JCN Job Creators Network

Who We Are

- **Co-founded by entrepreneurs like The Home Depot co-founder Bernie Marcus, we help job creators across the country to inform and inspire their employees.**
- **Our goal is to help job creators educate America's hard working people on how government policy impacts their pocketbooks and livelihoods.**
- **We are the voice of America's makers, thinkers and doers that has been lost in the debate locally and across our nation.**

OUR MISSION

Involve employers in defending free enterprise

Inform employees how bad government policies hurt good people

Inspire and motivate employees to become more educated citizens

Getting the Message Out

Three Legged Stool Strategy

Media CEOs

Represent different industry areas
(Fortune 1000,
1000+ Employees)

Audiences:
Media & Public
Employees
E2ECEOs

Air

E2E CEOs

(<1000 Employees)

Audiences:
Employees whose employers have agreed to E2E

Ground

Social Media

(>1000 Employees)

Audiences:
General public within targeted states

Internet

JCN Job Creators Network

JCN CEOs Getting the Message Out

Job Creators Network CEOs Doug Haugh, Carlos Gazitua and Stephen Bienko talk to Fox Business Network about December's jobs numbers and what really matters to job creators across the country.

Job Creators Network CEOs Heidi Ganahl, Laura Kozelouzek, and Adam Robinson, discuss the November jobs report on Fox Business' "Closing Bell."

Job Creators Network

E2E Program

Employer to Employee (E2E) Communication Program

Employers		Employees
JCN Members provide the voice of actual job creators on the impact of government policy on job creation	E2E →	Educate employees on impact of government policies on their jobs and pocketbooks

Driving idea:
A well informed public is the best defense against bad government policy.

Job Creators Network

E2E Issue Areas

Civic and Economic Literacy

Debt & Deficit

Taxes

Education

Healthcare

Energy

Government Overreach

Job Creators Network

E2E Tools

- Dedicated employee website
- Townhall scripts
- Videos
- Snapshotz
- Workplace posters
- Social media (Facebook, Twitter, LinkedIn)
- Offline – Printables
- Spanish Translation

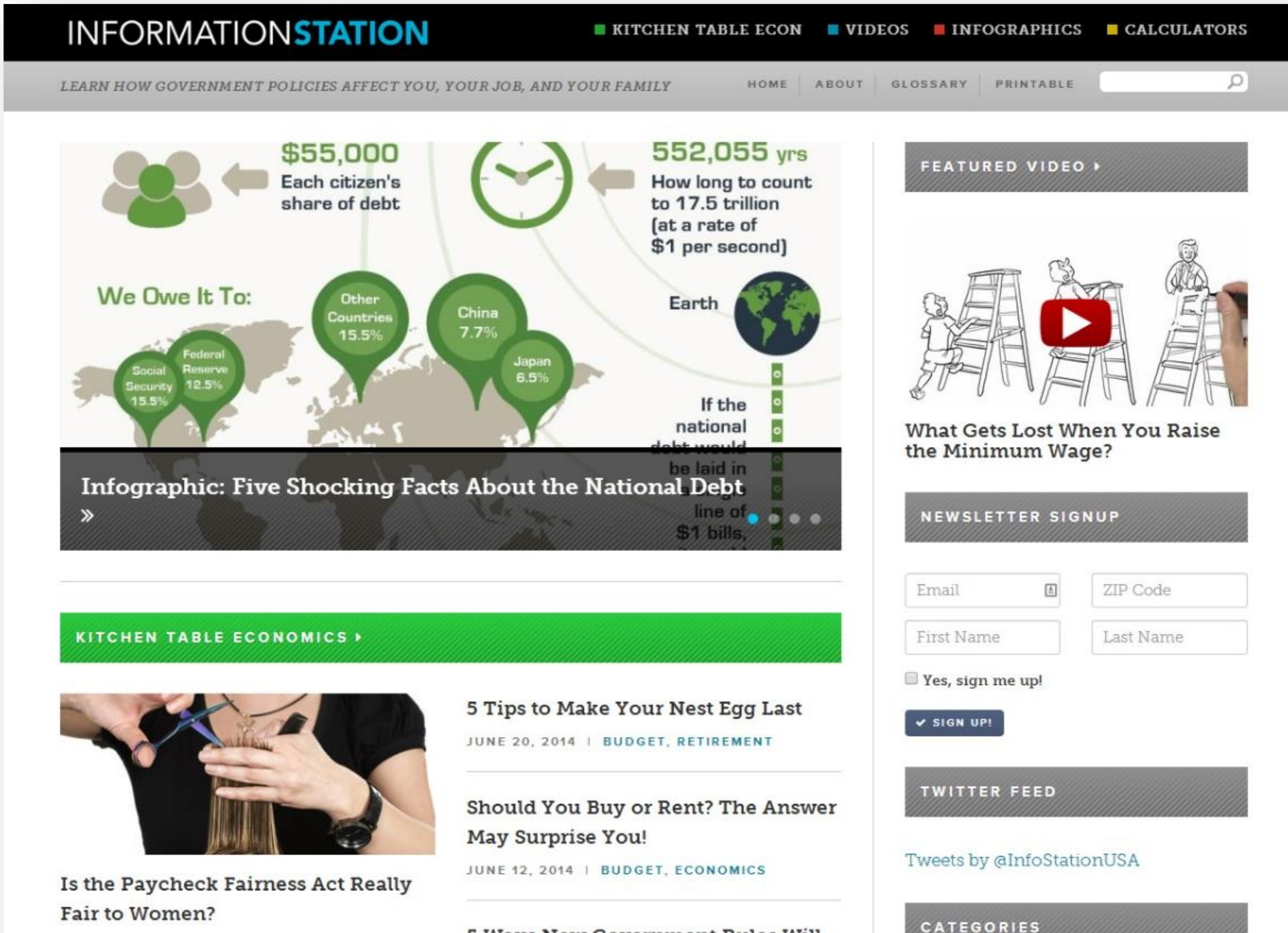
JCN Information Station

informationstation.org

RELATABLE, UNDERSTANDABLE, ACTIONABLE

Job Creators Network

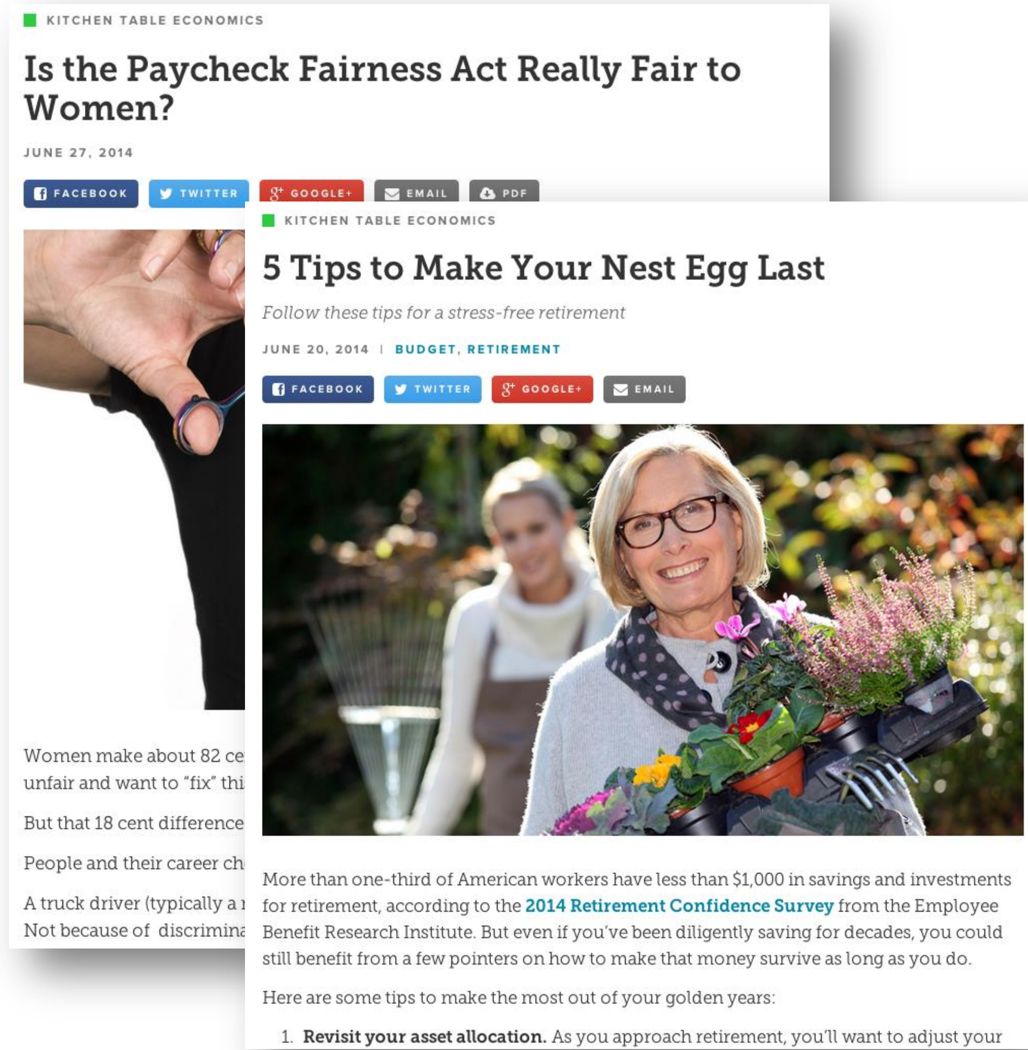
Information Station 3.0



Kitchen Table Economics

- **Kitchen Table Economics: New look on InformationStation.org**

- **Blog Posts- “News You Can Use” that provides practical information and resources**


KITCHEN TABLE ECONOMICS

Is the Paycheck Fairness Act Really Fair to Women?

JUNE 27, 2014

FACEBOOK TWITTER GOOGLE+ EMAIL PDF

Women make about 82 ce
unfair and want to “fix” thi

But that 18 cent difference

People and their career ch

A truck driver (typically a r
Not because of discrimina

KITCHEN TABLE ECONOMICS

5 Tips to Make Your Nest Egg Last

Follow these tips for a stress-free retirement

JUNE 20, 2014 | BUDGET, RETIREMENT

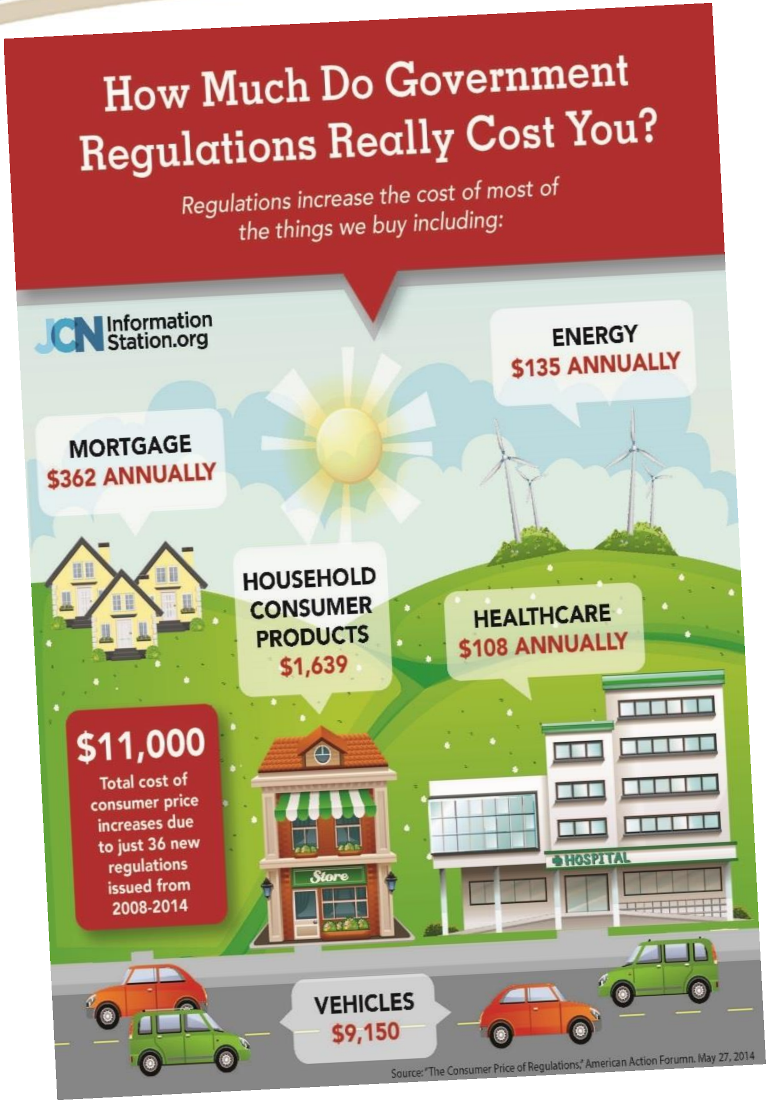
FACEBOOK TWITTER GOOGLE+ EMAIL

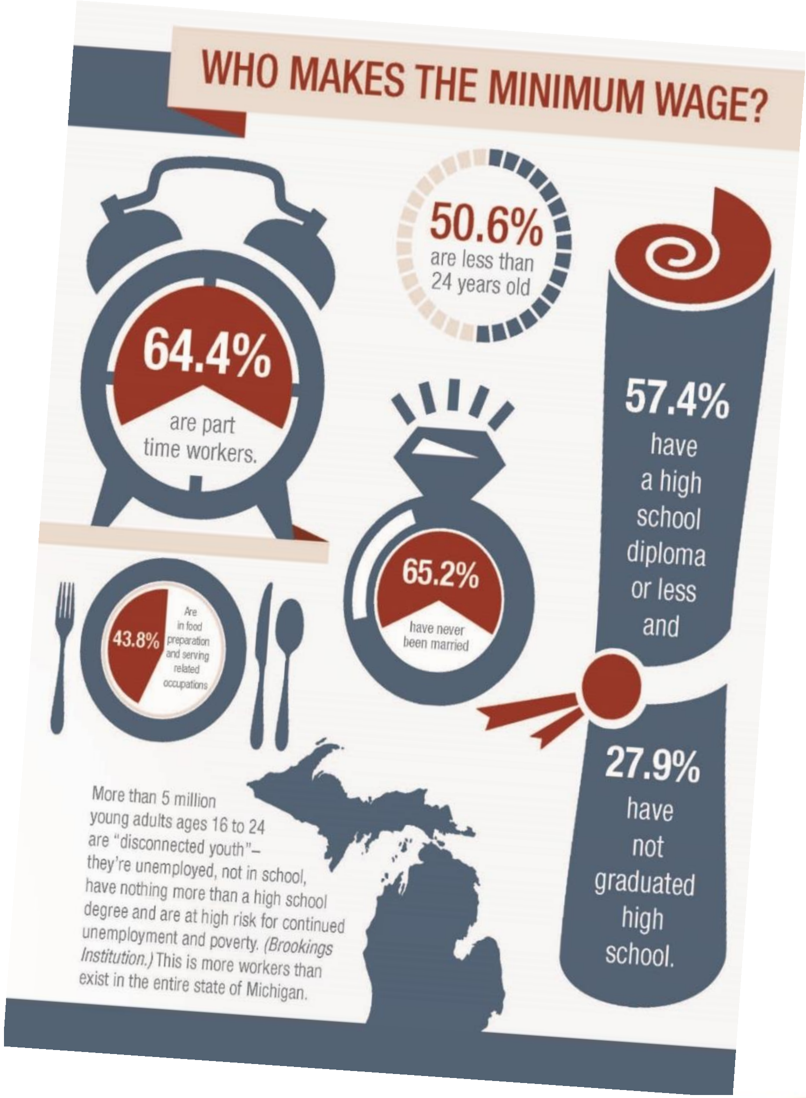
More than one-third of American workers have less than $1,000 in savings and investments for retirement, according to the 2014 Retirement Confidence Survey from the Employee Benefit Research Institute. But even if you’ve been diligently saving for decades, you could still benefit from a few pointers on how to make that money survive as long as you do.

Here are some tips to make the most out of your golden years:

1. **Revisit your asset allocation.** As you approach retirement, you’ll want to adjust your

Snapshotz


How Much Do Government Regulations Really Cost You?
Regulations increase the cost of most of the things we buy including:
JCN Information Station.org
ENERGY $135 ANNUALLY
MORTGAGE $362 ANNUALLY
HOUSEHOLD CONSUMER PRODUCTS $1,639
HEALTHCARE $108 ANNUALLY
$11,000 Total cost of consumer price increases due to just 36 new regulations issued from 2008-2014
Store
HOSPITAL
VEHICLES $9,150
Source: "The Consumer Price of Regulations," American Action Forum. May 27, 2014

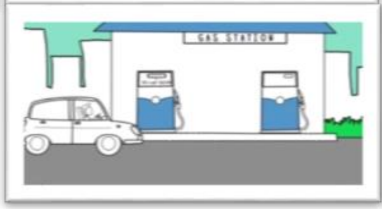

WHO MAKES THE MINIMUM WAGE?
64.4% are part time workers.
50.6% are less than 24 years old
65.2% have never been married
43.8% Are in food preparation and serving related occupations
57.4% have a high school diploma or less and
27.9% have not graduated high school.
More than 5 million young adults ages 16 to 24 are "disconnected youth"– they're unemployed, not in school, have nothing more than a high school degree and are at high risk for continued unemployment and poverty. (Brookings Institution.) This is more workers than exist in the entire state of Michigan.

Videos






IRS
Penalty
$$$
$$$
$$$

1/2

GAS STATION

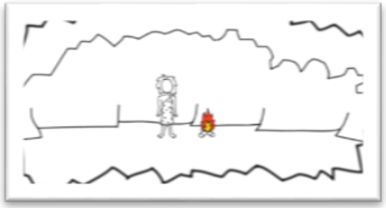
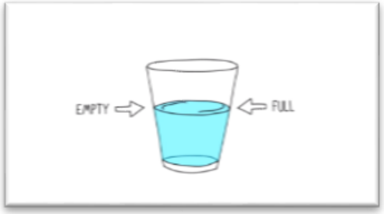

Your Town

Real estate


UNEMPLOYMENT

NO
HEALTH
INSURANCE

THE GOVERNMENT NEEDS MONEY

How EPA's new rules
will affect you
1 Higher Energy Bills


EMPTY
FULL

TAKE ONE
BUSINESS
TAXES


E2E Proof of Concept

NIPRO DIAGNOSTICS™

- **Scott Verner, president & CEO allowed JCN to poll nearly 300 employees regarding their opinions of the Affordable Care Act and other economic issues.**
- **Polling was done anonymously through Equation Research and Illumina Insights and Strategy, a third party research house.**
- **MOVING THE DIAL: Respondents in the final survey who had been exposed to E2E content demonstrated a substantial shift in their opinions over a wide range of issues.**

E2E: Moving the Dial & Changing Attitudes

Yes, my total health care costs have increased because of the Affordable Care Act….

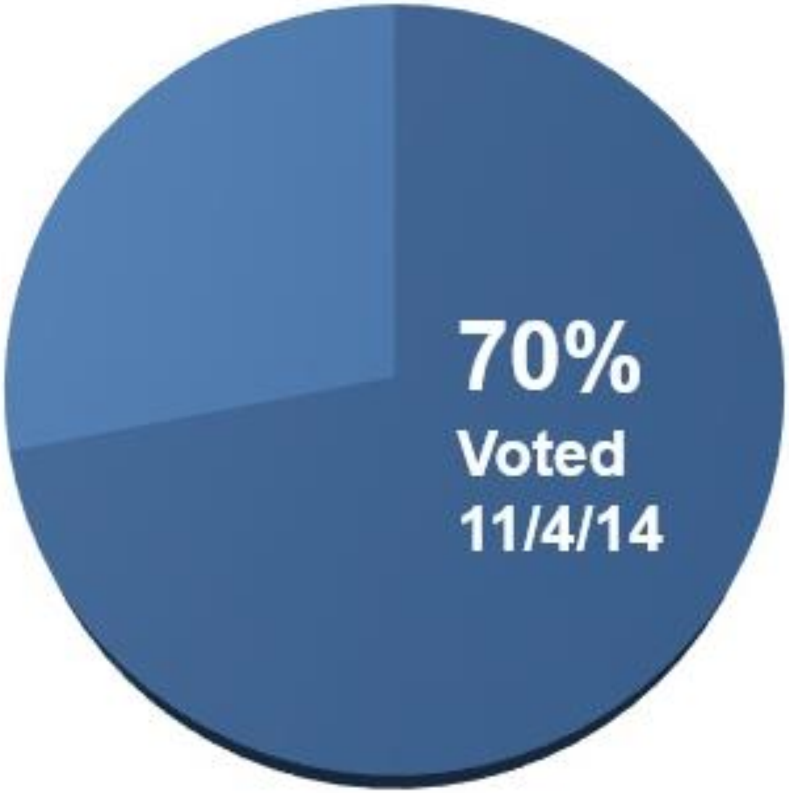
Strongly or somewhat favor reducing the corporate tax rate on businesses...

Agree: American families spend less on energy bills because we can tap domestic coal, oil and natural gas resources ...

Complying with regulations is very expensive, reducing money available for wages and benefits….

E2E: Moving the Dial

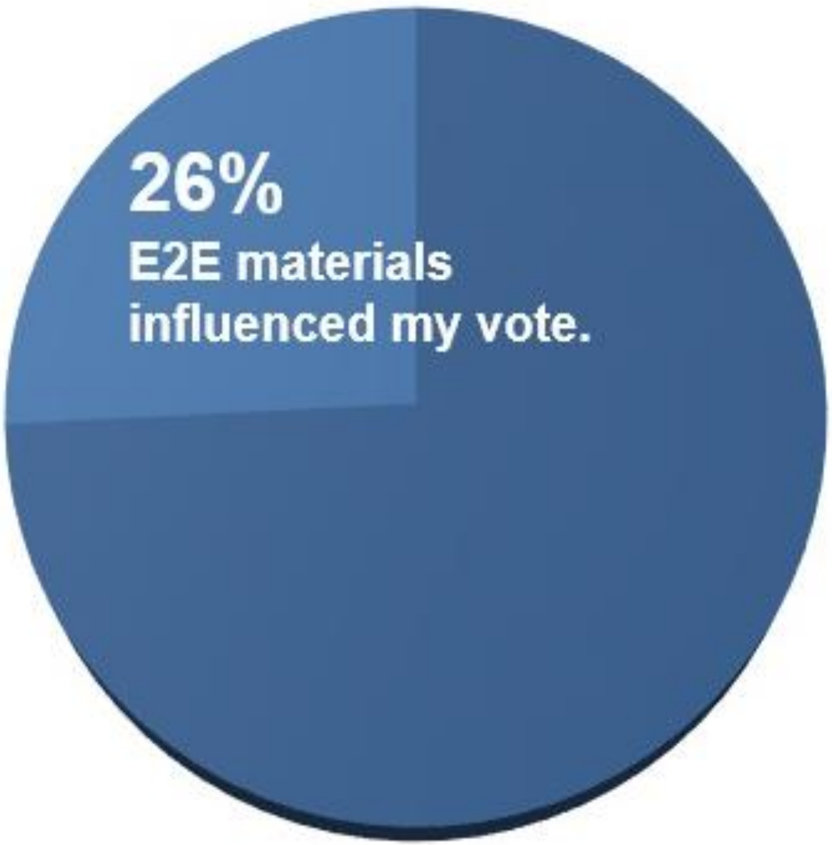
- **A large majority of employees surveyed voted in Nov 4 mid term election (total turnout for all Florida voters that day was reportedly just 43 percent)…**



NIPRO DIAGNOSTICS

E2E: Moving the Dial

- **Of those who did vote in the mid term election, more than one in four reported JCN E2E materials influenced how they voted…**



NIPRO DIAGNOSTICS

Notable JCN Member Companies

Employers currently on track to implement E2E include…

- **Camp Bow Wow**
- **Jackson Healthcare**
- **White Castle**
- **CKE / Hardee's**
- **Liberty Power**
- **MCM Corporation**
- **Mansfield**
- **The Mosaic Company**

Coalition Partners Advancing E2E

- **Over 50 key industry and demographic associations partnering with JCN to push out E2E content.**
- **Five of these associations alone provide JCN a potential reach of over 30 million employees.**

Job Creators Network

Coalition Partners Advancing E2E

- **National Women's Coalition**
  - Co-chairs: Heidi Ganahl and Carly Fiorina
- **Hispanic Business Coalition**
- **Young Entrepreneur Coalition**

NAWBO National Association of Women Business Owners

The Latino Coalition

Colorado Women's Alliance

UP Unlocking Potential Project

NFIB yef Young Entrepreneur Foundation

The LIBRE Initiative

JCN Job Creators Network

Government Overreach

FDA

U.S. SECURITIES AND EXCHANGE COMMISSION • MCMXXXIV •

IRS

cfpb

NATIONAL LABOR RELATIONS BOARD

USDA

EPA

DEPARTMENT OF LABOR • UNITED STATES OF AMERICA •

Government Overreach: Affects All Business Owners

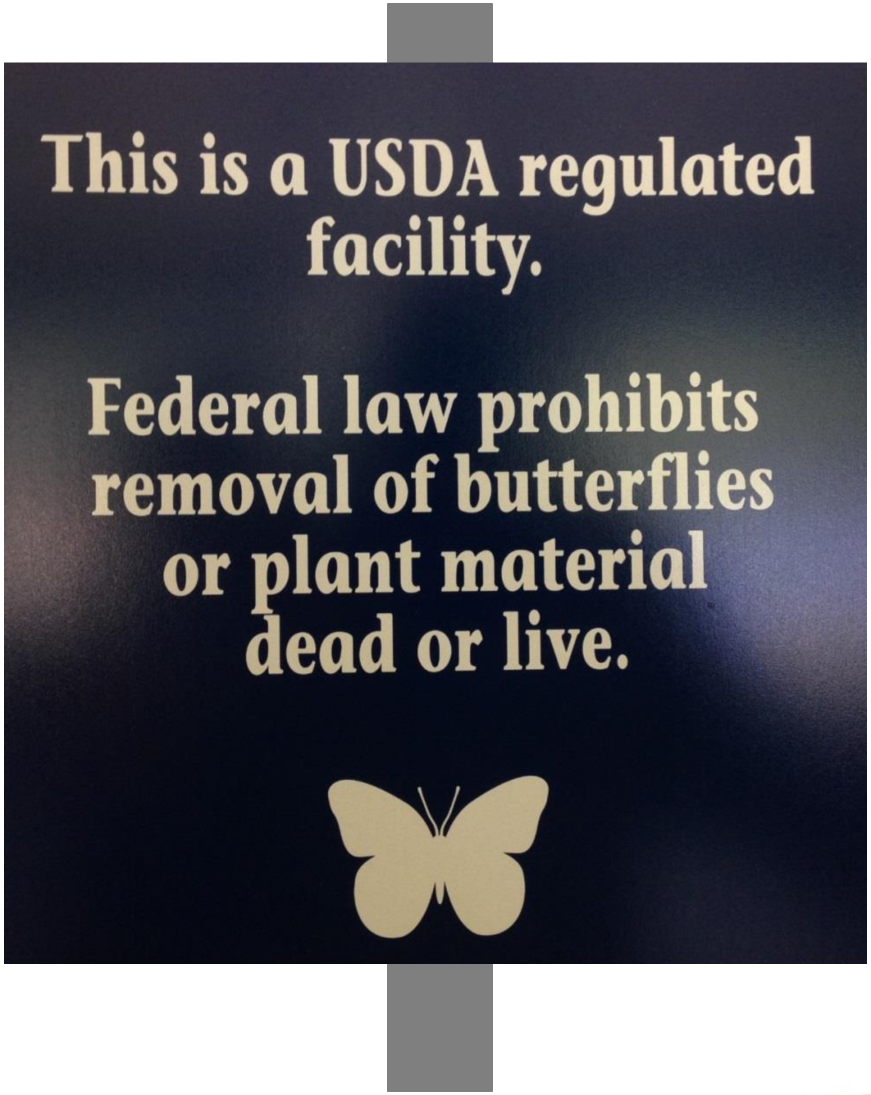
- In Georgia police shut down three sister's afternoon lemonade stand because they didn't have a proper business license.
- In Utah a father was forced to tear down the cardboard fort he built for his kids by his city's building code enforcer.
- Federal agents recently raided an Amish farm at 5 A.M. in the morning because they were selling "unauthorized" raw milk.
- In Hazelwood, Missouri it's illegal for Girl Scouts to sell cookies from their own front yard.

Government Overreach: Minimum Wage Increases

- **Seattle is imposing a $15 minimum wage that wasn't supposed to impact small businesses, but it really is forcing small businesses to make tough big business decisions.**
- **A judge ruled locally-owned franchises fall under the definition of "big" employers.**
- **A government-imposed higher price for labor makes it more expensive to hire workers and more expensive to keep them. It's a bad public policy that hurts good people: Small entrepreneurs and their employees.**

Government Overreach: Save the Butterflies??

- **Butterfly Center at Callaway Gardens in South Georgia.**



JCN Job Creators Network

Government Overreach: NLRB Campaign

NATIONAL LABOR RELATIONS BOARD

NLRB Campaign

Government Overreach: NLRB Campaign

NATIONAL LABOR RELATIONS BOARD

- **NLRB General Counsel <u>joint employer</u> ruling on franchised businesses has the potential to kill a huge job creation system that has been very successful in America: nearly $1 trillion in GDP and over 18 million direct jobs and millions more indirect.**
- **Ruling would especially hurt minority and female owned businesses. (1 in 5 franchised businesses are owned by a minority.)**
- **JCN commits to campaign to bring light to issue with campaign that was started in Q4 with January launch date.**

NLRB Campaign Launch

Initial Launch

- **Campaign began morning after the President's SOTU.**
- **Full-page print ads in *Roll Call* and the Washington DC edition of the *Wall Street Journal.***
- **Commercial shown on all four cable news stations in Washington DC during morning news programs.**
- **Website and social media outreach**.

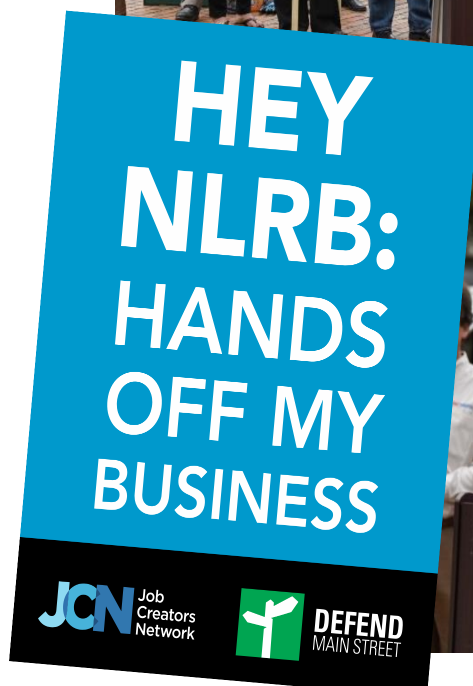
NLRB Campaign

DefendMainStreet.com

Job Creators Network

Franchisee Fridays

- **Public rallies at NLRB Regional Offices**
- **Franchise Friday events held in Tampa, FL and Atlanta, GA**
- **Events include mobile billboards, radio ads, pickets and a press conference**



Job Creators Network

Strong Partnerships

2014 ANNUAL REPORT
INTERNATIONAL FRANCHISE ASSOCIATION

Speaker of the U.S. House of Representatives John Boehner (R-OH-8) addresses IFA's 2014 Public Affairs Conference.

Former Governor of Mississippi and two time GOP National Chairm… Haley Barbour addresses IFA's 2014 Public Affairs Conference.

Grassroots: Franchise Action Network

Franchise Action Network
A Strategic Initiative of the International Franchise Association
www.franchiseactionnetwork.com

The Franchise Action Network (FAN) is the industry's first layer of defense against public policy and regulatory threats. Since its launch in late June 2014, FAN has grown to over 2,150. The Franchise Action Network operates an online advocacy hub that distributes recruitment videos, testimonials, franchisee, franchisor and supplier toolkits. The FAN Mail newsletter keeps advocates informed and engaged in IFA's advocacy activities and was launched as a cornerstone of the program.

State and local members of FAN have held events all over the country:

- A massive grassroots advocacy campaign was organized to oppose California Senate Bill 610. Over two dozen FAN advocates met with more than 75 key state legislators and the governor's office in Sacramento. FANs sent more than 370 letters to state legislators and the Governor via IFA's online advocacy hub. FANs sent 49 personalized, individual letters to legislators opposing the legislation. FANs also had 13 in-district meetings with legislators voicing their opposition.
- FANs conducted in-person meetings with supportive Maine state legislators and both candidates for governor.
- A day of advocacy meeting was conducted in Harrisburg, Penn. that included a meeting with legislative staff at an emerging franchisor location and a joint-employer meeting with the Philadelphia Franchise Business Network.
- Meetings were held in New Hampshire about upcoming legislative threats during the 2015 legislative session.
- FANs held several calls with franchisees and franchisors in North Carolina to educate them about the joint employer issue.

During the 2014 IFA Public Affairs Conference, IFA's premier grassroots event, IFA members met with 219 members of Congress and their staff members to discuss the issues impacting the franchise industry. To complement IFA's efforts to fight damaging new workforce policies, IFA has partnered with the Job Creators Network (created by Bernie Marcus, Home Depot co-founder), an advocacy organization dedicated to educating employees about government policies that negatively impact their businesses. This new and important partnership is providing IFA and its membership non-partisan, educational tools about how existing and prospective government policies affect their workplace, now and in the future.

JCN Job Creators Network

From right, Erica Farage, IFA senior director, political affairs & grassroots advocacy, helps Steve Joyce, pres. & CEO, Choice Hotels International and IFA chairman, become the first "FAN."

6 IFA ANNUAL REPORT 2014

IFA INTERNATIONAL FRANCHISE ASSOCIATION

AHLA AMERICAN HOTEL & LODGING ASSOCIATION

AAHOA ASIAN AMERICAN HOTEL OWNERS ASSOCIATION

CFA COALITION OF FRANCHISEE ASSOCIATIONS

JCN Job Creators Network

Attacks Prove Effectiveness

- **The Left-wing Center for Media Democracy attacks JCN and IFA**
- **Left-wing *Mother Jones* hit piece on JCN is sent to JCN CEOs by AFL-CIO activists**
- **"Kitchen sink" attack even included vendor connections to completely unrelated campaigns**

AFL-CIO
AMERICA'S UNIONS

Responses

- Helped craft communications for JCN members—including CBW
- Response story on a popular news website
- Opeds placed immediately in mainstream news outlets

NLRB Coverage

- Op-eds placed in *National Review online, Albuquerque Journal, Colorado Springs Gazette, Greenville News, Concord Monitor, Palm Beach Post, Tampa Tribune, Las Vegas Review Journal*
- Stories in *The Hill, Investors Business Daily, Daily Caller*, and *Breitbart.com*
- Radio interviews in St. Louis
- Social media attention from partner organizations, IFA, NRA, and AAOHA
- More than 10,000 people either went to the website or watched one of our videos

JCN Job Creators Network

NAVIGATING YOUR COURSE IN THE

CHANGING WORLD OF FRANCHISE HR

April 2015

Melva Tate, PHR / CLC
Tate & Associates, LLC

Outsourcing - An Alternative Strategy for Franchise Employers

Outsourcing

AN ALTERNATIVE STRATEGY FOR FRANCHISE EMPLOYERS

What?

What is HR Outsourcing?

Tate | & | Associates

Outsourcing

AN ALTERNATIVE STRATEGY FOR FRANCHISE EMPLOYERS

Why?

Why should I outsource?

Tate|&|Associates

Outsourcing

AN ALTERNATIVE STRATEGY FOR FRANCHISE EMPLOYERS

When?

When is the best time to outsource?

Tate | & | Associates

Outsourcing

AN ALTERNATIVE STRATEGY FOR FRANCHISE EMPLOYERS

Who?

Who is the best partner / method?

Tate | & | Associates

Outsourcing

AN ALTERNATIVE STRATEGY FOR FRANCHISE EMPLOYERS

Would?

Would this work for our organization?

Tate | & | Associates

Outsourcing

AN ALTERNATIVE STRATEGY FOR FRANCHISE EMPLOYERS

How?

How do I get started?

Tate | & | Associates

Outsourcing

AN ALTERNATIVE STRATEGY FOR FRANCHISE EMPLOYERS

Action Items:

1.

2.

3.

Tate | & | Associates

Outsourcing

AN ALTERNATIVE STRATEGY FOR FRANCHISE EMPLOYERS

Questions?

Tate | & | Associates

Thank You!

Tate | & | Associates

www.tateassociatesllc.com

Melva Tate, PHR/CLC

President / Sr. Consultant

205-223-8612

melva@tateassociatesllc.com

Facebook: TheCareerCoach

Twitter: thecareercoach

PRESENTATION

Franchisor/Franchises Swimming with the Sharks

Jenna M. Bedsole
Baker Donelson
1400 Wells Fargo Tower
420 20th Street North
Birmingham, AL 35203
205.328.0480
jbedsole@bakerdonelson.com

Tip #1

Stick to the brand; manage YOUR business.

Browning-Ferris v. Teamsters

- June 26, 2014 amicus brief filed by NLRB general counsel
- Union argued Browning-Ferris and its recycling contractor were joint employers
- Let's alter the standard: "indirect control“, "unexercised potential to control" and consider "industrial realities"

McDonald's

- 13 complaints involving 78 charges against McDonald's USA, LLC and franchisees
- Overtime, wage and union-organizing
- Responsibility for actions of franchisees

Tip #2

Comply with state employment laws that apply to YOUR business.

Domino's

- New York Attorney General: "Franchisors routinely visit franchise stores to monitor operations – down to the number of pepperonis on each pizza – to protect their brand, and yet they turn a blind eye to illegal working conditions. My message for Domino's CEO Patrick Doyle is this: To protect the Domino's brand, protect the basic rights of the people who wear the Domino's uniform, who make and deliver your pizzas."

- $1.5 million settlement on April 14, 2015

Coverall and the “Independent Contractor"

Wage and Hour Suit in Massachusetts

Settled January 2015

Coverall: Our business is selling franchises, promoting our brand, soliciting business from customers, assisting franchises with billing.

Failed second prong – "service is performed ‘outside the usual course of the business of the employer’"

Tip #3

Beware of handouts. Make your OWN policies and make sure they comply with employment laws.

The NLRB and Your Employee Handbook

- Confidentiality
- Rules Regarding Conduct with the Employer
- Rules Regarding Conduct with the Employee
- Rules Regarding Conduct with Third Parties
- Rules Regarding Use of Logos, Copyrights or Trademarks
- Rules Regarding Photography, Recordings or Personal Electronic Devices
- Rules Regarding Leaving Work
- Employer Conflict of Interest Rules

Crowdfunding: The New Way to Finance Franchises?

Franchisors need to give considerable thought to how crowdfunding may impact their franchise systems.

BY JOSHUA SCHNEIDERMAN AND LULU CHIU

CROWDFUNDING HAS BEEN TOUTED as the way to democratize investment. It seems to be one of those rare initiatives that garner the support of politicians, Wall Street and social and economic equality advocates. What's not to love? It would, after all, allow small businesses to compete with larger, more financially savvy companies. But in the franchising context, crowdfunding may be a stimulant with side effects that overshadow the ailment.

PROPOSED CROWDFUNDING RULES

The potential availability of crowdfunding as a new source of financing came about as an attempt by Congress to promote the growth of businesses in the United States via the JOBS Act in 2012, which included a provision relaxing Securities and Exchange Commission regulations related to the sale of securities when the sales are undertaken through crowdfunding. The theory is that easing regulatory restrictions on seeking financing would trigger more companies to seek investment for growth. The JOBS Act charged the SEC with promulgating regulations governing crowdfunding, and in October 2013, the SEC released its proposed rules. Once the deadline for comments was reached on Feb. 3, 2014, the watchdog agency had received nearly 300 responses — a sign that crowdfunding is an intriguing and hotly debated issue.

The proposed rules provide an exemption from securities registration requirements for transactions in which:

- The amount raised is less than $1 million in a 12-month period,
- Are done through intermediaries registered as a broker or a "funding portal," and,
- Individual investments in a 12-month period do not exceed either $20,000 or 5 percent of annual income if the investor's annual income or net worth is less than $100,000 or 10 percent of annual income or net worth up to $100,000 if the investor's annual income or net worth is $100,000 or more.

These limits are meant to protect less sophisticated individual investors, and they will likely affect fundraising for franchising, considering that initial costs for franchises typically range anywhere from a few thousand dollars to upwards of $1 million. Significantly, however, the proposed rules neither limit the type of securities that may be offered nor prescribe the method for valuing the securities.

SHOULD FRANCHISORS EMBRACE CROWDFUNDING?

Crowdfunding is generally hailed by franchisors and franchisees alike as opening the door to financing for entrepreneurs with scarce financial resources to invest in a franchise. This new source of cash could increase the pool of potential franchisees. That may be good news for both franchisees, who often struggle to find sufficient financing to start their own franchise business, and franchisors, who are seeking

(Continued on page 38)

(Continued on page 37)

to expand the footprint of their franchise. But there are several risks to crowdfunding in franchising, particularly for franchisors, that are not getting nearly enough attention in the media and business community. Franchisors would be wise to give significant consideration to these risks before embracing franchisees backed by crowdfunding.

Many proponents of the crowdfunding legislation touted the increased access to financing for start-ups and small businesses as the most significant benefit of crowdfunding, particularly in a down economy. To be sure, franchisees would likely benefit from the availability of financing from crowdfunding. On the flipside though, this development could lead to franchisees that are less prepared. Translation: brand dilution of the franchise system.

Simply because franchisees have experienced historical success in a franchise system does not mean that success will translate for the new pool of crowdfunded franchisees. It may well be that much of the historical success of a franchise system is due, in part, to the fact that existing franchisees have had to satisfy traditional bank lending requirements to get financing. Crowdfunding, by its nature, circumvents this quality filter. Without this screening mechanism, less prepared franchisees may start to break into the franchise system, resulting in brand dilution that hurts the franchisor and all franchisees in the system.

Crowdfunding may also create increased tension between franchisors and franchisees. Consider that franchising, by its nature, contains an inherent conflict between franchisors and franchisees. Franchisors focus on gross revenues (i.e., top line numbers) because royalties that franchisees pay to franchisors are typically calculated based on gross revenues. In contrast, franchisees focus on net income (i.e., bottom-line numbers), which represent a franchisee's actual income from its franchise business.

Investors in a crowdfunded franchise, like the franchisee, will likely be focused on bottom-line numbers as well. Seeking a return on their investment, these investors are likely to put pressure on franchisees to boost their bottom line. In response to this pressure, franchisees may begin aggressive cost-cutting campaigns, which may increase tension between the franchisee and franchisor, and threaten the franchisor's brand.

Additionally, the costs of complying with SEC disclosure and filing requirements would likely be significant for many franchisees. Under the SEC's proposed crowdfunding rules, issuers would be subject to various requirements, particularly in connection with making disclosures and providing information to investors. The SEC estimates that the costs of complying with its proposed rules could be as much as $6,500 for initial offering registration and $4,000 for annual reporting. Franchisees must also pay a fee of 5 percent to 15 percent of the offering to register. These compliance costs will result in reduced profit margins for franchisees, which may impact the fundamental economic model on which a particular franchise system is based. Franchisees may start insisting that franchisors factor in these costs and discount initial fees and royalty rates, which may increase tension with franchisors, and result in a reduction of the franchisor's revenues.

Numerous other issues arise from the use of crowdfunding in the franchising context. For example, in light of franchisees being subject to SEC mandated disclosure requirements, the question may arise whether the franchisee can use the franchisor's disclosure document as the starting point for its own disclosures. To the extent an investor pursues a claim of misrepresentation against a franchisee, might the franchisee turn around and pursue a corresponding claim against the franchisor?

Ultimately, franchisors need to give considerable thought to how crowdfunding may impact their franchise systems. The potential for both practical and legal problems to arise when a franchisee employs crowdfunding suggests that both franchisees and franchisors should approach crowdfunding with caution and armed with as much knowledge on crowdfunding and franchising issues as possible. Getting consumed with the crowdfunding hype, without considering the risks it poses, could result, a few years down the road, in a franchisor with a deteriorating system wondering what went wrong. ■

Joshua Schneiderman is a partner and Lulu Chiu is an associate in the Los Angeles office of Snell & Wilmer L.L.P. Find them at fransocial.franchise.org.

CAN MY Franchisees GET FINANCED?
Franchising World, March 2014
BY EDITH WISEMAN, CFE, AND KATE BARTOSIK

CAN MY PROSPECT GET financing? This is the only question that a franchisor has when it comes to financing. While this sounds self-serving, it is true. How often do you feel disheartened after hearing a bank speak about its tight credit box and the specific types of franchises to which it is willing to lend?

Will I get paid back? This is the only question that lenders have. The franchisor must be involved to ensure successful responses to these questions. Here's how to remove six troublesome roadblocks preventing your franchisees from getting the best financing outcomes.

Lending Hurdle No. 1: My franchisees and prospects need loans that are not fully backed by capital assets.

U.S. Small Business Administration lenders are cash-flow lenders. While lenders prefer a loan to be 100 percent collateralized, ideally by the business' assets, it's essential to an SBA loan's approval that the franchisee demonstrate that the business' cash flow will be able to repay the loan. Franchise systems have a track record to leverage units that prove when franchisees reach positive cash flow and that they can repay loans. Even with deficient collateral, your franchisees can get financing. It is more difficult for you to find lenders, but they do exist.

The Franchise Registry can assess lender interest in industries based on activity levels. Lenders made more than 58,000 activities on franchisors' accounts on the Franchise Registry whose investment levels were less than $150,000. The sheer volume of activities demonstrates lender i interest in loans that are not typically collateralized.

Lending Hurdle No. 2: My existing franchisees need small loans for working capital.

The SBA launched a program called Small Loan Advantage. SLA 2.0 is allowing more lenders to make it easier for franchisees to access capital for loans under $350,000. The program did not get traction as quickly as anticipated, but that was to be expected; lenders are risk averse. They are of the mindset that small loans have a higher likelihood of default and aren't profitable. SLA set out to change this thinking: small loans offer a similar risk profile to larger loans and can be profitable, which is a huge, cognitive leap for lenders.

The process must also be profitable for the lender. How do you facilitate that? Eliminate all barriers. First, ensure that as many years as possible of your franchise contracts are approved as SBA Eligible on the Franchise Registry, and know which of the documents you need to sign for lenders when requested to do so. Familiarize yourself with the SBA financing process by aligning with a company that knows SBA financing, such as Siegel Financial, Direct Connect Ventures or Bankers One Capital.

Wild Birds Unlimited recently initiated a small renovation requirement for its franchisees with capital needs of only $25,000. Paul Pickett, vice president of franchise development, was able to arrange for a lender to provide a nationwide solution: an SBA lender provides 90 percent of the transaction online. “We are laser focused on supporting our franchisees,” said Pickett. “Therefore, part of our support is providing franchisees with tools and resources to obtain funding for both development and expansion of their business. Growth has been an outcome of this support.”

Another avenue to look into is that SBA lenders have a product called a “cap line,” a revolving line of credit for seasonal business needs or for businesses that have inventory as their asset.

Lending Hurdle No. 3: My franchisees don’t have access to better terms from conventional lenders.

Sometimes the solution might be as simple as asking your existing SBA lenders to introduce you to the conventional side of their bank. SBA lenders can refer deals to the conventional side of their business, if they have confidence in the economics of the deal. Reliable information is the key to ensuring that a bank can underwrite the deal without the SBA’s government guarantee. M&T Bank’s recent financing of a single-unit franchisee conventionally is a prime example for franchisors on how to get the best financing outcomes.

“Yes, we did end up approving a loan to a borrower for the [34-unit QSR] franchise,” said Sean McCabe, vice president, business and professional banking and SBA lending manager of M&T Bank. “I spoke with the underwriter, and he said the Bank Credit Report helped him get comfortable with the deal. And, they even ended up doing the deal conventionally, without an SBA guarantee, in large part because of the BCR.”

Lending Hurdle No. 4: I’m targeting multi-unit operators of other systems, but the franchisees’ lenders don’t want to finance the units under our brand.

Franchise brands targeting multi-unit operators cannot have a laissez-faire attitude about financing. However, many franchisors rely on the assumption that multi-unit operators bring their own banking relationships. While that may be true for some, it’s hardly the case for all. Multiunit prospects need tools to help them shop lenders for your brand. Banks that finance multi-unit franchisees are interested in financing start-ups in other systems for their clients, but lender confidence in the new brand is often lacking. The franchisor must offer tools to make it easy for the franchisee to seamlessly present his financing needs to a new lender. The Franchise Registry has 5,000 lender members where franchisors can position tools for these lenders and connect with this vast network.

Lending Hurdle No. 5: Are there nationwide lenders that can finance all of my franchisees?

There are a few banks that have nationwide lending for select brands. For instance, TD Bank recently hired business development officers who are dedicated to financing 10 to 15 brands nationwide. Otherwise, TD Bank lends only within its 14-state footprint. Franchise America Finance has worked with 20 brands to finance their franchisees on a nationwide basis with SBA loans. However, these types of nationwide solutions are not as common as franchisors would like them to be. If your brand isn't one of these 35 brands, your responsibility is to make it easy for your prospects and existing franchisees to go to any lender to get financing. Companies such as BoeFly and the loan professionals mentioned above are great venues through which to disseminate your franchisees' financing needs to a wide group of lenders.

Lending Hurdle No. 6: Identify the right tools to make it easy for prospective and existing franchisees to go to any lender to get financing.

The first step is to ensure your profile is up-to-date on the Franchise Registry. It is recommended that you sign-in at least once a month to monitor lender activity and record any changes in your franchise system. You need to educate yourself about the failure rates of SBA loans and the U.S. Census Bureau's North American Industry Classification System's code failure rates for your brand. These failure rates can be incorrect or an inaccurate proxy for evaluating the credit worthiness of your brand, but lenders don't have time to try to figure that out when this public data shows unacceptable failure rates. There are ways, though, to have your public SBA loan performance data analyzed and corrected.

Lenders need you to facilitate accurate underwriting information about your brand's historical performance to benchmark against your prospective franchisee's business plan. Brands that do this are the ones that grow faster and have more satisfied existing franchisees.

With franchisor involvement in franchisee financing, franchisees will have improved lender connections, get better interest rates, more favorable repayment terms (interest-only payments for the first six months) and more. All these factors work to optimize unit economics and positively influence opportunities for future development.

Edith Wiseman, CFE, is executive vice president for client solutions and Kate Bartosik is team leader, capital access of FRANdata. The company operates the Franchise Registry website which connects more than 5,000 lenders to more than 1,600 franchises in nearly every industry. Find them at fransocial.

Source: franchise.org

FINANCE

Funding a Franchise: Step-by-Step

Whether you're a first-time franchisee or a seasoned multi-unit owner, there are a variety of places to turn to when you're ready to grow.

BY ROCCO FIORENTINO, CFE

The franchise business climate has been steadily improving over the past several years. In fact, the International Franchise Association reported earlier this year in its Franchise Business Outlook that the number of franchise establishments in the United States is expected to increase by 1.7 percent, slightly ahead of the growth seen in 2013. Both new and existing franchisees will be turning to lenders for assistance with their expansion, so it's important to have a plan when it's your turn to grow.

Whether you're new to franchising or gearing up to expand, the first major hurdle is acquiring the capital needed to get your concept off the ground. But where do you begin? Outlined below are some initial first steps and suggestions to guide you through the process of funding your franchise.

Talk With an Expert

Before you do anything else, it's important to talk with someone who knows the options available to you. Your first inclination may be to have this discussion with your accountant or lawyer, but often, they do not have a full understanding of the complexities involved with completing applications for the various types of funding.

Benetrends has assisted more than 10,000 entrepreneurs over the past 30 years and is staffed by a team that specializes in 401(k) and IRA funding, SBA loans, securities-backed loans and more. No matter who you choose to help with this process, be sure to request an initial consultation where you, and the specialist, will have the opportunity to ask all the right questions to make the most educated decision possible.

Look Beyond Your Local Banks

Many entrepreneurs make the mistake of considering only their two or three local banks. Depending on each bank's current lending criteria, they may not have an interest in your application. If you do choose to go to a bank, be prepared to pitch your business plan to several banks. The first, second and even third may not have an appetite for your needs.

Consider a Government Program

The U.S. Small Business Administration has a number of financial programs for small businesses.

The 7(a) Loan Program, for example, is most commonly used to purchase a business or expand an existing one. Loan amounts range between $100,000 to $5 million and the SBA provides the lender with an 85 percent guarantee for loans up to $150,000 and a 75 percent guarantee for loans greater than $150,000.

With SBA's 504 Loan Program, primarily used when real estate is involved, the borrower is expected to come up with 10 percent and the bank takes a first mortgage of 50 percent. The remaining 40 percent is raised by sale of debentures that provide the borrower with a 20-year fixed rate. Most 504 projects range from $200,000 to more than $5 million.

Check with Your Franchisor

Franchisors often have incentives for franchisees to promote growth in target markets. Togo's, a West Coast sandwich chain with more than 325 locations open and under development, launched a multi-unit franchise development incentive program last year. Both new and existing franchisees who sign a new agreement for three or more locations receive reduced royalty fees for the first two years for each new restaurant that is developed in Arizona, Colorado, Idaho, Nevada, Oregon, Utah and Washington. Additionally, franchisees benefit from $10 million for remodels and transfers, as well as $5 million to build new restaurants.

Baskin-Robbins, with 7,300 retail shops in nearly 50 counties, is offering military veterans special incentives that include waiving the franchise fee for the first restaurant, reduced royalties and a 20-percent discount on the franchise fee for multi-unit agreements. New franchisees (non-military) can take advantage of 50 percent off the franchise fee, as well as reduced royalties for the first five years.

Franchisors also partner with lenders to offer franchisees the capital needed to expand. Benetrends recently announced a $100 million financing program to help IFA franchisor members provide qualified candidates with direct access to capital for new store development. Hand & Stone, a rapidly growing spa franchise, was the first franchisor selected to participate in the new program and received $10 million to assist with its franchise growth.

Look to Your Inner Circle

Friends and family, though sometimes considered a last resort, can also serve as a source of funding. They often know you best and understand your passion for your business idea, which allows them to more easily support it with capital. As with any lender, there should be a repayment plan. It is a business transaction, after all. Be clear about the terms, including the amount to be repaid, any interest rates and the repayment period.

Your Financial Needs

During your initial consultation with a potential funding source, come prepared with responses to some of these common questions that will provide an accurate picture of your financial needs:

- What is your net worth?
- How much do you have in cash?
- What is your credit score?
- What are your start-up costs?
- What is the time frame?
- What is the type of business?
- What type of funding are you looking for?

Be Prepared

Finally, be prepared to present a complete loan package, which may include the following: a business plan, financial statements, copies of personal tax returns, credit score and more. ■

Rocco Fiorentino, CFE, is president and CEO of Bentrends, Inc., an authority in franchise and small-business funding. He is also a member of the IFA board of directors. Find him at fransocial.franchise.org.

SENATE BILL 475

By Bell

AN ACT to amend Tennessee Code Annotated, Title 47 and Title 50, relative to employee status.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 50, Chapter 1, Part 2, is amended by adding the following new section:

(a) Notwithstanding any voluntary agreement entered into between the United States department of labor and a franchisee, neither a franchisee nor a franchisee's employee shall be deemed to be an employee of the franchisor for any purpose.

(b) For purposes of this section "franchisee" and "franchisor" have the same definitions as set out in 16 CFR 436.1.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.

IFA INTERNATIONAL FRANCHISE ASSOCIATION (/)

FRANCHISING
Building local businesses, one opportunity at a time.

Search the site

FranSocial (http://fransocial.franchise.org)

LOGIN › (http://member.franchise.org)

IFA AND U.S. CHAMBER OF COMMERCE APPLAUD TENNESSEE LAW CLARIFYING FRANCHISEE-FRANCHISOR RELATIONS

FOR IMMEDIATE RELEASE

Contact:
Jenna Weisbord, 202-662-0766
jweisbord@franchise.org (mailto:jweisbord@franchise.org)

IFA AND U.S. CHAMBER OF COMMERCE APPLAUD TENNESSEE LAW CLARIFYING FRANCHISEE-FRANCHISOR RELATIONS

WASHINGTON, April 17, 2015 – The International Franchise Association, the world's largest organization representing franchise owners, and the U.S. Chamber of Commerce Workforce Freedom Initiative (WFI) today applauded a new law in Tennessee affirming that franchise and franchisee employees are separate entities. The legislation came in response to the National Labor Relations Board's (NLRB) efforts to expand joint employer liability under a radical new standard proposed by Richard Griffin, its General Counsel in the Browning-Ferris Industries case and in complaints issued against McDonald's Corp. and its franchisees as joint employers.

The IFA and U.S. Chamber of Commerce Workforce Freedom Initiative worked together in supporting the Tennessee statute, which applies to state enforcement agencies. The law was approved with bipartisan support in the legislature last month and was signed into law by Governor Bill Haslam on April 10.

"Tennessee has taken a critically important step to protect local, franchise business owners from a pro-union government agency in the National Labor Relations Board which continues with its blatant government overreach and its politically-motivated, radical agenda," said IFA President & CEO Steve Caldeira, CFE. "IFA and many other groups welcome Tennessee's initiative and will continue to make our case against the NLRB's overreach on the joint employer issue. State legislatures and courts across the country agree – and are being increasingly joined by a bipartisan chorus of federal policymakers that franchisors and franchisees are separate entities. The NLRB's effort to overturn this accepted fact is a threat to businesses, employees and the U.S. economy."

"Governor Haslam and the legislature deserve great credit for protecting the franchise business model and the jobs and opportunity it creates," said Glenn Spencer, Vice President of the U.S. Chamber's WFI. "They are leading the way and other states will follow."

The law amends Tennessee code to clarify that "neither a franchisee nor a franchisee's employee shall be deemed to be an employee of the franchisor for any purpose, notwithstanding any voluntary agreement between the U.S. Department of Labor and a franchisee." The NLRB is conducting hearings to determine if McDonald's should be considered a "joint employer" with its franchisees. Current law, both state and federal, dictates that franchisors and franchisees are not joint employers; franchisees are solely responsible for setting wages and hours for employees. The Service Employees International Union has urged the NLRB to make the change.

###

About the International Franchise Association

Celebrating 55 years of excellence, education and advocacy, the International Franchise Association is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations and educational programs to protect, enhance and promote franchising and the more than 780,000 franchise establishments that support nearly 8.9 million direct jobs, $890 billion of economic output for the U.S. economy and 3 percent of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees and companies that support the industry in marketing, law, technology and business development.

1900 K St., N.W., Suite 700 Washington, DC 20006 USA

Phone: +1 202/628-8000 Fax: +1 202/628-0812 www.franchise.org (http://www.franchise.org)