



2023 LEGAL SYMPOSIUM

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LESSONS LEARNED BY FRANCHISE SYSTEMS IN CRISIS EVENTS

Lessons Learned by Franchise Systems in Crisis Events

David W. Oppenheim

Shareholder, Greenberg Traurig, LLP

Julie Purcell

Senior Counsel, Wyndham
Hotels & Resorts

Larry Weinberg

Partner, Cassels Brock LLP



Framing the Issue

1. Crisis events come in all shapes and sizes
 - War
 - Global Pandemic
 - Political Unrest
 - Public Relations
2. How Franchisors prepare and respond will determine success or failure
3. Counsel Plays a critical role in the response plan and execution



Agenda

1. Domestic Challenges Facing Franchise Systems
2. International Challenges Facing Franchise Systems
3. Case Study: Franchise Systems in Wartime
4. Looking Ahead: How Can Franchise Systems Adapt?



Domestic Franchise Challenges – Global Pandemic

- Impact on Franchised Business Across all Segments
- How did franchisors respond
 - Brand product and service extensions
 - RELIEF
 - \$
 - Performance
 - Supply Chain flexibility
 - Support



International Franchise Challenges – The War in Ukraine

- What did franchisors deal with in Russia and Ukraine due to the war?
 - Exit Russia?
 - Reputational risk / public relations issues
 - Sanctions
- How can franchisors exit international markets?
 - Franchised vs. Corporate operations



What Would Franchisors Have Done Differently?

- When expanding internationally,
 - Pick target countries carefully
 - Understand all risks and what is being assumed
 - Pre-contractual diligence
 - On the target market
 - On the potential candidates
- Understand the inherent limitations of the Franchise Business Model



Can Any Contractual Terms Protect You?

- Contractual terms to consider
 - *Force Majeure*
 - Frustration and Impossibility
 - Limitation of Liability
 - Good Faith
- Impact of governing law
- Rule of law
- Intellectual Property considerations



Case Study: Franchise Systems in Wartime

- Identify, Assess, and Prioritize
 - High-Level Summary of Questions for Self-Assessment
 - Operational Considerations



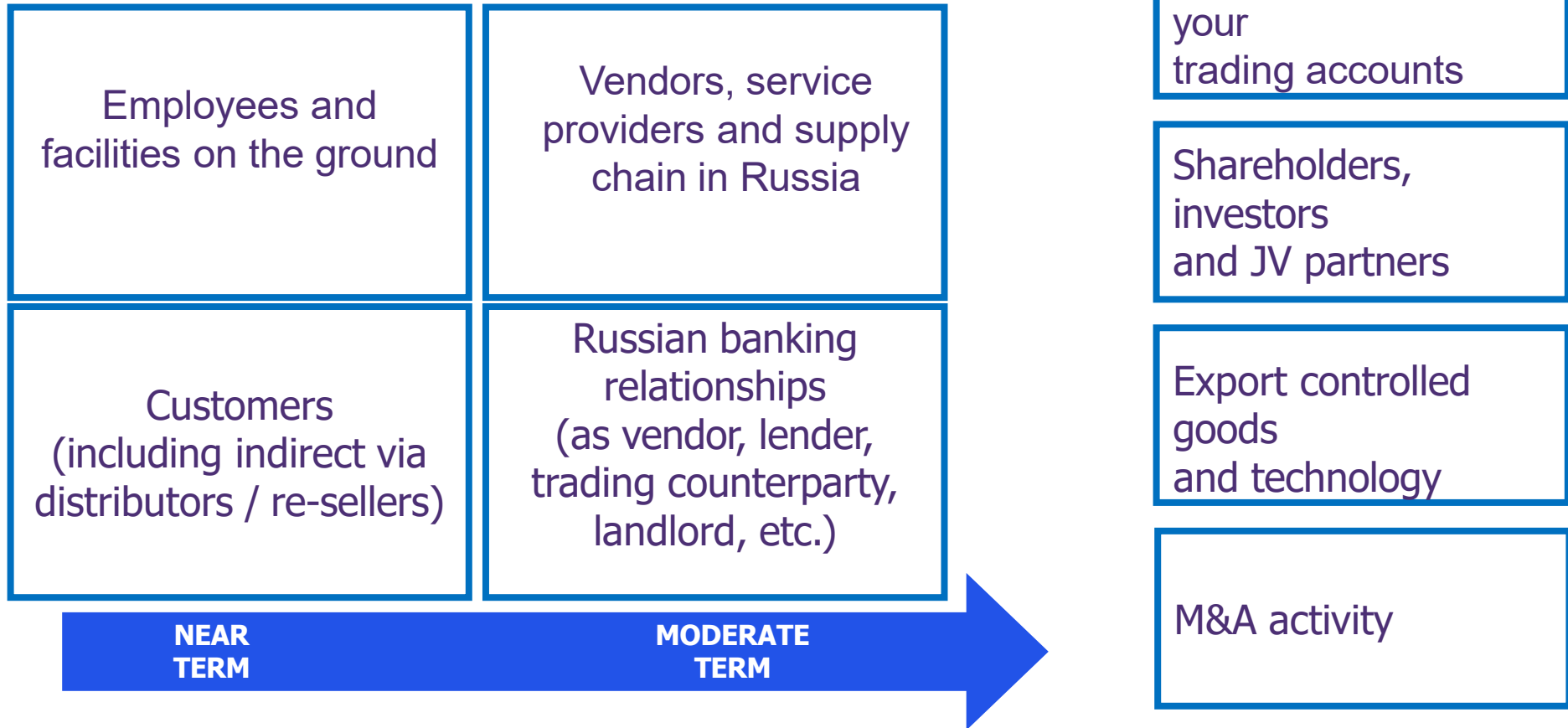
Self-Assessment

- Operations Risks
- Sanctions Risks
- Export / Re-Export Risks
- Payment Risks
- Financing Risks
- Reputational Risks



High-Level Operating Considerations

Identify current exposure to Russia, Belarus and Ukraine, including:



Toolkit

- Exposure Matrix / Checklist
- Internal Contact List
- Sanctions Tracking
- Screening Resources

Bonus points: Consider collecting contracts and addenda into one centralized repository if not already done.



Leveraging our Experiences to Address Future Crisis Events

What is next with:

- China?
- Looming financial crisis?
- The next pandemic?

Question and Answer



Planning for the Future – How Can We Prepare, Now?

- Exposure Checklist
 - Franchisees, customers, and other counterparties
 - Employees, contractors, and/or equity holders
 - Contracts and added addenda
 - List of landlords and suppliers
 - Nature of any direct or indirect Company assets or business
 - Entity structure and payment flows
 - Financing, banking, and credit issues

