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MAKING BUSINESS CONTRACTS

FRANCHISE AGREEMENT QUESTIONNAIRE

One popular way to get started in your own business is through a franchise. A franchise is a business organization in which a well-known firm with a successful product or service—the franchisor—enters into a contractual relationship with another business—the franchisee—that operates under the franchisor's name in exchange for a fee. Fast food restaurants are commonly operated as franchises. Before you enter into a franchise agreement, consider the following questions, and go over your responses with your attorney.

COST OF THE FRANCHISE

How much is the initial franchise fee? \$ _____

Refundable Nonrefundable

What does the initial fee purchase? _____

Is a lump-sum payment required? Yes No

Are installment payments allowed? Yes No How many? _____

Payment due dates _____

Is franchisor financing available? Yes No Interest rate _____

Are periodic royalty payments required? Yes No

How often? _____

How are they calculated? _____

Does the franchisor provide accounting services? Yes No

For an additional fee? Yes No How much? \$ _____

How are advertising costs divided between the franchisor and franchisee? _____

Is advertising national, regional, or local? _____

What other services does the franchisor provide? _____

How is the franchise premises obtained? Purchase ___ Lease ___

Is financing available from the franchisor for the purchase of the premises?
Yes ___ No ___

Interest rate _____

How much of a down payment is required? \$_____

How much are the rent payments? \$_____ Due on _____

FRANCHISE LOCATION

What geographic area is encompassed by the franchise? _____

How far away is the nearest existing franchisee of the same franchisor? _____

Are other franchises planned for the same geographic area in the future?
Yes ___ No ___

If so, provide details _____

Who selects the site for the franchise? Franchisor ___ Franchisee ___

Can the franchisee use his or her own property for the franchise? Yes ___ No ___

If the franchise premises require new construction, who determines the plans and specifications for the building? Franchisor ___ Franchisee ___

Who supervises construction and works with the contractor and subcontractors? Franchisor ___ Franchisee ___

What are the specifications for and restrictions on the appearance and configuration of the premises?

Who provides property insurance on the premises? Franchisor ___ Franchisee ___

What are the franchisee's responsibilities relating to remodeling? _____

What restrictions does the franchisor place on remodeling? _____

OPERATING TERMS

Must all equipment and supplies be purchased from the franchisor? Yes ___ No ___

If not, must purchases be approved by the franchisor? Yes ___ No ___

How much control does the franchisor maintain over day-to-day operations? _____

What aspects of the business are left to the discretion of the franchisee? _____

Are hours and days of operation dictated by the franchisor? Yes ___ No ___

Are products and services strictly controlled by the franchisor? Yes ___ No ___

Must the franchisee remain personally involved in running the franchise, or can the management duties be delegated? _____

ADDITIONAL CONSIDERATIONS

Does the franchisor provide initial training? Yes ___ No ___

Does the franchisor provide on-going training? Yes ___ No ___

Under what conditions may the franchisor terminate the franchise? _____

What are the franchisor's duties and obligations to the franchisee in the event of such termination?

Under what conditions must the franchise be renewed? _____

What happens to the franchisee's interest if he or she dies? _____

