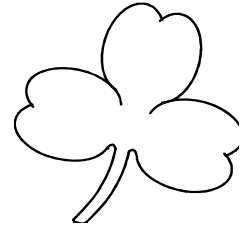




*Happy St. Patrick's Day*

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## *“Tip of the Month”*

### **Franchise and Franchise Alternatives for Business Expansion**

While the franchise model has long been a popular strategy for business expansion, it's not always the right choice for every company. Franchise laws and regulations are complex and differ at the federal and state levels, as well as from state to state. Maintaining compliance can divert resources away from other important company matters. Creating a successful franchise is also costly and requires a great amount of work. For small businesses looking to expand, a franchise alternative might be a better choice and make more sense.

The model a company chooses for expansion, be it through franchise or otherwise, will depend on its purpose and objectives, the amount of control it wishes to maintain, its marketing programs, and its revenue goals. Some of the alternatives to franchise include licensing arrangements, distributorships, multilevel marketing programs, business opportunities, agency relationships, joint ventures, and partnerships.

The alternative most resembling franchise in terms of control is that of a partnership. The typical format for this model involves the parent company establishing itself as the majority member of separate limited liability companies with individual operating owners (in each case, “partners”). Both the parent company and each partner are responsible for startup contributions, as expressly stated in the newly formed subsidiary company's operating agreement. Each partner's share of distributions from the newly formed company is set in accordance with the operating agreement.

One of the benefits of the partnership model is that as majority partner, the parent company maintains control over company operations and protocol. With a majority interest, the parent company is also better able to protect its brand. In forming separate subsidiary LLCs, the parent company is also better shielded from potential liability. As a member of the LLC, the parent company should be generally protected from lawsuits brought against the subsidiary LLC.

As with franchising, the alternatives to franchise are also governed by specific laws that may be inconsistent from state to state. And any growing company must always be careful to avoid accidental franchise leading to non-compliance with strict franchise laws.

If you need help expanding your business through franchise or otherwise, the business attorneys at Mesmer & Deleault will be happy to assist. Please give us a call at (603) 668-1971 or contact us by e-mail at *mailbox @ biz-patlaw.com* to schedule an appointment.

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