



2023 LEGAL SYMPOSIUM

MAY 7-9, 2023 | WASHINGTON, DC



Basics Track: International Expansion

Speakers

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The statements and opinions expressed in this presentation and corresponding paper are those of the individuals and not their firms or companies.



Meet Jolly's

- Jolly's is an established franchisor with 250+ franchises in the United States. Jolly features award-winning Texas black Angus ground beef burgers and chicken, and decor featuring images of the chain's humble beginnings in Westmoreland, Texas.
- Jolly has had a tough time expanding its system since the pandemic and is looking to jump-start development through international franchise opportunities.



Jolly's Is Presented With An Opportunity To Expand Internationally

While at a franchise development conference, Jolly's CEO is approached by a potential developer based in Vietnam who wants to discuss obtaining the exclusive rights to develop, operate, and sub-franchise in Vietnam, Cambodia, Laos and Thailand.

The developer is well connected and has experience in the soda bottling business and owns 20 Hanoi Heaven Burgers in Southeast Asia.

During initial conversations, the developer mentioned he holds the majority ownership in the parent entity and there is a silent minority owner based in Belarus.

The developer wants to launch its first Jolly's restaurant in Ho Chi Minh City in 3 months.



Is Jolly's *Ready* For International Expansion?

- Does it fit the company's goals?
- Are the key trademarks available?
- Are the resources available?
- Does franchisor have the people?
- What is the competitive landscape?



Selecting Countries for Expansion

Investigate!

- Socio-Cultural Differences and Adaptability of the Franchise Concept
- Politics and Economy
- Legal Climate

Not all market entries are created equally!



Key Business Issues

1. Fees

- Upfront Fees
- Unit Fees
- Advertising Contribution
- Royalty

2. Scope of Territory

3. Transfer Restrictions

4. Termination Rights

- Automatic Termination
- Termination on Notice
- Default and Termination with a Right to Cure

5. Noncompetition Covenant

- Defining “Competing Business”
- Scope of Noncompetition
- Scope of Post-Term Noncompetition

6. Territory & Development Schedule

7. Other

- Supply Chain
- Impact of New Technologies on Key Terms
- Taxes



Choosing the Right Franchise Partner

Qualifying Franchisees

- Financial
- Brand Champion
- Communication

Prospecting for International Leads

Due Diligence on Foreign Franchisees

- Background and Credit Checks
- Meetings



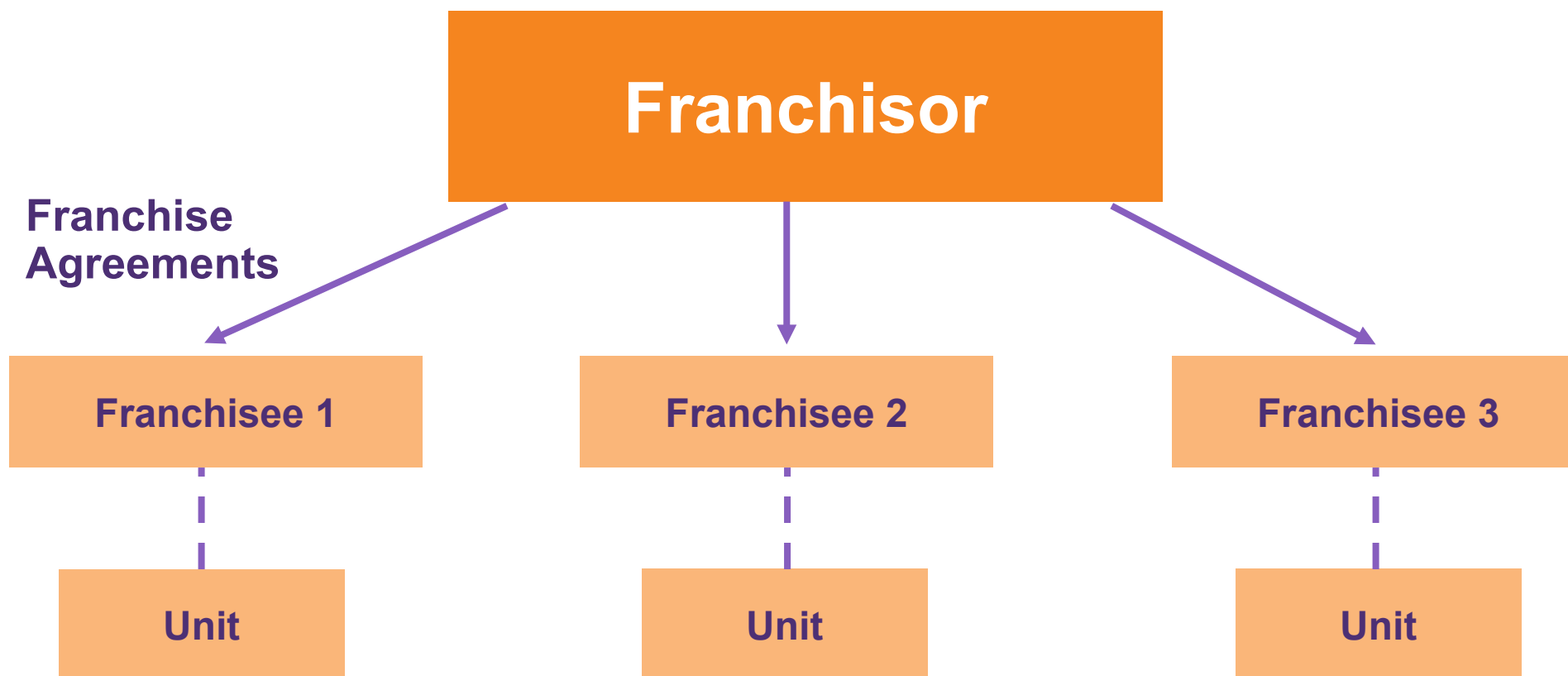
Deciding on the Deal Structure

- **Single Unit Arrangements**
 - Direct/Unit Franchising

- **Multi-Unit Arrangements**
 - Area Development Agreements
 - Area Representation
 - Master Franchises
 - Joint Venture

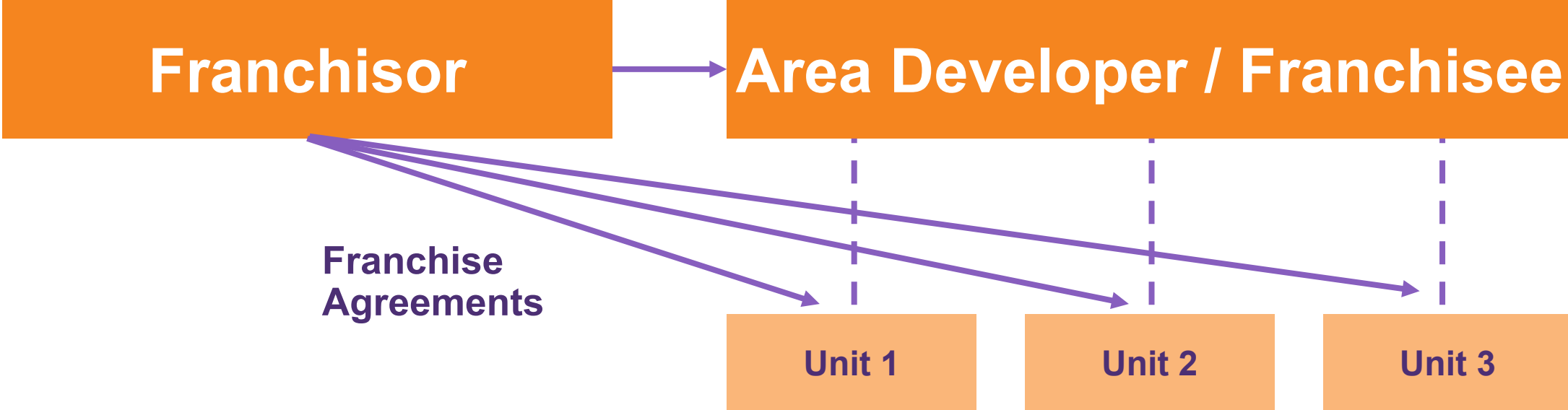


Direct/Unit Franchises



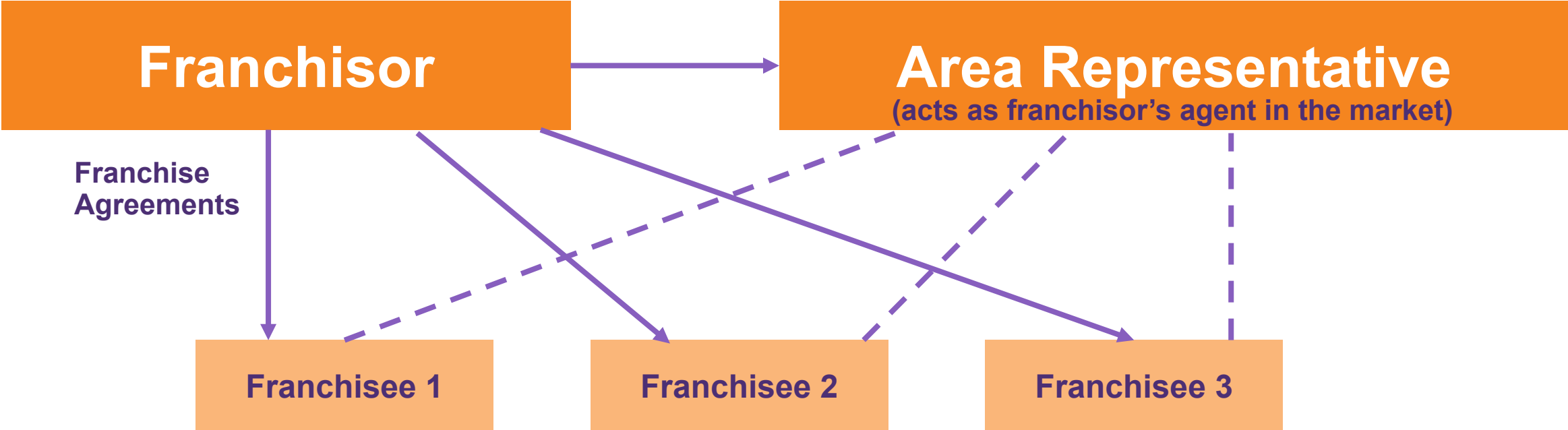
Area Development Agreements

Area Development Agreement

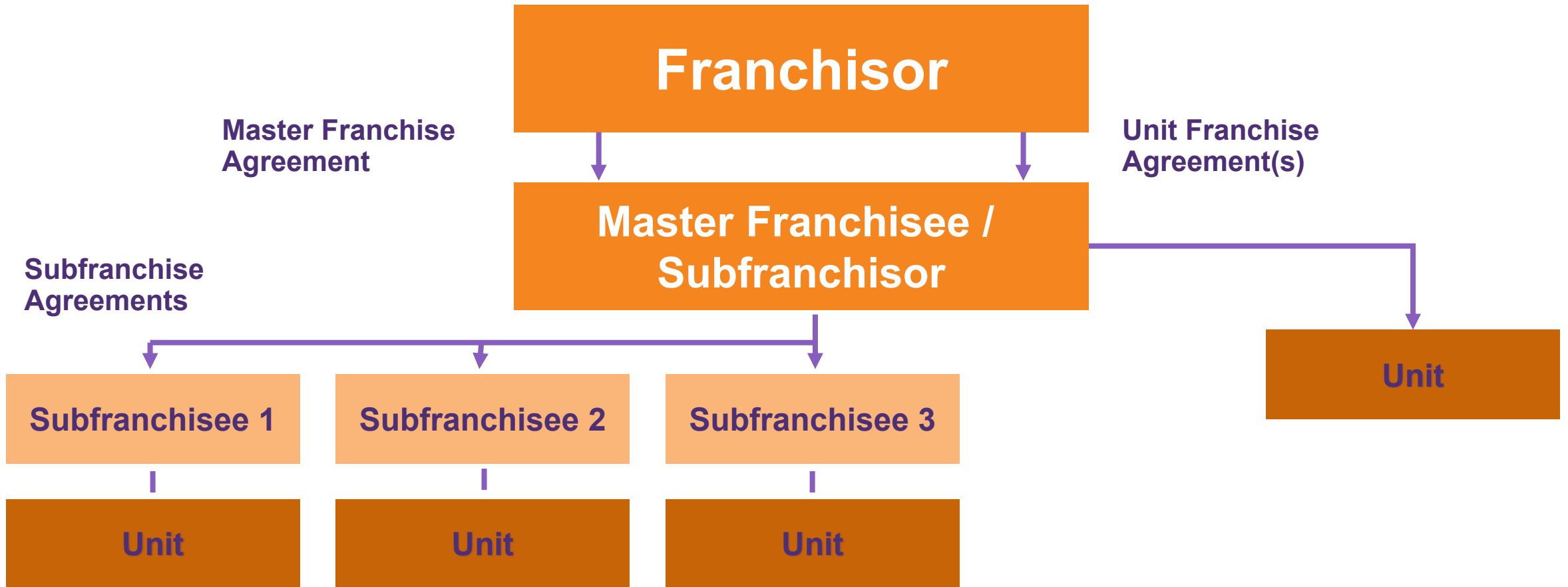


Area Representation

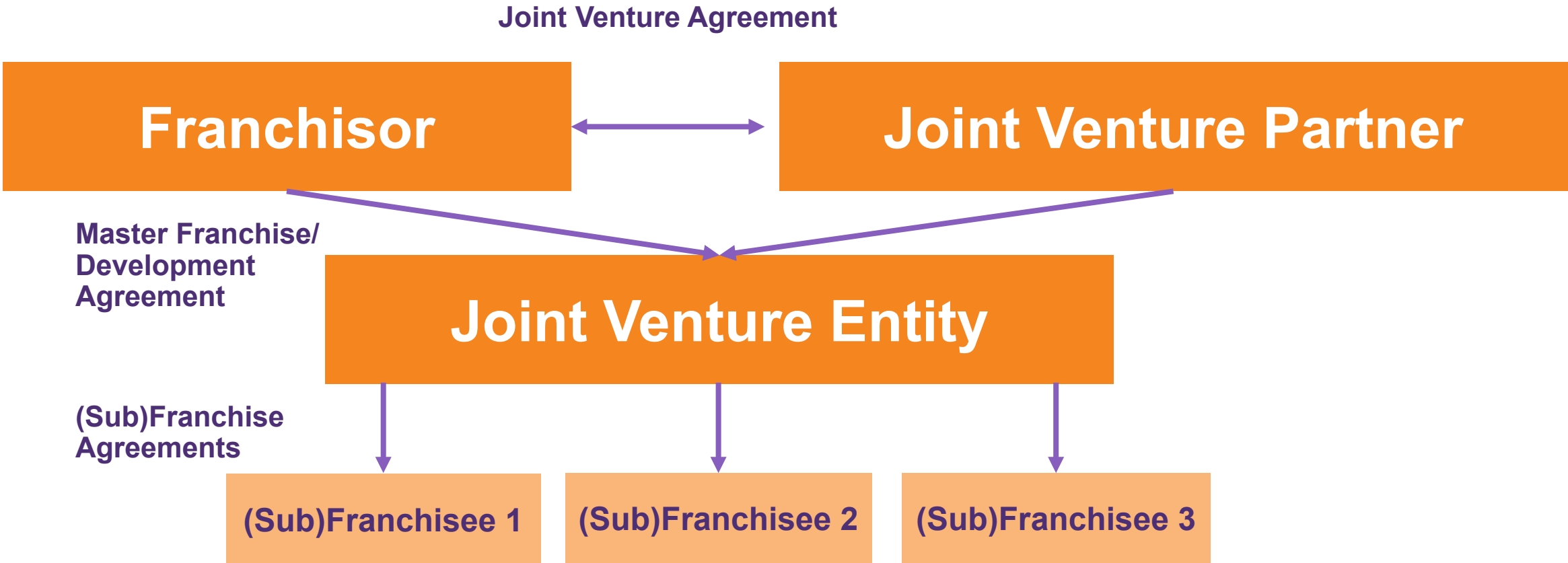
Area Representative Agreement



Master Franchises



Joint Ventures



What should
Jolly's
consider as it
thinks about
structuring its
Southeast Asia
transaction?

Key Facts to Reconsider:

- Jolly's has an existing U.S. franchise system with more than 250 units.
- Jolly's wants to kick-start its franchise development, both domestically and internationally.
- Jolly's is considering a possible IPO in a year or two.
- Jolly's is based out of Westmoreland, Texas. Travel time to Ho Chi Minh City from Westmoreland ranges from 24 to 48 hours.
- The Developer has extensive experience in the soda bottling business and a bit of experience in operating restaurants. It is unknown what experience Developer has in marketing its businesses or in operating a franchise system.
- Developer has a silent minority investor based in Belarus.

Foreign Franchise Laws

Disclosure Laws

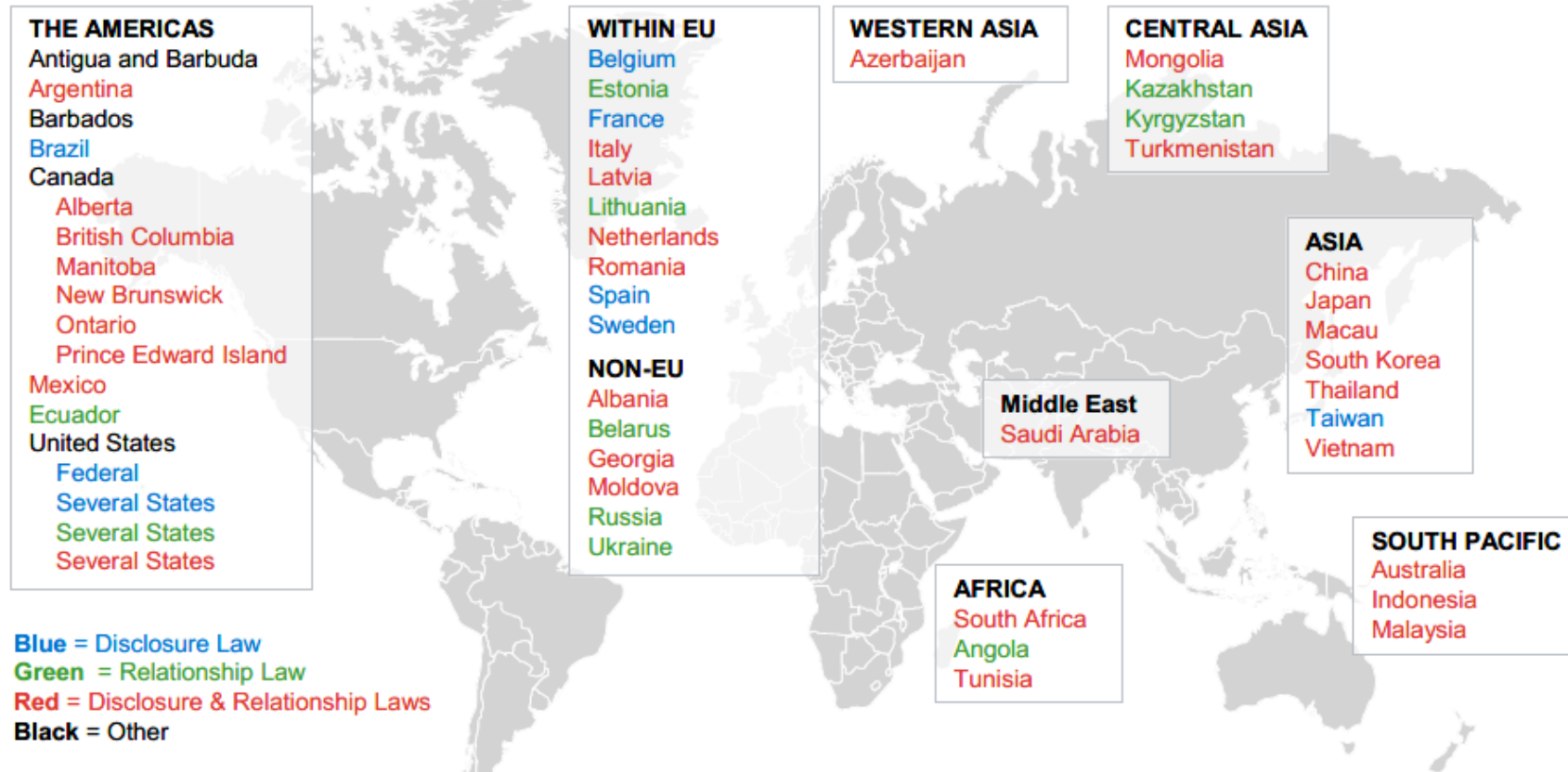
Relationship/Agency Laws

Registration Laws

- Franchisor
- FDD
- Franchise Agreement



Countries with Franchise Laws (April 2023)



Does Not Include:

- Codes of conduct which do not provide for governmental or private enforcement, even if promulgated under governmental authority.
- Bodies of law (e.g. commercial agency, distributorship, competition, intellectual property, etc.) which may also cover franchising.
- Registration requirements that exist in many countries under various laws (e.g., franchise, foreign exchange, intellectual property, competition, etc.).



Countries with Franchise Laws (April 2023) Cont.

Franchise-Specific Registration Laws:

- Australia
- China
- Indonesia
- Malaysia
- Saudi Arabia
- South Korea
- Tunisia
- United States*
- Vietnam

* Registration required only in certain states



Other Local Laws

- Imports, Duties and Customs and Exchange Controls
- Local Ownership Laws
- Competition and Antitrust Laws
- Indemnification
- Dispute Resolution, Governing Law and Venue
- Personal Guaranties and Letters of Credit
- Religious Concerns



Other Laws to Consider

US Laws Applicable to International Transactions

- FCPA
- Sanctions & Antiboycott
- Anti-Terrorism Laws
- Anti-Money Laundering



Questions?

