Investor Guide: Generate Passive Income from Franchise Investing

For savvy investors seeking stable, diversified, and passive income through fractional franchise investing.

The Franchise Industry is booming

This guide is designed to:

- Provide investors with insights into the benefits and mechanics of franchise investing.
- Explain how to evaluate opportunities and assess risks.
- Show how franchise investing fits into a diversified portfolio.

Overview of the U.S. Franchise Industry

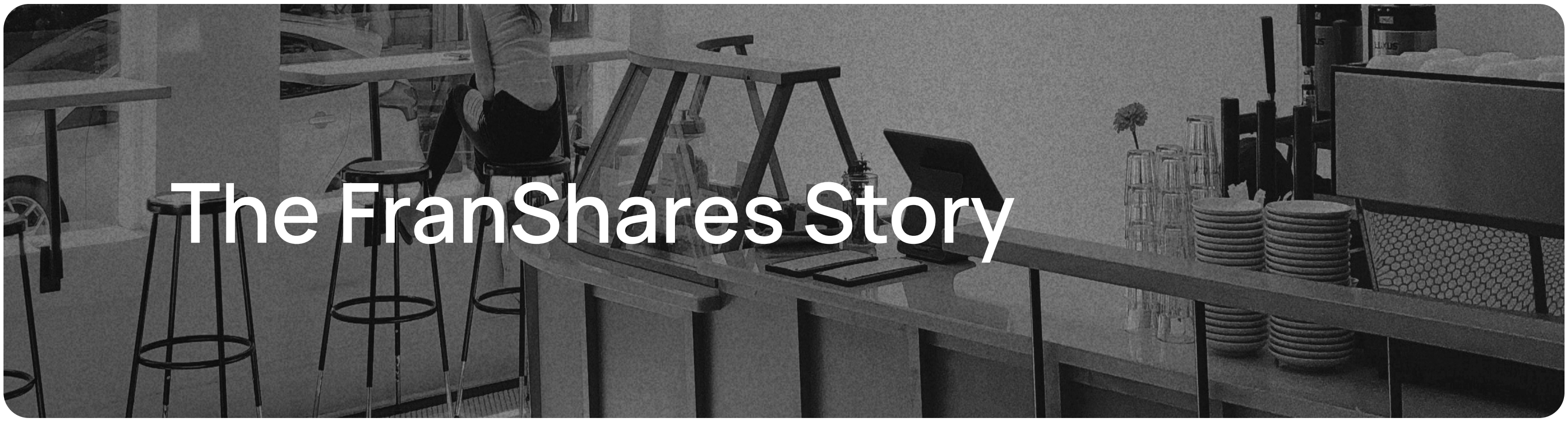
Number of Franchise Brands
Over 4,000 brands in the U.S.

Franchise Locations
More than 830,000 locations nationwide

Employment in Franchising
Employs 8.7 million people

Annual Economic Output
Generates $890 billion annually

Growth Rate
Projected growth of 2.4% in 2025



The FranShares Story

At FranShares, our mission is to connect two entities that until now have remained separate: experienced franchise operators looking to earn capital, and investors seeking passive income without the operational responsibilities of owning a franchise. We bring them together – and in the process, they enjoy financial opportunities that have never existed before.

Because this concept is so unique, here's a real-world example to illustrate how it works.

A husband-wife team with years of experience launching Buffalo Wild Wings corporate stores had all the expertise to run a successful franchise. Yet despite their impressive track record, they couldn't qualify as franchisees because they lacked the $1M+ net worth and $250K+ liquid assets that traditional franchise financing demands.

Through FranShares' crowdfunding platform, this motivated team secured funding and became franchise owners. Typically, it takes years to reach the average store performance, yet they beat it in their first year – proving yet again that operational experience is ultimately more valuable than personal wealth in running successful franchises.

That's just one example of how FranShares helps investors achieve financial success through franchise investing. Those who could never have accessed franchise ownership in the past can now participate in this asset class with investments starting at just $500. They receive distributions and equity appreciation without any operational responsibilities – or headaches – of running a franchise.

Purpose of this Guide

This guide will help you:

- Understand the benefits and mechanics of franchise investing
- Learn how FranShares has democratized access to this asset class
- Evaluate opportunities and assess risks
- Navigate the investment process from start to finish

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Invest in Franshises with FranShares

What Is a Franchise?

A franchise is a business model in which an entrepreneur (the franchisee) purchases the right to operate under the branding and operational system of an established company (the franchisor). This business model is extraordinarily diverse, spanning countless industries from food chains like McDonald's to fitness centers like OrangeTheory to healthcare providers such as The Joint Chiropractic to home service providers like ServPro … the list goes on and on.

For decades, private equity firms, celebrities, and ultra-wealthy investors have recognized franchise investment as a vehicle for steady income, portfolio diversification, and inflation hedging – while avoiding the volatility of public markets. These sophisticated investors choose franchises because they offer proven business models, extensive training and support, and significantly lower failure rates than start-ups.

The challenge for anyone who isn't a celebrity or rich has always been access. Until now, franchise ownership required substantial upfront capital, significant time commitment, and operational expertise. FranShares has changed that by offering what's known as "fractional" franchise ownership, which means investors each purchase a percentage of a franchise, rather than having to finance the whole business.

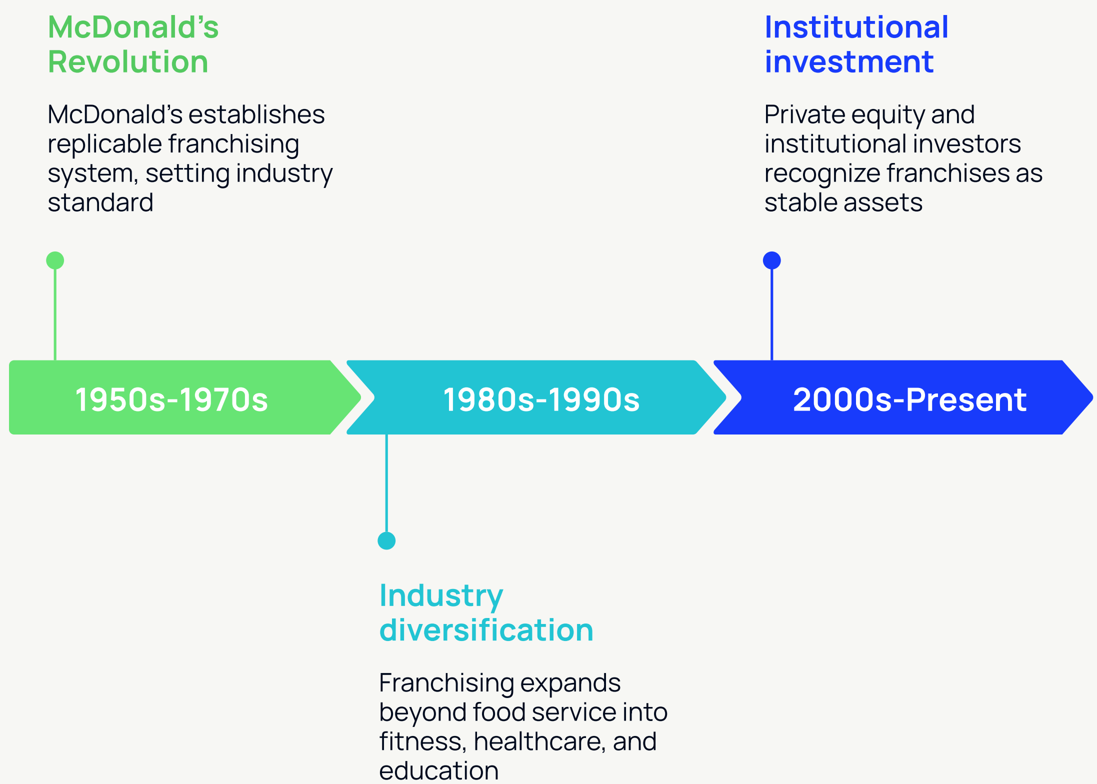
A Little Background

Franchising has evolved over a century into one of the most successful expansion models in commerce:

- **1950s–1970s:** McDonald's revolutionized franchising with a replicable system ensuring consistency across locations. Other national brands followed this blueprint.
- **1980s–1990s:** Franchising expanded beyond food service into diverse industries including fitness, healthcare, education, and home services.
- **2000s–Present:** Private equity firms and institutional investors began recognizing franchises as a stable, high-yield asset class.

Today's franchise landscape ranges from small local operators to massive institutional players managing hundreds of locations. The fundamental appeal remains consistent: a proven business model with brand recognition, operational support, and scalability.

Key Milestones in Franchising History

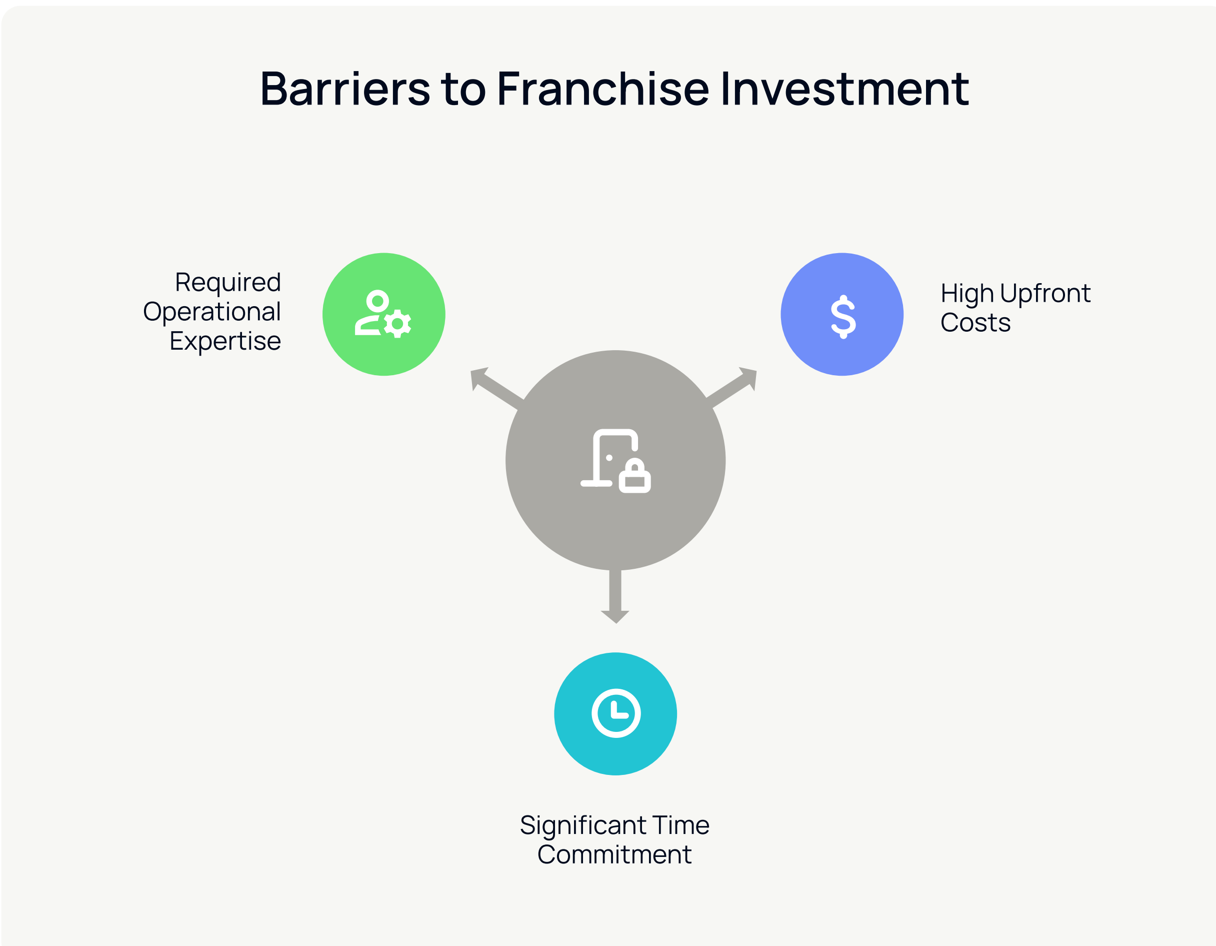


> "FranShares is offering fractional franchise ownership, which means investors each purchase a percentage of a franchise, rather than having to finance the whole business."

Core Rationale

Three significant barriers have traditionally kept everyday investors from participating in franchising:

1. **High upfront costs** — Opening a single franchise location typically requires between $100,000 to over $1 million in cash, plus additional buildout costs.
2. **Significant time commitment** — Operating a franchise requires hands-on management of hiring, scheduling, procurement, and countless other day-to-day responsibilities.
3. **Required operational expertise** — Running any business requires management skills and market knowledge, including financial management, marketing, and customer service expertise.



So what changed? The JOBS Act of 2012, along with subsequent regulations (D, CF, and A+), created the legal foundation for platforms like FranShares to democratize franchise investing.

The FranShares Model

The investment concept we've developed is simple but transformative. FranShares' pioneering platform makes franchise investing possible for everyone through fractional ownership. Here's how we go about it:

- Through rigorous due diligence, we identify high-potential franchises across various industries.
- We connect these opportunities with:
  - experienced operators who have the skills but not the capital to become franchisees, and
  - existing franchisees seeking expansion.
- We pool investor capital to fund these franchise developments.
- Investors receive returns through regular distributions and long-term equity appreciation.

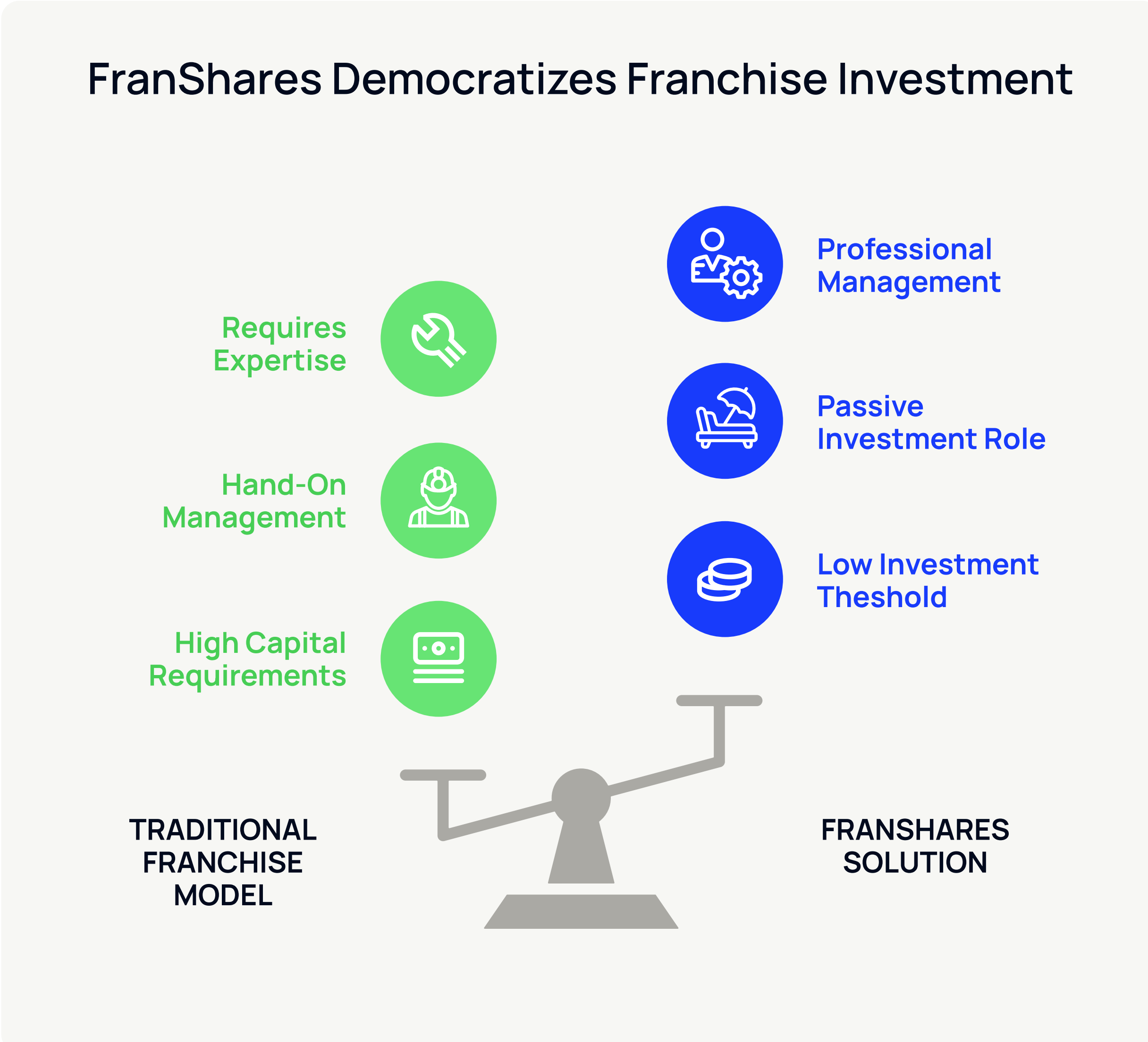
Think of us as a stock market for franchising: We provide the platform and vetting process, while investors make their own decisions about which opportunities align with their financial goals.

Traditional Barriers vs. the FranShares Opportunity

The traditional franchise model excludes many qualified operators and interested investors, and we wanted to change that. Here's a short explanation of how FranShares addresses each barrier.

- **High Capital Requirements**
  - Traditional Model: Requires $100,000 to $1M+ in cash, along with a high net worth.
  - FranShares Solution: Investments start at just $500, allowing fractionalized ownership.
- **Time Commitment**
  - Traditional Model: Demands hands-on management of daily operations.
  - FranShares Solution: Invest in experienced owner-operators while maintaining purely passive positions.
- **Operational Expertise**
  - Traditional Model: Requires business management skills and industry knowledge.
  - FranShares Solution: Our thorough vetting of owner-operators ensures franchises are run by qualified professionals.

By eliminating the barriers of traditional franchise models, FranShares has created a truly passive investment opportunity for motivated investors.



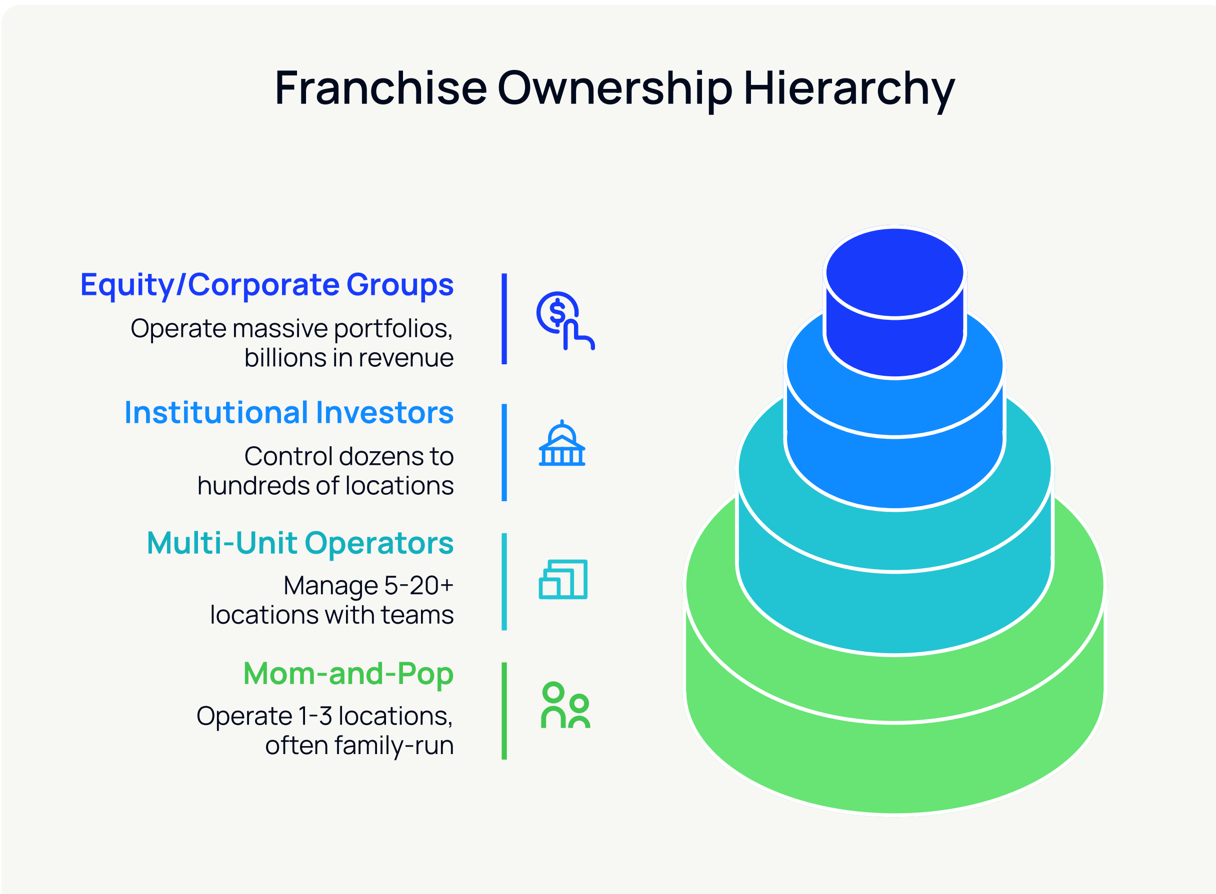
“ The investment concept we’ve developed is simple but transformative. FranShares' pioneering platform makes franchise investing possible for everyone through fractional ownership.

How You Become a Franchisee

The franchise industry features several distinct tiers of ownership:

- **Mom-and-Pop Franchisees** operate one to three locations, often as family businesses.
- **Sophisticated Multi-Unit Operators** manage five to 20+ locations with structured teams.
- **Institutional Franchise Investors** run large-scale groups controlling locations ranging in number from dozens to hundreds.
- **Private Equity and Corporate Franchising Groups** operate massive portfolios that generate billions in revenue.

Despite this wide variance in scale, becoming a franchisee traditionally requires substantial financial qualifications regardless of operational experience.



Why Franchising?

The benefits of investing in franchises are numerous, starting with extraordinary growth potential: The franchise industry consistently demonstrates remarkable resilience and growth.

- The sector achieved **2.2% growth** in 2024, exceeding the 1.9% forecast;
- There are **4,000+** brands spanning nearly every consumer-facing sector;
- Collectively, franchises generate **$890 billion** in economic output.

These metrics validate franchising as a robust business model that thrives across economic cycles. The combination of proven systems, brand recognition, and operational support creates a foundation for success that helps explain why franchise businesses typically experience lower failure rates than independent startups.

Key Metrics of the Franchise Industry

Immediate Investor Benefits

Franchise investing through FranShares offers several distinct advantages:

- **Potential Passive Income:** Franchise businesses generate actual operating income, providing a steady income stream without active involvement.
- **Equity Appreciation:** Franchise locations typically increase in value over time, creating an attractive total return profile.
- **Lower Volatility:** Franchise valuations derive from actual business performance rather than market sentiment or speculative trading.
- **Potential Inflation Hedge:** Franchises can adjust pricing in response to inflation, helping maintain profit margins during inflationary periods.
- **Recession Resistance:** Many franchise sectors provide essential services that remain in demand regardless of economic conditions.

Network Access & Exclusive Deals

FranShares provides unique access to a carefully curated network of high-quality franchise opportunities that would otherwise remain inaccessible to everyday investors. Our thorough vetting process ensures that less than 1% of opportunities meet our criteria for listing.

By connecting investors with experienced operators who need funding, we create exclusive investment opportunities unavailable through traditional channels.

Discover the Benefits of Franchise Investing with FranShares

The Opportunity in Franchise Investing

Franchise investing represents a unique intersection of small business ownership and institutional investment, offering benefits that few other asset classes can match:

Consistent Income Streams: Franchise businesses typically generate regular cash flow, allowing for profit distributions to investors. Unlike speculative investments that rely solely on price appreciation, franchises produce actual operating income.

Asset Growth: Beyond regular distributions, franchise locations often increase in value substantially over time. This combination of income and appreciation creates a compelling total return profile.

OPEN

Scalability: Building and operating multiple locations enables owner-operators to leverage the same management and back office processes to increase overall margins, store count, and profits.

Diversification Beyond Traditional Markets: Franchise investments operate independently from stock markets, bond yields, or cryptocurrency volatility.

Inflation Protection: As operating businesses selling products and services, franchises can generally adjust their pricing in response to rising costs.

Brand Value: Established franchise brands bring built-in recognition and customer loyalty, reducing risks associated with starting an independent business.

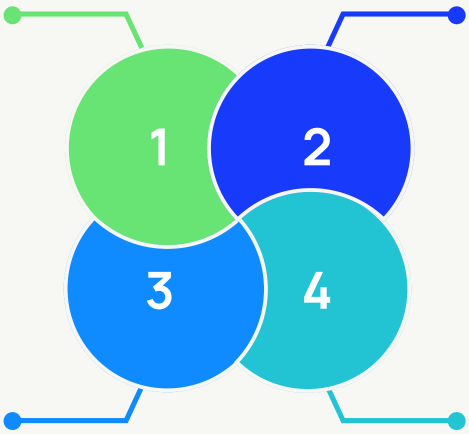
Franchise Investment Benefits

Emerging Franchise (0-50 Units)

Shows potential for growth but lacks financial stability

Growth Stage Franchise (50-250 Units)

Offers better financial stability and market resilience



Mature Franchise (250-1,000+ Units)

Provides financial stability but struggles with market resilience

Globally Expanding Brand (1,000+ Units)

Best for large-scale investors and may offer lower entry costs

Why Franchise Investing is Different

Franchise investing occupies a unique position in the investment landscape:

Investment Type	Liquidity	Risk Level	Income Potential	Growth Potential
Stocks & Bonds	High	Low-Medium	Moderate	High (volatile)
Real Estate	Medium	Medium	High (rents)	Medium-High
Private Equity	Low	High	High	High (scalability)
Franchise Investing	Medium	Medium	High (profit-sharing)	High (scalability)

Unlike stocks, which can experience dramatic price swings based on market sentiment, or real estate, which is heavily impacted by interest rate changes, franchises are primarily valued based on their business performance rather than external financial conditions.

And unlike startup investments, franchises operate with proven business models, established brand recognition, and ongoing franchisor support. This significantly reduces execution risk.

Why Franchises Raise on FranShares

Different types of franchise operators face unique challenges that make crowdfunding through FranShares attractive:

- **Mom-and-Pop Franchisees** looking to expand beyond their initial locations often find themselves in a capital bind. They've used their personal resources to launch their first units and need additional capital for expansion.
- **Sophisticated Multi-Unit Operators** need significant capital to develop new markets or acquire additional units. Despite their proven track record, they may have already leveraged their personal assets in existing locations.
- **Institutional Franchise Investors** want to maintain control of their businesses while accessing growth capital. Private equity backing typically means surrendering significant control, while retail investors maintain passive ownership and can be customers themselves, driving up revenue.

What unites all these operators? They're in the franchise business, not the fundraising business. FranShares takes fundraising responsibilities off their plate so they can focus on what they do best—operating successful franchise locations.

How to Fund Franchise Investments

- **Traditional Band Loans** Requires strong credit and collateral, focuses on personal finances
- **SBA Loans** Offers lower down payments, but involves extensive paperwork
- **Self Funding** Provides control, but carries high personal financial risk
- **Private Equity** Access to capital, but demands control and growth targets
- **FranShare/Crowdfunding** Access to capital without control or debt, based on operator experience

Who Prospective Franchisees Are

The current franchise industry faces a fundamental talent mismatch. Consider the parallel with venture capital (startup investing):

In venture capital, investors prioritize founders with relevant experience, an executable business plan, and demonstrated grit. They would never invest in founders who were already millionaires but came from completely different industries and planned to hire others to run their startups.

A New Breed of Franchisee

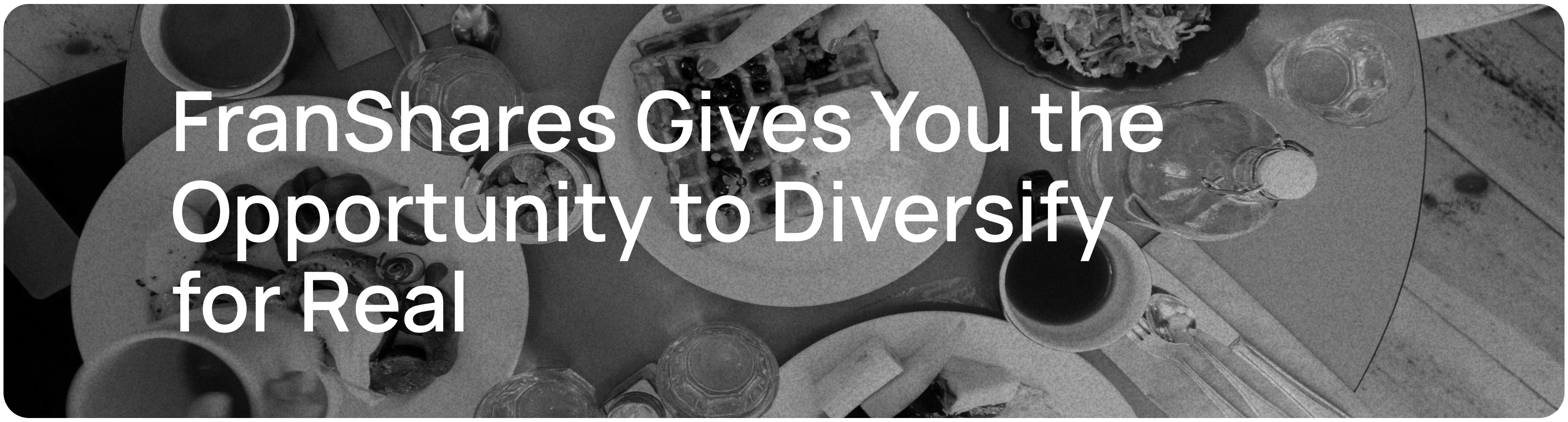
FranShares enables a fundamentally different approach: connecting experienced operators who thoroughly understand the business with investors seeking passive income opportunities.

Consider how Chick-fil-A has built the highest-performing fast food chain in America. Unlike most franchisors that prioritize financial qualifications, Chick-fil-A selects operators primarily based on their operational capabilities and cultural fit. The result? Their locations achieve the highest Average Unit Volumes in the industry.

When you watch Chick-fil-A commercials, you'll notice the sandwich sits on a stool to the side while the operators take center stage. This visual metaphor captures a profound truth about franchising: skilled operators ultimately drive success, not just the underlying product or brand.

By applying this operator-first philosophy to franchise investment, FranShares creates opportunities for everyone involved:

- Skilled operators become owners despite lacking personal wealth
- Investors receive passive income from well-managed franchise locations
- Franchisors gain access to higher-quality operators who might otherwise be excluded
- Customers benefit from better-run businesses delivering superior experiences



FranShares Gives You the Opportunity to Diversify for Real

What Is Fractional Franchise Investing?

Fractional franchise investment allows multiple investors to collectively own shares in professionally managed franchise locations. This model successfully democratizes access by reducing minimum investments and spreading risk across multiple participants.

By extending this model to franchising, FranShares enables investors to acquire partial ownership in carefully selected franchise locations. Each investor owns a proportional share based on their investment amount.

This innovative investment strategy effectively addresses the three primary barriers to traditional franchise ownership:

- **Up-front costs** are dramatically reduced through fractional ownership, with minimums starting at just $500.
- **Time commitment** is eliminated as professional operators handle all day-to-day responsibilities.
- **Operational expertise** is ensured by selecting experienced operators with proven track records.

> “Fractional franchise investment allows multiple investors to collectively own shares in professionally managed franchise locations.

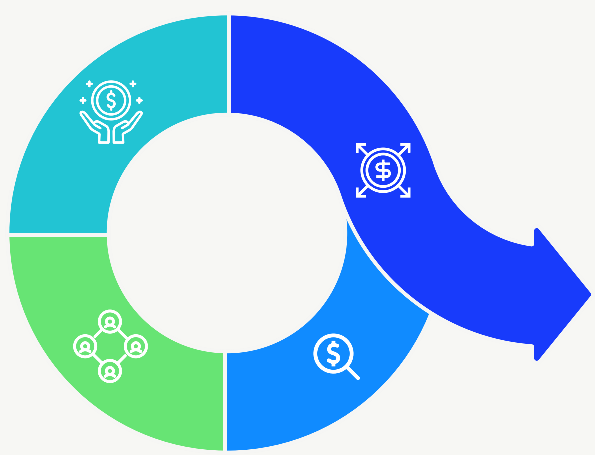
How FranShares Democratizes Franchise Investing

FranShares has created a four-step process that connects investors with high-quality franchise opportunities:

1. Franchisee Partnership: FranShares partners with vetted franchisees and franchisors to identify high-potential opportunities for new locations, acquisitions, or conversions.
2. Investor Raise: FranShares launches a funding campaign, allowing investors to purchase fractional shares in the franchise deal through a streamlined online platform.
3. Franchise Launch & Operations: the funded franchise is opened or acquired, with the operator running the day-to-day. Investors begin receiving preferred returns from profits.
4. Ongoing Returns & Exit Options: Investors may earn regular profit distributions and can benefit from potential long-term upside through a buyout, resale, or continued ownership.

Both accredited and non-accredited investors can participate, depending on the specific offering structure.

FranShares Investment Cycle



1

Franchisee Partnership

Conduct due diligence to find high-potential opportunities

2

Investor Raise

Enable investors to buy fractional shares in a franchise deal

3

Franchise Operations

Experienced operators run day-to-day operations

4

Ongoing Returns & Exit

Provide returns to investors based on performance

Benefits of Investing with FranShares

Fractional franchise ownership through FranShares offers investors numerous advantages:

Accessible to All: FranShares allows both accredited and non-accredited investors to participate with investments starting from just $500. This democratization opens franchise investing to a far broader audience.

100% Passive Income: FranShares investors delegate all operational responsibilities to experienced operators. This creates a truly passive investment where you benefit from franchise economics without the operational burden.

Superior Deals: FranShares applies institutional-quality due diligence to every opportunity on our platform. Less than 1% of opportunities meet our rigorous standards.

Experienced Operators: We carefully vet potential franchisees to ensure they have relevant experience, operational discipline, and a clear vision for success. Many come directly from within franchise systems but previously lacked access to ownership due to financial barriers.

True Diversification: FranShares enables diversification across multiple areas:

- Across industries (fitness, healthcare, food service, home services)
- Across geographies (different markets and economic regions)
- Across service models (retail, service-based, appointment-driven)

Transparency and Reporting: We maintain rigorous reporting standards, providing investors with regular financial statements, quarterly performance updates, and monthly communications.

How We Make Passive Franchise Investing a Reality

Investment Process and Structures

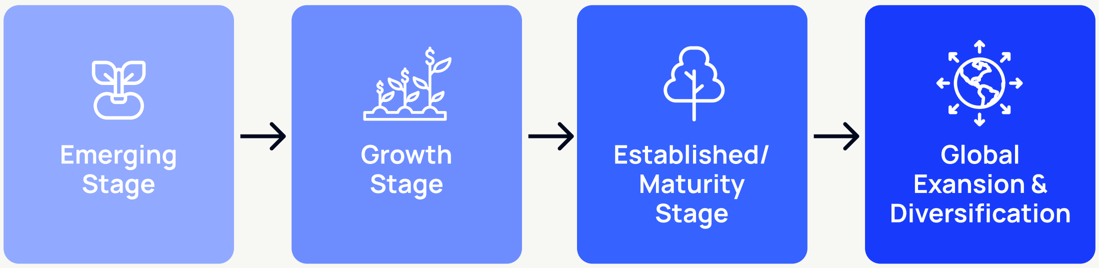
How Franchise Investments Work

The franchise industry offers diverse investment opportunities. Understanding these options helps investors make informed decisions.

Growth Stage of the Franchise Brand

1. **Emerging Stage (0–50 units):** These newly launched concepts are establishing their business model. While they offer potentially higher returns and untapped markets, they also carry greater risk due to unproven scalability. Note: FranShares does not currently offer emerging franchise investments due to their higher risk profile.
2. **Growth Stage (50–250 units):** Franchises in this stage have validated their business model and are still expanding rapidly. They've developed more structured support systems while building increasing brand awareness.
3. **Established/Maturity Stage (250–1,000+ units):** These franchises feature strong brand recognition, standardized operations, and proven economics across many markets. They typically offer lower risk due to their established track record.
4. **Global Expansion & Diversification (1,000+ units):** The largest franchise systems have sophisticated corporate infrastructures but may face challenges maintaining innovation as they scale and have more limited available territories to develop in.

Franchise Investment Stages



INVESTING IN FRANCHISEES: NEW BUILDOUTS VS. EXISTING LOCATIONS

NEW BUILDOUTS: HIGHER RISK, HIGHER UPSIDE

New franchise locations require developing sites from the ground up. This approach offers greater upside potential as you're investing in buildout cost instead of a multiple on an existing location but requires patience, as new units typically take 12-18 months to reach stabilized cash flow.

The most successful new buildout investments typically involve one of three operator profiles:

1. **MUMBOs (Multi-Unit Multi-Brand Operators)** are franchisees with demonstrated success across different systems.
2. **Expanding Franchisees** already operating within the system who are scaling their existing platform.
3. **Internal Operators Turned Owners** who have worked within the franchise system for years.

Existing Locations: Lower Risk, More Predictable Returns

Investing in established franchise locations provides more immediate cash flow with a proven performance track record, yet with less equity appreciation. Existing location investments take several forms:

4. **Acquisitions** involve purchasing operating franchise locations from current owners.
5. **Remodels** invest in upgrading existing locations to meet new brand standards.
6. **Recapitalizations ("Recaps")** provide liquidity to existing franchisees or investors without a full sale.

How You Earn Returns from Franchise Investing

Franchise investments generate returns through multiple mechanisms:

1. Cash Flow (Distributions) Once established, franchise locations typically generate regular operating profits that flow to investors through distributions. These distributions generally occur on a quarterly, semi-annual, or annual basis.

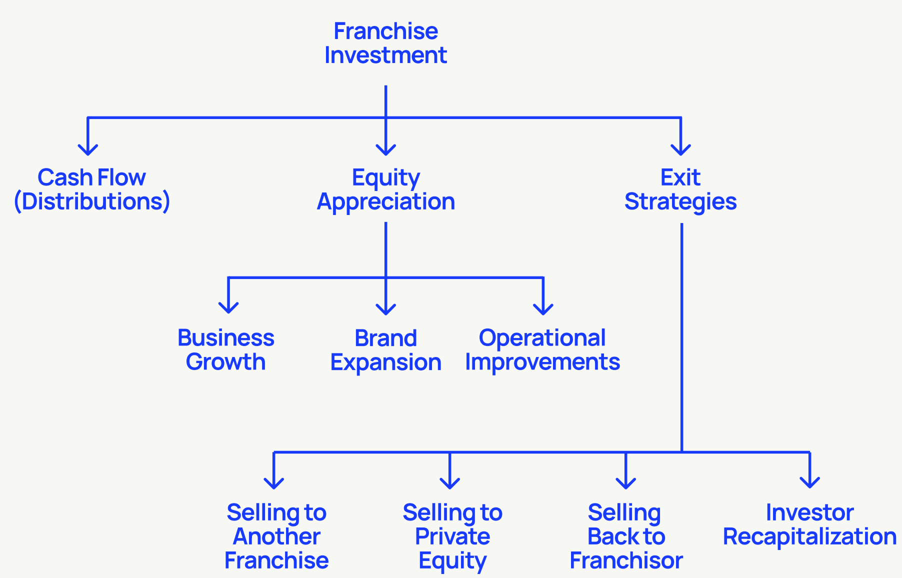
2. Equity Appreciation Beyond regular distributions, franchise locations typically increase in value over time through several factors:

- Business growth as sales and profits increase
- Expansion of the brand's overall footprint
- Operational improvements that enhance margins

3. Exit Strategies Franchise investments offer multiple liquidity paths:

- **Selling to Another Franchisee**
- **Selling to Private Equity**
- **Selling Back to the Franchisor**
- **Investor Recapitalization**

Franchise Investment Returns



Time Horizon

Each franchise investment has its own projected timeline, typically ranging from 2-3 years for shorter-term opportunities up to 7-10 years for long-term growth strategies. We recommend investors plan for the full anticipated holding period to maximize returns.

Different Types of Franchise Investments

FRANCHISEES VS. FRANCHISORS

A **franchisor** owns the overall brand, business model, and systems. They grant licenses to independent business owners and provide training and support in exchange for initial franchise fees and ongoing royalties.

A **franchisee** purchases the right to operate under the franchisor's brand and system. They invest capital to develop locations, hire staff, and manage daily operations.

While most opportunities on FranShares involve investing in franchisees, we occasionally offer investments in franchisors.

Investing in Franchisors

Investing in a franchisor offers several advantages:

- **Scalable Revenue Model** through franchise fees and royalties
- **Lower Operational Risk** with less exposure to day-to-day challenges
- **Strong Profit Margins** through royalties rather than direct sales
- **Brand Equity Growth** as the network expands
- **Acquisition Interest** from private equity and strategic buyers

Investment Structure and Business Model

FranShares offers various investment structures:

Straight Equity investments provide direct ownership with full participation in profits.

Preferred Shares offer priority in profit distributions and liquidation proceeds.

Revenue Sharing arrangements provide investors with a percentage of top-line revenue.

Debt lets investors act as lenders, providing capital with a fixed return rather than an equity stake.

Waterfall Structures create tiered distribution models prioritizing certain investor classes.

Evaluation & Due Diligence

HOW FRANSHARES SELECTS AND VETS FRANCHISES

A Franchise Warning

Despite the many advantages of franchise investing, not all franchises represent good investment opportunities. With more than 4,000 franchise brands in the United States, more than there are stocks on the NASDAQ. Just like the market, there are inevitably winners and losers.

Many franchise concepts fail to achieve sustainable economics, lack proprietary advantages, or face insurmountable competitive challenges. Even well-known brands can experience declining performance due to changing consumer preferences.

Our selectivity reflects our commitment to presenting only high-quality investments with strong foundations for success.

Our selection process applies institutional-quality due diligence across three critical dimensions:

Brand Evaluation

Return On Investment (ROI) — We analyze the franchise's unit economics, reviewing both investment requirements and potential returns.

Growth Trajectory — We examine same-store sales trends and overall location growth to identify brands with sustainable momentum.

Leadership Quality — We evaluate executives' backgrounds in both their specific industry and franchising generally.

Long-Term Sustainability — We focus on essential services with sustainable long-term outlooks.

Competitive Positioning — We analyze each brand's competitive advantages and barriers to entry.

Operator Assessment

Track Record & Experience We look for operators who have:

- Successfully run franchise locations before
- Experience scaling multiple units
- Worked directly in the same industry

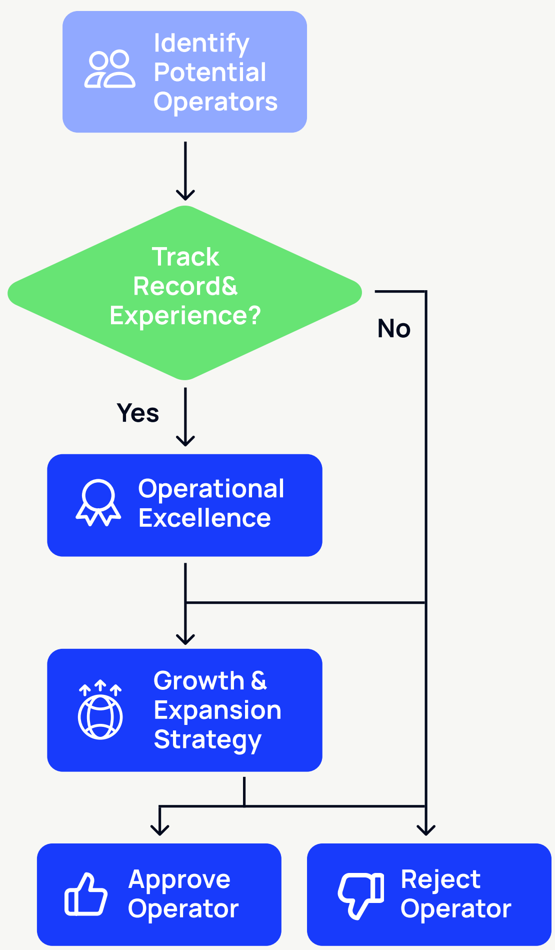
Operational Excellence We seek operators who:

- Effectively recruit, train, and retain employees
- Implement systems consistently
- Maintain strong customer service

Growth & Expansion Strategy We prefer operators who:

- Expand methodically with careful market analysis
- Secure optimal locations with favorable terms
- Embrace technology to enhance operations

Operator Assessment Process



Opportunity Analysis

We evaluate each investment opportunity structure to ensure it balances investor and operator interests:

- Projected cash-on-cash returns and IRR
- Deal structure (equity, revenue sharing, preferred returns)
- Fee structure and transparency
- Alignment of operator incentives with investor success

This comprehensive due diligence process ensures that only exceptional opportunities reach our platform, with less than 1% of evaluated deals meeting our stringent criteria.

Franchise Regulation and Introduction to the FDD

Franchising benefits from robust regulatory oversight designed to protect both franchisees and investors. The Federal Trade Commission (FTC) enforces the Franchise Rule, mandating comprehensive disclosures through the standardized Franchise Disclosure Document (FDD) containing 23 detailed sections.

Key components include:

- **Initial Investment and Fees (Items 5, 6, and 7)** detail all upfront costs and ongoing fees.
- **Franchisor's Experience and Background (Item 1)** outlines the company's history.
- **Support and Training (Items 11 and 17)** describe the operational assistance provided.
- **Financial Performance Representations (Item 19)** provides authorized claims about unit-level financial results.
- **System Growth and Stability (Item 20)** shows franchise turnover rates and system expansion trends.

HOW TO EVALUATE FRANCHISE INVESTMENT OPPORTUNITIES ON FRANSHARES

While FranShares conducts extensive due diligence before listing opportunities, we encourage investors to perform their own analysis:

Industry Considerations

- **High-Growth Industries** like health/wellness and home services often offer strong return potential due to expanding consumer demand.
- **Saturated Markets** such as quick-service restaurants may still offer attractive returns but require greater differentiation.
- **Recession-Resistant Sectors** including automotive repair and healthcare services tend to maintain stable performance regardless of economic conditions.

Key Metrics to Evaluate

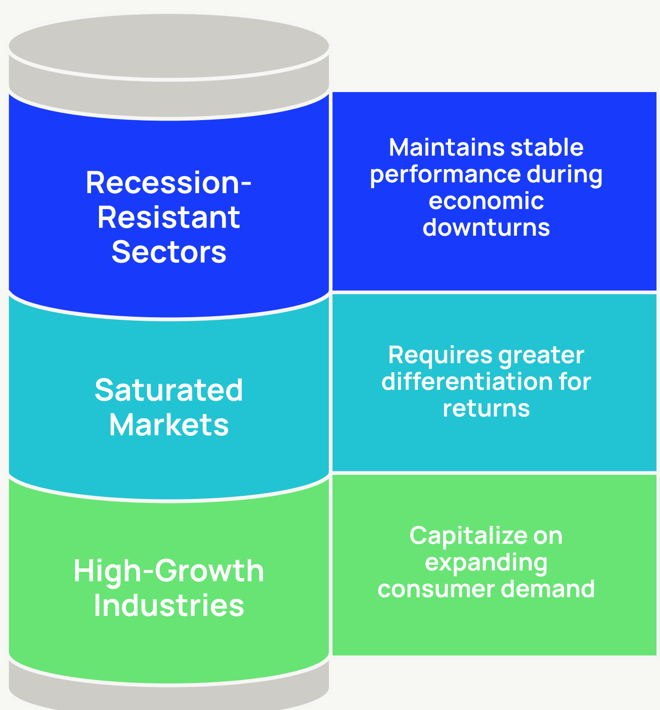
- **Initial Investment & Projected Returns** — Compare the required capital investment against projected cash flow and appreciation.
- **Brand Strength & Recognition** — Assess the franchise's market position and competitive differentiation.
- **Expansion Potential** — Evaluate the franchise's ability to grow within its target markets.

Performance Indicators

- **Item 19 Financial Performance** data provides authorized representations about unit-level results.
- **Growth Trends** in both same-store sales and unit openings indicate brand momentum.

Franchise Risk

Understanding franchise investment risk involves assessing industry stability and growth potential, ranging from high-growth opportunities to recession-resistant stability.



Risks to Consider & Due Diligence Checklist

Like all investments, franchise opportunities involve inherent risks:

- **FDD Red Flags** may signal underlying problems within the franchise system. Watch for high franchisee turnover rates, significant litigation history, or franchisor financial instability.
- **Industry Trends & Market Shifts** can dramatically impact franchise viability.
- **Fads vs. Sustainable Models** Distinguish between trendy concepts with limited staying power and enduring business models addressing fundamental consumer needs.

Due Diligence Checklist

Before committing to any franchise investment, consider:

Brand Assessment

- Research the franchisor's history, leadership team, and growth trajectory
- Review customer feedback to gauge satisfaction and loyalty

Operator Evaluation

- Review the franchisee's experience within the specific franchise system
- Examine their track record managing teams and scaling operations

Investment Structure Analysis

- Understand the equity structure and distribution priorities
- Review fee arrangements and reporting commitments

How to Build a Diversified Franchise Portfolio

- **Strategic diversification** enhances franchise investment performance:
- Industry Diversification: Spread investments across multiple sectors to mitigate industry-specific risks.
- **Growth Stage Diversification:** Balance investments across franchise development stages to optimize risk-return profiles.
- **Geographic Diversification:** Distribute investments across different regions to reduce exposure to localized economic conditions.
- **Investment Structure Diversification:** Participate in various deal structures to create complementary risk-return profiles.

By thoughtfully diversifying across these dimensions, investors can create robust franchise portfolios delivering consistent returns while minimizing exposure to any single risk factor.

Discover FranShares: Tactical Steps on How to Get Started

Getting Started

Investing in franchises through FranShares follows a straightforward process:

Review Open Offerings

Begin by exploring currently available investment opportunities on the FranShares platform. Each listing provides comprehensive information including:

- Detailed brand overview and competitive positioning
- Operator background and relevant experience
- Investment structure and projected returns
- Risk factors and mitigation strategies

Register for the Offering

Once you've identified an appealing opportunity, click the "Invest Now" button to begin the funding process. Indicate your intended investment amount based on your financial objectives and the offering's minimum investment requirement.

You can register as either an individual investor or an entity (LLC, trust, corporation).

Verify Your Identity

Complete the Know Your Customer (KYC) process, which includes submitting a government-issued photo ID and confirming personal information. This is to prevent fraud and anti-money laundering requirements.

Prove Your Accreditation Status (if required)

Depending on the offering structure, you may need to verify your status as an accredited investor. This requirement applies to Regulation D offerings and certain aspects of Regulation A+ investments.

The simplest verification method involves a third-party verification letter from your accountant, attorney, or financial advisor that you can find in the documents section of the offering.

Alternatively, you can provide documentation demonstrating:

- Income of $200,000+ individually (or $300,000+ jointly with a spouse) for the past two years
- Net worth exceeding $1 million (excluding your primary residence)

Sign the Subscription Agreement

Once your accreditation is confirmed (if applicable), you'll receive the opportunity's subscription agreement detailing the specific terms, conditions, and investor rights associated with the offering.

Fund Your Investment

We support wire transfers, credit card payments, and investments through our partner, AltoIRA, a leading provider of individual retirement accounts (IRA), which can hold alternative investments and offer applicable tax benefits.

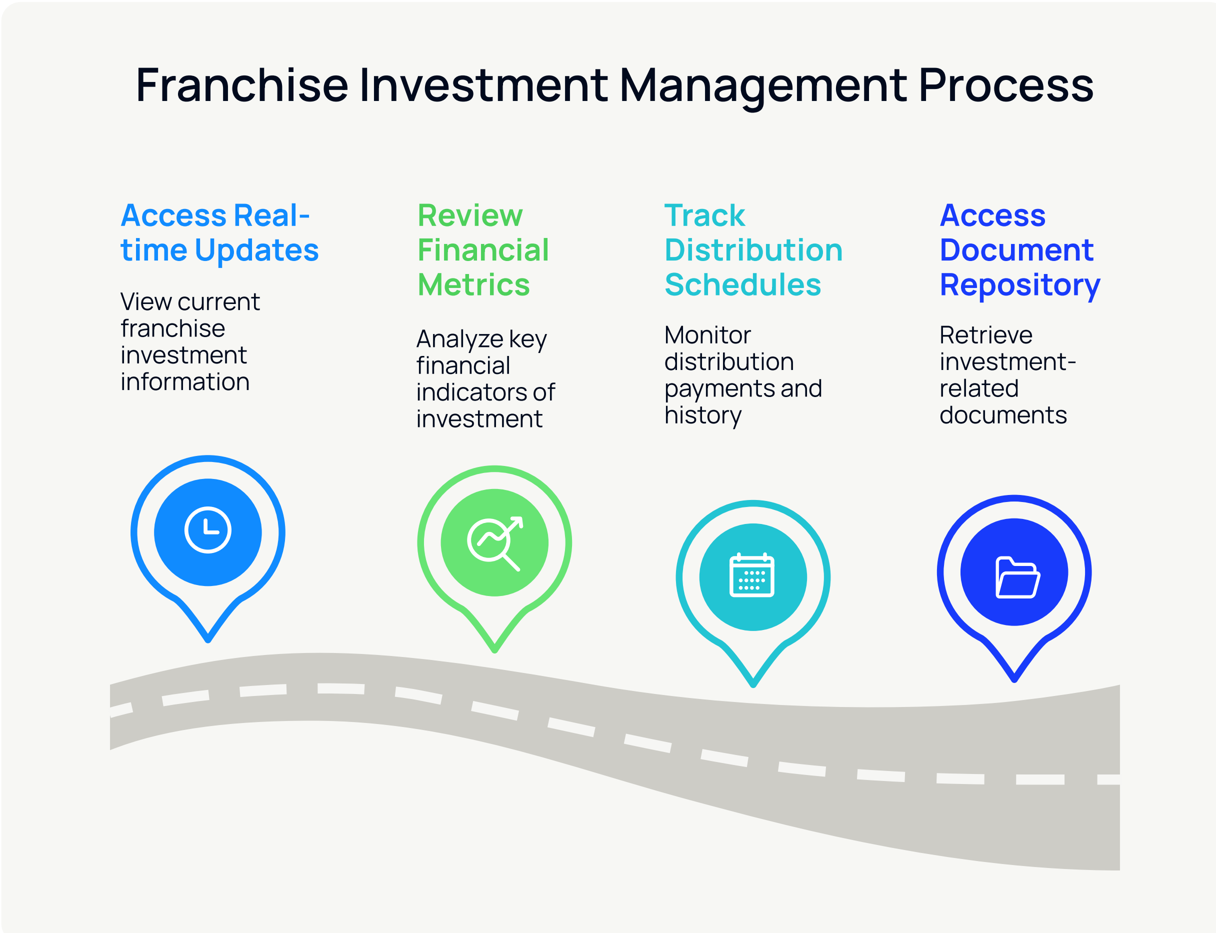
After funding, you'll receive confirmation of your investment and welcome materials including account access instructions.

For questions about the investment process, contact our investor relations team at support@franshares.com.

How to Invest and Track Your Portfolio

The FranShares platform provides comprehensive tools for monitoring your franchise investments:

- **Real-time Investment** Updates Access current information about your franchise holdings, including development milestones, operational metrics, and financial performance.
- **Financial Performance Metrics** Review key financial indicators including revenue trends, profitability metrics, and distribution history.
- **Distribution Schedules and History** Track all distributions received from your investments, including payment dates, amounts, and comparison to projections.
- **Document Repository** Access all investment-related documentation including subscription agreements, operating reports, tax documents, and investor communications.



What to Expect After Investing and Staying Informed

After completing your investment, you'll receive:

- **Regular Performance Updates:** Quarterly reports detailing your investments' operational and financial performance.
- **Financial Reporting:** Detailed financial statements including income statements, balance sheets, and cash flow reports.
- **Distribution Notifications:** Advance notice of upcoming distributions with explanation of calculation methodology.
- **Educational Resources:** Ongoing franchise industry insights, market analysis, and investment strategy guidance.

FranShares maintains comprehensive reporting standards and strong compliance protocols, ensuring you always have accurate, timely information about your investments.

FAQs and Resources

COMMON QUESTIONS ABOUT FRANSHARES AND FRANCHISE INVESTING

Who can invest in franchise opportunities through FranShares?

Both accredited and non-accredited investors can participate, depending on the specific offering structure:

- Regulation CF offerings are open to all investors regardless of income or net worth
- Regulation A+ offerings are generally available to all investors, with some limitations for non-accredited investors
- Regulation D offerings are primarily designed for accredited investors

What is the minimum investment required?

Investment minimums vary by opportunity and are clearly stated in each offering's details. Minimums typically range from $500 for broad-participation offerings to $10,000+ for specialized investments.

How long should I expect to hold my franchise investment?

Franchise investments typically have defined investment horizons ranging from two to three years for shorter-term opportunities up to seven to ten years for long-term growth strategies.

How are distributions calculated and paid?

Distributions represent your share of the franchise's distributable cash flow after covering operating expenses, debt service, and reasonable reserves. Distribution amounts fluctuate based on business performance.

Is there a secondary market for my shares?

While FranShares is developing a trading platform to facilitate investor liquidity, we currently cannot guarantee the ability to exit investments before their planned term. Most investments include a minimum one-year holding requirement before shares become transferable.

Glossary of Key Terms

Accredited Investor: An individual with $200,000+ annual income ($300,000+ jointly) or $1M+ net worth excluding primary residence.

Average Unit Volume (AUV): The average annual revenue generated by a single franchise location within a system.

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization; a measure of operational profitability.

FDD (Franchise Disclosure Document): A legally required document providing comprehensive information about a franchise opportunity.

Franchisee: The individual or entity that purchases the right to operate a business using the franchisor's brand and system.

Franchisor: The company that owns the brand, business model, and systems of a franchise.

JOBS Act: The Jumpstart Our Business Startups Act of 2012 that enabled equity crowdfunding.

Regulation A+: An SEC regulation allowing companies to raise up to $75M from the public with fewer requirements than a full IPO.

Regulation CF: An SEC regulation enabling businesses to raise up to $5M per year from both accredited and non-accredited investors.

Regulation D: An SEC regulation allowing private offerings to accredited investors with fewer disclosure requirements.

Royalty Fee: The ongoing fee (typically 4-8% of gross sales) that franchisees pay to franchisors for the continued use of their brand and support systems.

Helpful Links and Further Reading

- FranShares Website: franshares.com
- SEC Regulation A+ Overview
- SEC Regulation CF Overview
- Franchise Industry Reports
- FTC Franchise Rule Information

Have additional questions? Please email support@franshares.com and we will be happy to help.