

THE 9 POINT LEGAL CHECKLIST

1. Franchise Documents

Obtain Copies of all Franchise Documents which may include:

- Franchise Agreement.
- Disclosure Document.
- Agreement for Sale and Purchase of the Franchise.
- Operations Manuals.
- Lease (if you are not running a "mobile" business).

Have all documents thoroughly checked by your franchising lawyer. He or she will help you negotiate if the documents are *unreasonable or inappropriate*.

2. Franchise Association of New Zealand

Find out if the Franchisor is a Member of the Franchise Association of New Zealand (FANZ)

- You receive *added protection* if you are dealing with a FANZ member since all FANZ members have to comply with certain standards of practice.

3. Proven Business System

Is the Franchise Recognised and Respected in the Market Place?

- Your initial franchise fee goes some way towards buying a "goodwill" portion of the Franchise. Do your homework to see if the Franchise is well-run and well-advertised so you *know your money is being well spent*.

4. Trade Mark Registration

Is the Trade Mark Registered?

- Registration gives exclusive rights to the use of the trade mark and will deter unauthorised people from using or *abusing the Franchise's image*.

5. Support and Training

Understand the Level of Ongoing Support and Training.

- Back up *assistance and guidance is essential* to the operation of a successful Franchise. Understand the systems that are in place and talk to existing Franchisees.

6. Financial Projections

Check out Financial Projections very Carefully.

- Is all necessary information disclosed and verified? There are many *opportunities for disaster* with financial projections which your lawyer can help you avoid.

7. Professional Advice

Speak to Those in the Know.

- Take advice from other professionals (accountant, insurance broker, franchise consultant and if necessary, banker) who are experienced in the franchising industry. *Get help from the team.*

8. Business Structure

You can Operate your Business as:

- A Sole Trader.
- A Partnership.
- A Company.
- A Trust.
- Some mixtures of the above!!

Your lawyer should liaise with your accountant and, based on legal and accounting issues, will help you *choose the structure that's right for you.*

9. Business Plan

Formulate a Business Plan.

- It is vital to establish whether you can *withstand the market forces.* Prepare a budget based on poor trading conditions as a "worst case scenario". Be prepared.

Warning The above is an indication as to some of the issues which you should be aware of when involved with a Franchise. The list is by no means exhaustive and may not be entirely applicable to your situation. It is important that you do not use this list as a summary of all the aspects of franchising of which you need to be aware and that you speak to a franchising lawyer who will assess your individual needs and advise you accordingly.