales compliance rules and company sales policies for franchise salespeople, brokers and management who interact with prospects during the franchise sales process