

FRANCHISING OPPORTUNITIES IN SOUTHERN CALIFORNIA

FRANCHISING is big business and one of the hottest growth segments – now representing 10.5% of businesses in Los Angeles, and growing. In honor of this key business sector, we decided to create what you are holding in your hand — this special, first-of-its-kind “Franchising Opportunities in Southern California” supplement. In these pages you’ll find a number of guest written how-to, trend, and advice pieces about franchising in the greater Los Angeles region and all the do’s and don’ts that come with it. These articles were contributed by the those in the franchising trenches, speaking from first-hand experience – from the attorneys, accountants and consultants who help to make successful franchises happen, to the success stories told by some of the hottest franchising brands themselves.

The section is complemented by the Los Angeles Business Journal’s inaugural event, our Franchising Opportunities in Southern California October 3rd breakfast meeting, complete with a live panel discussion roundtable boasting a group of experts with their fingers on the pulse of franchising opportunities in the region. Many thanks to our presenting sponsors, and our esteemed panel of experts, who are profiled below.



Barry Kurtz
Chair, Franchise & Distribution
Practice Group
Lewitt, Hackman, Shapiro,
Marshall & Harlan



BARRY Kurtz is the Chair of the Franchise & Distribution Practice Group at Lewitt Hackman in Encino. He is certified as a Legal Specialist in Franchise & Distribution Law by The State Bar of California Board of Legal Specialization, and serves on the State Bar of California Franchise and Distribution Law Advisory Commission.

Kurtz represents franchisors, manufacturers, franchisees and distributors in a wide range of matters, including the preparation of franchise registration and disclosure documents; the structuring of franchisors and franchisees; work-out arrangements with distressed franchisees; franchisor and franchisee disputes and default and termination matters; acquisitions and dispositions of franchisors and franchised and independent businesses; and beer distribution transactions.

Rated *5.0 AV Preeminent*, Martindale-Hubbell’s highest award for legal ability and ethics, Kurtz has been recognized by LexisNexis Martindale-Hubbell as one of Southern California’s *Top Rated Lawyers*.



Kenneth Lynch
Regional Vice President
United Franchise Group



KEN Lynch has over 20 years of sales and sales management experience in a variety of senior sales management roles in retail and direct sales and is currently the Regional Vice President for The United Franchise Group, a position he has held since October of 2013. United Franchise Group’s brands include: Signarama, EmbroidMe, Transworld Business Advisors, Plan Ahead Events, SuperGreen Solutions and experimac. Lynch is responsible for growing these brands in the California region.

Previously, Lynch was the Regional Sales Manager (West Coast) for Kaleidescape, an AV software integrator and manufacturer of high quality movie servers. Before that, he was the Vice President of Sales for the world’s largest vertical manufacturer of bedding goods, Banner Bedding, based in Redlands.



Ryan Patel
Vice President, Global
Business & Real Estate
Development
Pinkberry



RYAN Patel serves as the Vice President of Global Business & Real Estate Development for Pinkberry, one of the fastest growing retail brands globally. Since Patel commenced at Pinkberry in 2011, the company has gone from less than 95 locations to over 260 stores across 21 countries and continuing to expand.

An expert in growing brands, Patel has worked for publicly traded to private companies, and has helped build corporate to franchise stores throughout the retail to food segments, both domestically and internationally.

Prior to joining Pinkberry, Patel worked for Wet Seal Retail, Inc, Jamba Juice, BJ’s Restaurants, Inc and Panda Express. He received his Bachelors from University of California, Berkeley and received his MBA from the Paul Merage School of Business at University of California, Irvine.



Antonio Pizano
Director of Business
Lending - West
Valley Economic
Development Center



As VEDC’s Director of Small Business Lending – West, Antonio Pizano manages the organization’s Small Business Lending and SBA Community Advantage Program in the Western half of the United States. Pizano has also managed VEDC’s Pacoima Development Federal Credit Union where he oversaw all operations including budget, asset growth, collections, regulatory compliance, and the administration of all loan programs, including its SBA 7(a) loan program. During his three years at the credit union, he more than doubled the credit union’s asset size and increased income by nearly three times.

Prior to joining the credit union in 2009, Pizano held the position of Program Director for the San Fernando Valley Financial Development Corporation (SFV-FDC) where he oversaw the California Small Business Loan Guarantee Program and SBA 504 commercial real estate loan program.



William Rodriguez, CFE
President & Co-Founder
Silvercrest Advertising



WHEN advertising industry veteran William Rodriguez launched Los Angeles-based Silvercrest Advertising in February 2011, he knew he was on to something special – but had no idea that the company would evolve into the personalized, innovative, one-stop media solution that it has become for franchisors/franchisees, resellers, affiliates and independently owned local businesses around the world.

Leveraging national marketing technology on a local level, Silvercrest’s state-of-the-art Localized Automation Platform (LMap) allows end users to design, execute and fund personalized, geo-targeted advertising tactics. Currently being utilized by 25 different brands and more than 10,000 end users, LMap’s flexible, user-friendly platform is just as effective for organizations as large as Quiznos as it is for smaller franchisors like Robeks Premium Fruit Smoothies and non-brick-and-mortar, service-oriented businesses like House Doctors.



Larry Schwartz
Director & Senior Consultant,
Franchise Services Group
RBZ LLP



LARRY Schwartz has more than 24 years of corporate and business development experience and has held executive level positions in the ancillary healthcare and franchise industries. During that time, he has been instrumental in developing and managing new business ventures and has spearheaded the growth of several start-ups, early and middle stage companies. Since 2009, he has worked as a senior level consultant to the franchise industry and has helped facilitate the development of several start-up, early stage and established franchise organizations.

He joined RBZ to spearhead the firm’s Franchise Services Group and to pursue his passion for working with companies to develop new and existing concepts, create new business opportunities and facilitate the growth and development of regional, national and international franchise systems.

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Is Franchising the Right Model for Your Business?

By **BARRY KURTZ**

FRANCHISING is a flexible, tried and true method of distributing products and services and offers business owners an alternative avenue to expand their already successful businesses. One immediately thinks of McDonalds or 7-11 when the word "franchise" comes up, but there are literally thousands of franchise programs to consider in almost every line of commerce.

While most people have a general sense of the structure of the franchise model, particularly because of their first-hand experience dining at a fast food restaurant, few realize the breadth of businesses that successfully employ the model, despite their interaction with these businesses on a daily basis.

Businesses that are commonly franchised that are not obvious to the consuming public include accounting businesses, insurance agencies, tax preparation services, frozen yogurt businesses, children's clothing stores, flower shop chains, gasoline stations and weight loss clinics. Some less common, yet innovative examples include custom closet design services, plumbing related businesses, pool cleaning businesses, pet supply and pet grooming businesses, beer and wine distributorships, golf and tennis training programs, health care clinics and senior care facilities, art stores, pest control businesses and janitorial businesses. The possibilities are endless!

Franchising is not right for all businesses. Franchises are highly regulated, and starting a franchise requires the investment of a lot of heart and soul, as

well as a lot of time and money. Business owners must do their homework before deciding to franchise. This starts with understanding what by law constitutes a franchise and what steps must be taken before a business owner may offer the concept for sale.

Under California law, a business relationship is a franchise if:

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The business will be substantially associated with the franchisor's trademark;

The franchisee will pay a fee, directly or indirectly, to the franchisor for the right to engage in the business and use the franchisor's trademark; and

The franchisee will operate the business under a marketing plan or system prescribed in substantial part by the franchisor.

Franchising is regulated at the federal level by the Federal Trade Commission (FTC) which requires franchisors to prepare a franchise disclosure document (FDD) that complies with the FTC's Franchise Rule.

In addition, 13 states, including California, have enacted franchise laws that require franchisors to register their FDD before offering franchises within their states. An FDD is an offering

prospectus, that must be written in plain English and provides prospective franchisees with information pertaining to 23 specific items about the franchisor and the proposed franchise. The FDD must include, among other things, background information about the franchisor and its executives, fee and cost information, samples of the contracts franchisees will

ful operating procedures that potential franchisees are willing to pay to learn, and should be profitable for both the franchisor and its franchisees. The advantages to becoming a franchisee include:

- The greater likelihood of success from membership in a proven system rather than in a new business model and an immediate customer base for a known brand name with an already-established market presence.
- The power of collective group purchasing, internal marketing materials, professional oversight of the business, new product research and development and continuing education and training.
- Support from a franchisor and like-minded co-franchisees with similar goals, needs and pressures.
- Franchising is a proven means for successful businesses to expand, but choosing to franchise one's business is a decision that must be well considered. Understand the costs involved and the steps you must take before becoming a franchisor. Consider whether the business model will be attractive to potential franchisees and sustainable in the face of competition. And as a friendly reminder, check with an experienced franchise attorney to help you through the process.

Barry Kurtz is the Chair of the Franchise and Distribution Practice Group at Lewitt Hackman in Encino, and a Certified Specialist in Franchise & Distribution Law, designated by the State Bar of California Board of Legal Specialization. Contact him via email: bkurtz@lewitthackman.com.

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