

TWENTY QUESTIONS BEFORE BUYING A FRANCHISE (PLUS TWO)

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Before you buy a franchise, Federal regulations require that you receive a copy of the Franchisor's Franchise Disclosure Document ("FDD") at least 14 calendar days prior to signing a contract or paying any money to the Franchisor. Thorough review and understanding of the FDD is critical before you proceed. The FDD is required to answer the following 22 important questions:

FDD Section	Question
1. Franchisor Identity	Who is the Franchisor, its parents/affiliates/managers?
2. Business Experience	What is the business background of the key players?
3. Litigation	What law suits has Franchisor been involved in?
4. Bankruptcy	Has Franchisor or its managers ever been bankrupt?
5. Initial Fees	What do I have to pay prior to opening business?
6. Other Fees	What about recurring/occasional fees after opening?
7. Est. Initial Investment	What will it take for me to commence business?
8. Restrictions on Sources	Who must I buy from?
9. Franchisee's Obligations	What is required of me under the Franchise Agreement?
10. Financing	Does the Franchisor offer financing? What rate?
11. Franchisor's Assistance	What will Franchisor do to help my business? Advertising? Computer systems? Training?
12. Territory	Will my territory be exclusive? Can Franchisor compete?
13. Trademarks	How strong is Franchisor's trademark?
14. Patents and Copyrights	What other intellectual property does Franchisor have that I might benefit from?
15. Obligation to Participate	Do I have to run the day to day operations of the business?
16. Restrictions on Sales	Am I limited in what I can sell?
17. Renewal, etc.	How does the franchise relationship end?
18. Public Figures	Any celebrities promote the franchise sale? Their pay?
19. Financial Performance Representations	How much \$\$\$ can I expect to make?
20. Outlet/Franchisee Info	What about other franchisees? Who and where are they?
21. Financial Statements	How healthy are the Franchisor's finances?
22. Contracts	What are the contracts associated with the relationship?

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