



LAWYERS & ASSOCIATES

STEPS TO CHOOSING THE RIGHT FRANCHISE

ASSESS FRANCHISING DOCUMENTS:

Request a copy of the franchisor's franchise agreement, disclosure document, additional information including any financial data and forecasts the franchisor is prepared to provide, and a copy of the operations or instruction manual.

If you are purchasing an existing franchise, ask the franchisor for any historical trading information and check whether the franchisor is involved in any disputes with creditors, suppliers, etc.

SEEK LEGAL ADVICE: Before signing any documentation, you should obtain advice from a franchise and commercial property lawyer who will advise you on the franchise agreement, disclosure document, lease or licence agreement, issues to consider about the specific franchised business, conduct any trademark and litigation searches.

It is important that your lawyer specifically practises franchising and commercial property law otherwise you may be paying a premium for your lawyer to learn about this specialised area of law and potentially risk your investment!

SEEK ACCOUNTING ADVICE: Request advice from an accountant on the profitability of the franchised business and earnings projections.

RESEARCH THE FRANCHISE: Speak to the franchisor about their future plans for the franchised business. Ask the franchisor if they intend to open another store in the area which will compete with your business.

Speak to the franchisor's suppliers, current franchisees and former franchisees. Obtain their opinion on the profitability of the franchise, future of the

franchised business and any advantages and disadvantages of the franchised business.

FINANCING & STRUCTURE: Seek advice from your accountant on financing and structuring your purchase of the franchise.

RESEARCH THE LOCATION OF THE FRANCHISE: For franchises that are territory or site specific, obtain demographic information on the surrounding area. Is there enough demand for the goods and/or services offered by the franchised business in the area where your business will be located? Examine the existence and proximity of any competitors of the franchised business. Do your competitors have a strong presence in the area?

FUNDING THE FRANCHISE: Find out from your bank, the amount you can borrow and if you need to provide any security for the loan. Your bank may also offer an unbiased opinion on the franchised business.

ASSESS THE LEASE: If there is a lease, the term of the lease should coincide with the term of the franchise (including options for renewal). You should read all the terms of the lease carefully and seek advice from a lawyer experienced in commercial property law.

INVESTIGATE ANY REQUIRED PERMITS AND LICENCES: Are there any permits or licences relevant to the franchised business and the premises? If so, are you responsible for obtaining or maintaining these, how much will this cost and do you need to undertake any training or accreditation to obtain them?

CONCLUSION

Purchasing a franchise is a decision that should be made with care. Thorough legal and financial advice should be sought

before signing any contractual documentation.

If you have any queries regarding franchising law, please contact MLB Lawyers & Associates.

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