

Principal

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Prospective Franchisee Checklist

FRANCHISE DISCLOSURE DOCUMENT SHOULD CONTAIN:

- Identifying data on the franchisor
- Directors' and key executives' business experience
- Company's track record
- Description of the franchise
- Initial investment required
- Other payments due to franchisor
- Data on help in raising finance
- Restrictions on franchisee's conduct of business
- Level of franchisee's personal participation
- Termination/renewal of agreement terms
- Number of existing franchisees and their success rates
- Franchisor's rights to select/approve sites
- Training and support guaranteed to the franchisee
- Financial information about pilot operation
- Financial data on the franchisor
- List of franchisor's banker and other professional advisers
- Current number of franchisees
- Permission to talk to random franchisees
- Main source of company earnings
- Value and appeal of product or service

WHAT TO FIND OUT FROM THE FRANCHISOR:

- Company's financial health and history
- How long it has been franchising
- Details of pilot operation results
- Long term viability of product/service
- Type and level of head office support
- Full details of the training provided
- Whether training is an extra cost
- Total cost of taking up the franchise
- Realistic working capital needed
- Permission for bank references and other referees
- Territorial practices and exclusivity terms
- Types and amounts of advertising support
- Any need to buy products from the franchisor
- Target obligations
- Realistic profit and loss figures
- Management services or royalty payments
- Operating restrictions
- Launch assistance
- Sample contract

FRANCHISE AGREEMENT MUST COVER:

- Your rights to sell or transfer ownership of the franchise
- Description of your heirs' rights in the event of your death
- Geographical area and types of customers to whom you may sell
- Nature and extent of your obligations to the franchisor, including buying supplies and services
- Rights to renew or extend contract beyond the original term
- Terms and conditions under which you may terminate the contract
- Description of exact training and support the franchisor must provide
- Precise definition of price, commissions, rental fees, leases needed to own and operate franchise
- Precise boundaries of the territory awarded to you

BE WARY IF THE FRANCHISOR:

- Promises huge profits with thin investments
- Says "act now to get in on ground floor"
- Fails to give statistics on sales/profits
- Promises 'easy sales'
- Fails to identify directors or principals
- Tries to 'trade you up' to a higher fee
- Says "act now, it'll cost more later"
- Promises profits by sub-franchising
- Has a name similar to a well-known business
- Promises large income from 'work at home'
- Demands large upfront franchise fee
- Has very short term contract
- Provides no data on track record or financial strength
- Cannot give plans for future development
- Has vague territories
- Is ignorant of competition
- Has incomprehensible contract
- Is vague about support and training
- Has weak advertising
- Is vague about financial obligations for the franchisee
- Has poor head office premises
- Tries to meet in a hotel
- Is evasive about access to existing franchisees

**For any further information contact
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without delay**