

Shall I Invest in a Franchise?

Questions to Ask Before Investing in a Franchise



Information provided by the State Corporation Commission's (SCC) Division of Securities and Retail Franchising can help you avoid becoming a victim of fraudulent franchise investment schemes.

Careful examination of the facts, use of all available information in the SCC files and other sources (Federal Trade Commission) and prudent judgment will help you make the right decision.

Often opportunities to make excellent investments are available – but you should make a final decision to invest only after wise and unhurried consideration. A trustworthy franchise salesperson or broker knows that a short delay won't make a lot of difference when considering the purchase of a franchise. It is the crook, who, always in a rush, wants your money immediately. He wants it without giving you the information you need to make a sound investment decision.

Take time to invest wisely and make certain that all information concerning the franchise investment received from the salesperson is in writing.

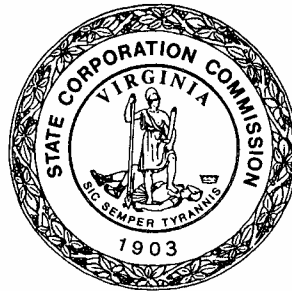
Here's a checklist of questions you should ask before putting your hard-earned cash into any franchise investment.

- Can I afford to lose my entire investment without placing an undue burden on myself?
- Have I researched the concept of franchising?
- Am I prepared to operate my business within a structure established and controlled by the franchisor?
- Have I checked with the SCC to determine if the franchise is registered for sale in Virginia?
- Have I received and read the franchise disclosure document?
- Has an independent advisor, like a lawyer or accountant, reviewed the documents and financial statements of the franchisor on my behalf?
- Have I been told where any disputes with the franchisor must be litigated or arbitrated, which may be in the home state of the franchisor?
- What information do I have about the officers, directors and other personnel of the franchisor?
- Where is the franchisor located and does it engage in any other business?
- How long has the franchisor conducted business of the type to be operated by me?
- Have I been told how the franchisor intends to use my money?
- What is the basis for the purchase price of the franchise I am buying?
- Will I be able to resell the franchise when I please, and how may I do this?
- Are there lawsuits or bankruptcies pending against the franchisor or any of its officers or directors?

- If projections are provided, have I checked these with an accountant or other reliable source?
- Have I defined my location/territory with the franchisor with respect to other franchisees and company-owned outlets?
- Can I renew my franchise at the end of its term? Have I researched the terms and conditions under which I may renew?
- Have I checked with current franchisees and former franchisees that have ended their franchise agreement?
- Is the trademark, service mark, trade name logo type or other commercial symbol registered with the U.S. Patent Office?
- Do I understand my legal rights under the Virginia Retail Franchising Act?



Many answers can come from the SCC's Division of Securities and Retail Franchising. Just call 371-9051 in the Richmond area, or toll-free 1-800-552-7945 (in Virginia only) for assistance.



Brought to you by

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