



Franchises and the Veterans First Contracting Program Fact Sheet

Issue:

The Center for Verification and Evaluation's (CVE) approach toward franchises applying for verification.

Discussion:

Franchises are not automatically excluded from applying for verification. Generally, franchises' business documents contain provisions which do not allow the Veteran or service-disabled Veteran owner complete authority in managing and controlling critical elements of the firm.

CVE does not have a definition for franchises. Franchises are examined by CVE no differently than any other company seeking verification per 38 CFR Part 74.

Specifically, 38 CFR § 74.4(a) states "[c]ontrol means both the day-to-day management and long-term decision making authority for the VOSB..."

38 CFR § 74.4(b) provides "[c]ontrol is not the same as ownership, although both may reside in the same person. CVE regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations. An applicant or participant's management and daily business operations must be conducted by one or more veterans or service-disabled veterans..."

To the extent the franchise agreement does not impose restrictions on the Veteran owner's ability to manage and control the franchise, the franchisee may be found eligible. However, that is not usually the

case. Most franchise agreements seek to maintain control of the company in a manner which prevents the Veteran from making decisions concerning day-to-day operations and the overall direction of the company.

Examples

Examples of provisions that CVE would find controlling in the case of a franchise include:

- Franchisee shall participate in the system-wide marketing and advertising established by the franchisor. Franchisee shall contribute to marketing and advertising fees.
- The franchise owner must devote full business time and attention to the operation of the franchise, cause the franchise to be effectively and efficiently operated, and attend such training sessions as may be reasonably deemed necessary.
- Franchisee may not delegate primary responsibility for the operation of the franchise, the primary place of business, or any additional office or training facility, without franchisor's written consent.
- The franchise owner may at no time be employed by, perform any service for, or operate any business of any kind other than the franchise business, wherever located, without the prior written consent of the franchisor. If the franchisor consents to the franchisee being employed by, performing any service for,

or operating any other business, then the franchisor may require the franchisee to delegate primary responsibility for the operation of the franchise business.

CVE has several resources in place to assist firms throughout the application process. To ensure your firm's success, please utilize any of the following:

[Verification Assistance Program](#)

[Verification Assistance Briefs](#)

[Verification Self-Assessment Tool](#)

[CVE Verified Counselors](#)

Visit <http://www.VetBiz.gov> for more information about CVE and the Verification Process.

The Center for Verification and Evaluation

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Monday-Friday

8 a.m. to 8 p.m. (Eastern)

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