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Scaling Up: Key Legal Considerations for Multi-Unit Franchisees

By Eric Sigman on February 21, 2026

A franchise is a complex business relationship governed by a franchise agreement, which gives the franchisee the right to operate a business using the franchisor's brand, system, and other intellectual property in exchange for ongoing fees. But this relationship becomes increasingly complex as a franchisee owns more units or locations.

Multi-unit and multi-brand franchisees continue to be a trend in franchising. Many franchisees who have seen success with a brand began as single-unit operators and have expanded their involvement through the acquisition of additional units. Others have entered the system by either acquiring multiple operating franchised businesses as a going concern or by purchasing the right to develop multiple locations of a brand from a franchisor and developing many locations themselves. Operators with larger portfolios of multi-unit and multi-brand holdings are becoming more prevalent. Many multi-unit operators are also expanding into new brands, hoping to find further success in a different industry.

A multi-unit franchise agreement or area development agreement is an agreement between a developer and a franchisor to develop a certain number of locations over a specified period in a designated area. For example, a development agreement could grant a developer the right to develop 10 locations in Massachusetts over 5 years. Perhaps that schedule could require the franchisee to open 2 locations each year over 5 years.

The agreement typically grants the developer the exclusive right to develop franchise units within a specific territory. As long as the developer holds up their end of the bargain and develops the requisite number of units within the requisite time frames, the developer can maintain the exclusive right to develop within that geographic area. This allows the developer the comfort of eliminating competition in a specific area, so they can focus on finding the right locations and developing strong, successful franchised businesses.

For the franchisor, a development agreement awarded to a strong developer is key to building a critical mass of franchised locations in a particular area. A strong developer can roll out several locations in a short period, thereby maximizing the brand's success. The downside is that, if not properly planned and managed, a franchisor could end up with a large number of franchised locations consolidated under a single franchisee.

What's the catch for the developer? The developer is generally required to pay the initial franchise fees for all of the locations under the development agreement upon execution of the agreement. Sometimes the franchisor offers a discounted rate for the initial franchise fees, sometimes not. The other catch is that if the developer fails to maintain the schedule, the franchisor can elect to terminate the development agreement, recapture the territory,

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and retain the initial fees paid by the developer.

There are complicated issues raised by this type of arrangement that require careful negotiation and planning for a multi-unit franchisee. The franchise not only needs to understand and negotiate the typical terms any franchisee would need to negotiate in the franchise agreement, but also unique terms that arise only in the multi-unit development agreement context. These include, for example,

1. Having a reasonably attainable development schedule, ensuring that the development territory is not only adequate to support growth and the proposed number of locations to be developed, but also affords the developer with exclusivity to develop its locations.
2. Understanding the personal guaranty structure and the scope of the liability of the guarantors across the development agreement and individual franchise agreements for each location.
3. Understanding how the multi-unit or area development agreement interacts with the franchise agreements. For example, is a default under the development agreement also a default under the franchise agreements, allowing the franchisor to terminate all agreements?
4. The structure of the development fees. What is the development fee? How is it calculated? How is it paid?
5. The scope of the personal guaranty. Is the franchisor willing to agree to an aggregate or per location cap for the guaranty?
6. Renewal and post-development rights. Is there an option to renew or expand the development agreement? Does the franchisor require the franchisee to periodically refresh the locations, and if so, does that obligation to refresh occur prior to the end of the development schedule? Does exclusivity continue after the development schedule is completed?

Multi unit and area development franchise agreements can be powerful vehicles for growth, allowing brands to expand quickly and enabling developers to build scale within a defined market. At the same time, these agreements carry greater complexity and risk than single unit franchises, particularly because obligations and consequences often extend across multiple locations rather than standing alone.

For developers, success depends on ensuring that development timelines are realistic, territories are truly workable, and financial and personal exposure is carefully limited. For franchisors, the challenge is balancing rapid expansion with appropriate oversight and avoiding over reliance on a single operator. In both cases, the way development rights, fees, guaranties, defaults, and termination provisions are structured at the outset will largely determine how flexible—or restrictive—the relationship becomes over time.

Addressing these issues early and documenting them clearly helps set expectations, reduce uncertainty, and minimize the risk of disputes as the system grows. With thoughtful planning and careful negotiation, a multi unit franchise arrangement can provide a strong foundation for long term, sustainable growth that aligns the interests of both parties.

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