



MASTER FRANCHISING.com

The **Company**
you can rely on...





Who we are

Our Team is recognized as experts in franchising where both Franchisors and well-informed potential Franchisees rely on our firm's experience for advice, pre-screening and suitability profiling.

As leaders in the industry we offer a wide range of services to help potential franchisees find the right alliance with a franchise system that will meet both their personal & business objectives. As an informational portal for business opportunities and Master Franchising, we offer proprietary tools to effectively match Franchisors to potential Franchisees worldwide.

Going into business for yourself is a very exciting adventure but should be considered only after a thorough understanding of the risks and rewards. We have created a multi-step process which helps identify your strengths, weaknesses and objectives to better match you to a franchise system. In addition, we will help you find a franchise that interests you, is within your budget, location preferences and can offer you the lifestyle you would like to achieve.



What we do

We help you define your personal and business preferences and then offer franchise opportunities that meet those objectives.

Personal Preferences:

Will the business opportunity allow for the lifestyle you wish to achieve? Are you interested in working full-time or part-time? How much do you need to earn? How much would you like to earn? Do you wish to be hands-on or absentee? Etc...

Business Preferences:

Where would you like to do business? What type of business interests you? Risk vs opportunity? Number of units? Suit & tie or casual? Etc...

Franchise Profile:

Why do you need this service? Enormous research has been done around the world trying to identify the characteristics that make up a successful business person. One important item that has clearly been recognized is that; a successful business owner, a successful corporate executive and a successful franchisee DO NOT share the same personality traits. For example, the independent business owner may feel very comfortable, flying by the seat of his pants. The corporate executive works well in structured and tiered environments. And a successful franchisee is neither an employee, nor is he free of all restraints or structure. Research has identified 7 core values and attitudes that successful franchisees have in common:

1. The belief in a franchise system and their willingness to follow it
2. The belief that hard work pays off
3. The belief in the importance of local marketing
4. The belief in the power of a positive attitude
5. The belief employees should be treated well
6. The belief that customers come first
7. And they are all comfortable when dealing with people

This research went on to further prove that selecting franchisees who have these qualities dramatically demonstrated that the most critical part of running a successful franchise was not "location, location, location!" as often is the mantra, but "People, People, People!" (i.e. In an underperforming, weak location the existing franchisee was replaced with one that matched these critical "core values" and that location soon became successful. This is what we are here to help you with; to find out if franchising is a correct fit for you, before you invest your life savings.





How we do it

First you need to recognize that we can not make a business/career choice for you, but we will help you with the research and due-diligence so you can make a much more informed decision. With over 1000 + different franchise opportunities in 20 + different categories and hundreds of different financial & energy commitment choices, How do you select what's right for you?

Research and Due-diligence

Finding the Right Solution to fit your personal goals and objectives is what we do best. Here are few steps in your discovery process that we will help you thoroughly review:

Product or Service Discovery

- ◆ Demand: Is the product or service in growing demand, declining or holding?
- ◆ Trend: Is the product or service the current hip trend or fad? If so will it be here in ten years creating value for you?
- ◆ Seasonal: Is the product or service demand seasonal or cyclical by nature causing fluctuations in cash flow?
- ◆ Saturation: How is the market saturation for that specific product or service? Can another unit or store get enough customers?

Franchise System Discovery

- ◆ Training Programs: How well does the initial training prepare the franchisees in opening and running their business?
- ◆ Ongoing Support: How comprehensive is the ongoing franchisee support in terms of helping franchisees deal with questions while running their business?
- ◆ Marketing Programs: How are the marketing royalty fees being spent promoting the brand? Note: this is often where you'll find the most discontent among franchisees.
- ◆ Buying Power: Does the franchisor use its collective buying power to receive discounts on supplies and inventory benefiting the individual franchisees? Note: These discounts can offer huge advantages to a franchisee and could offset much of on-going franchisee fees.
- ◆ Investment: How much capital will you need to be successful in the franchise system? Can you reasonably determine your Return on Investment?
- ◆ Funding: Are funding sources readily available? Does the franchisor offer assistance in arranging funding?

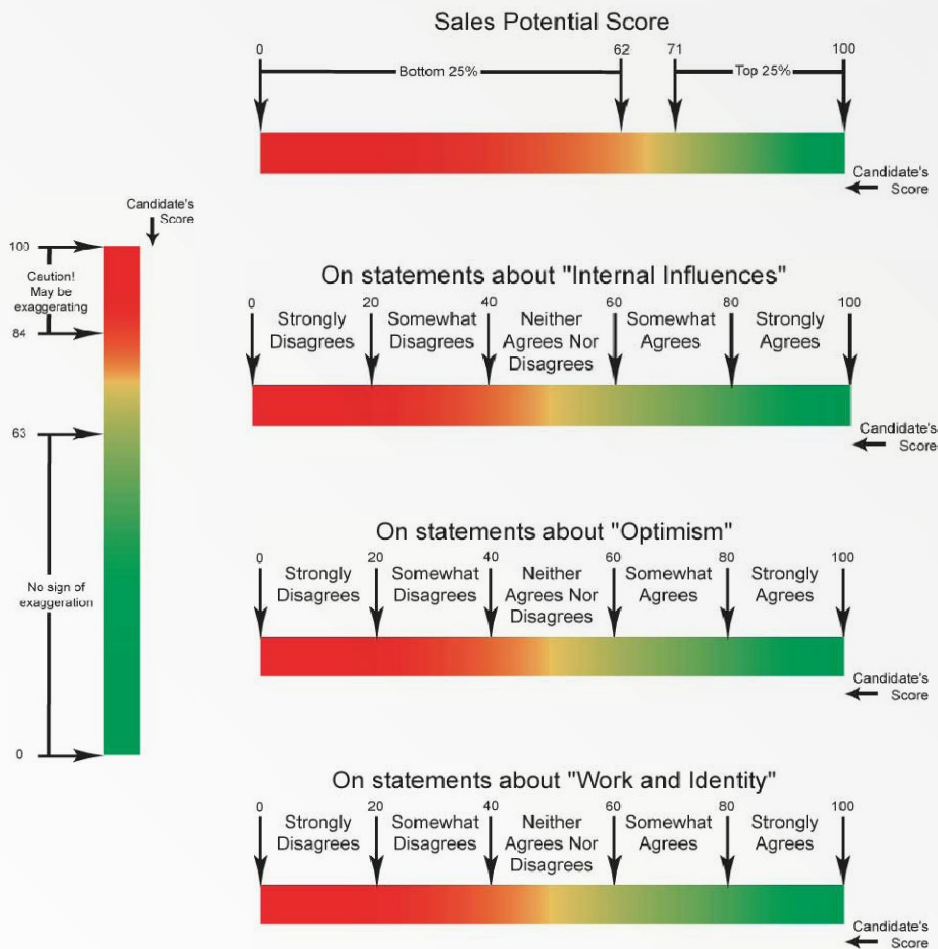
Additional Research and Due-diligence (outlined below)

- ◆ CHOOSING THE FRANCHISE THAT'S RIGHT FOR YOU
- ◆ RESEARCH & INVESTIGATION PROCESS
- ◆ FINANCING YOUR FRANCHISE
- ◆ AVOIDING POTENTIAL FRANCHISING PITFALLS

Franchise Profile:

Below are a couple examples of the indicators provided within our profiling questionnaires. Again, this research is designed to help identify if franchising is a good fit for you and to help you make the most informed decision you can. The questionnaires take about 30 minutes to complete and consist of 175 multiple choice questions.

When you're ready to get started complete our Franchisee Application Form on our web site www.MasterFranchising.com



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CHOOSING THE FRANCHISE THAT'S RIGHT FOR YOU

Franchising is an ever-growing field of opportunity. It is estimated that over 1,500 different franchise business companies (franchisors) operate in the U.S., and that there are more than 750,000 franchises in operation. Not only are franchise businesses responsible for over 1.5 trillion dollars in economic output, but they employ over 18 million people nationwide. This sheer size and volume means there are many choices and opportunities available to learn about. The following is an overview on the four most common formats used within franchising: single-unit, multi-unit, area development and master franchise, which will include backgrounds on the territory/area specifics, the required level of involvement and the amount of liquid capital generally needed.

Single-Unit

A franchisee has the right to operate one franchise unit. The majority of franchisees start out by owning one unit. It is a great way to enter franchising and to thoroughly understand the system before taking on additional units.

Territory/Area: How large the franchisees territory is varies from franchise to franchise. The franchisee may find themselves with exclusive rights to operate a franchise within a small radius. For example, if it's a restaurant, the area of exclusivity may be only a five or six mile radius around the location. On the other hand, a home-based business may have a territory that consists of a few specific zip codes.

Level of involvement: The franchisee is very involved and hands-on with almost all operations of a single-unit franchise.

Liquid capital requirement: Generally, \$30,000 to \$80,000 initial out-of-pocket investment is required on a total investment of \$100,000 to \$240,000.



Multi-Unit

A franchisee acquires more than one unit of the franchise, typically at a reduced franchise fee. Given the economies-of-scale-theory, the franchisee may enjoy the advantage of spreading their costs across multi-units, thus reducing risk and possibly enjoy more success as a result.

Tip: Identify how many owners are multi-owners in the franchise you are interested. A good franchise will have several multi-owners among its ranks.

Territory/Area: Generally, there is no exclusive territory where the franchise units must be established. The franchisee may have one unit in one part of the city with a surrounding radius of exclusivity, and another unit in another city 15 miles away or even in another county with its exclusive radius of operation.

Level of participation: The franchisee will manage multiple operations and require some level of supervision at each unit. The franchisee is less involved with each of the units operations, but dependent on good supervisors to oversee the daily operation of each location. The franchisee is more of a general manager when many units are involved.

Liquid capital requirement: A franchisee will typically need \$60,000 to \$80,000 for initial out-of-pocket capital for franchise fees and additional start-up capital. The rest of the investment is usually financed when additional units are opened.
Area Development

With this license, the franchisee has the right to open a certain number of franchises in a given area. The franchisor will typically provide the franchisee with a production schedule which outlines where the franchisee must open a certain number of franchises during a specified period. The franchisee has an exclusive area where no other franchisees can be allowed to open a franchise.

Territory/Area: The franchisee retains an exclusive geographic territory as long as the opening schedule is maintained. The territories can range from a small city to parts or all of a larger city.

Level of involvement: In the beginning states of opening the first location, the franchisee is very involved in ensuring its success. There is much to do including searching for qualified real estate to open the next locations. As the locations become operational, the franchisee will need additional support to manage them.

Liquid capital requirement: It is likely that \$70,000 to \$140,000 will be initially needed to secure the exclusive area, pay all franchise fees and retain additional start-up capital. The franchisee will then be expected to finance the rest of the start-up costs for each of the franchises, as they open.

Master Franchises

A Master Franchisee, also referred to as a Regional Developer, has the rights to a larger area than that of an Area Developer. In addition to the ability to open





franchises at a much reduced franchise fee and royalty, the Master Franchisee can also sell unit franchises, multi-unit franchises and area development franchises and make a nice return on the sale. The Master Franchisee usually receives a part of the royalty and franchise fee paid by each franchisee. There may be additional income available from the distribution of products through the franchisees in their territory and possibly even some real estate interest.

The Master Franchisee becomes somewhat of a sub-franchisor for the area, without having experienced all the trial and error the original franchisor did. The Master Franchisee generally should open and operate at least one unit, for income and to use as a training center. Master Franchises are rare. Most franchisors do not offer them. However, when they are available they typically sell quickly. The income available from a master franchise is very profitable. The initial investment is low compared to the type of value you can build in the master franchise area. Flexibility is also the greatest at this level.

Territory/Area: Master Franchises usually encompass a large metropolitan area, an entire state, several states or even an entire country. It is an exclusive area and will remain exclusive as long as the Master Franchisee meets the development schedule of franchises in the territory.

Level of involvement: As mentioned, the Master Franchisee usually sets up and operates at least one unit with a manager so they can work on selling the remaining “sub-franchises”. It’s rare to find a Master Franchisee that is “hands-on” in a unit franchise. Most tend to spend more of their time operating like a business consultant or coach to their franchisees to help them become successful.

Liquid capital requirement: Typically, \$100,000 to \$250,000 is needed to acquire the territory and for initial liquid capital to start the area. Financing will be secured for the start-up of the unit franchise.

To learn greater details about the rewards of Master Franchising read “**Get Wealthy The Master Franchising Advantage**” by Drew Paras.



RESEARCH & INVESTIGATION PROCESS

When you have found a franchise that peaks your interest, it's time to take a closer look. Both you and the franchisor will begin working through the process of determining whether you are a good fit for each other. If either you or the franchisor determines that it's not a good match, the other party is notified and you move on.

Step 1: General Information

The information gathering stage. The franchisor will begin by providing you with overview information on the organization (usually a brochure and video package). They will then ask you to provide them with additional information (usually a questionnaire) to determine if you have the general characteristics that they are seeking.

If after reviewing the information both parties are still interested, proceed to Step 2

Step 2: The Uniform Franchise Offering Circular ("UFOC")

The Federal Trade Commission (FTC) mandates disclosure by the franchisor. This disclosure is presented in a document, commonly referred to as the UFOC. It provides the potential franchisee with a wealth of information about the franchise. Carefully review the UFOC and make note of any questions or concerns you have so that you can later ask the franchisor.

The major subject areas, which are found on every filing of an UFOC include:

1. The Franchisor, It's Predecessors And Affiliates
2. Business Experience
3. Litigation
4. Bankruptcy
5. Initial Franchise Fee
6. Other Fees
7. Initial Investment
8. Restrictions On Sources Of Products And Services
9. Franchisee's Obligations
10. Financing
11. Franchisor's Obligations
12. Territory
13. Trademarks
14. Patents, Copyrights and Proprietary Information
15. Obligation To Participate In The Actual Operation Of The Franchise Business
16. Restrictions On What The Franchisee May Sell
17. Renewal, Termination, Transfer And Dispute Resolution
18. Public Figures
19. Earnings Claims
20. List Of Outlets
21. Financial Statements
22. Franchise Agreement
23. Receipt



Though not required, a few franchisors also include an earnings claim under Item 19 in the UFOC. This can be a real time saver for you if it is included; however it is still imperative that you discuss this subject with franchisors during your calls and visits.

If you review the UFOC and are still interested, proceed to Step 3.

Step 3 - Call and Visit Franchisees

Who better to tell you about the franchise system than the franchisees themselves? They can prove to be one of your most valuable sources of information during the research and investigation process. You should plan on calling or visiting several existing franchisees. Don't skimp on these calls and visits. It is important that you talk to enough franchisees so that you have a firm sense of the prevailing attitudes and opinions of the group.

Chances are that you will find a large majority of franchisees that are both happy and supportive of their relationship with the franchisor. However, it is equally important to find those franchisees that may not be as happy. If you do find unhappy or disgruntled franchisees, take the time to listen to their concerns and/or complaints. Ask yourself why this franchisee feels differently from the rest? Are their concerns legitimate? Are they issues that may potentially impact you if you were to become a franchisee?

When speaking with franchisees, find out about:

1. **Franchisor Training Programs** Did the initial training and support programs prepare the franchisee for opening and running their business?
2. **Opening Support** - How easy did the franchisor make the process of getting the first unit open and operating? Did the franchisor assist with site selection, lease negotiation, construction and design assistance, financing assistance, permits and/or any other factors unique to getting the business up and operating?
3. **Ongoing Support** Was the franchisor readily accessible and supportive in helping the franchisee deal with the problems that come up in the running of their business?
4. **Marketing Programs** It is a common practice among franchisors to collect marketing dollars from every franchisee into a pool that is spent to promote the brand. Do not be surprised to hear that many franchisees are not always happy with this particular aspect. Still, you need to ask if they happy and supportive of the way this process is handled. Why? Why not?
5. **Purchasing Power** One of the biggest advantages to joining a franchise system is the ability to offset many of the fee cost associated with being a franchise. This is often achieved by combining the collective purchasing power of all the franchisees. Does the franchisor use the collective buying power of the total system to get discounts on supplies and inventory beyond what an independent operator could achieve?

6. Franchisor/Franchisee Relations - In general, how do they feel about the franchisor? Is the franchisor supportive, caring, focused on their success, responsive, effective, organized, and trustworthy? Are the organization's values and beliefs consistent with your own?
7. Investment - What would be a reasonable and conservative estimate of how much capital you will need to be successful in this franchise?
8. Earnings - How much money does the typical unit make given a specified length of time in business? How soon does a typical unit start making money after opening?

Most franchisees are not comfortable in discussing their income with strangers so leave questions pertaining to earnings to the end of your conversation. If there is hesitation on their part, politely remind them that you are not a competitor out to do them harm and that they should be able to appreciate once being in your shoes and searching for answers.

Receiving detailed answers to your research is imperative. Do not settle for information that is vague or that does not directly answer your questions. Do not proceed until you have answers to your questions. The potential risks are too high if you do

If you receive the information you need and feel comfortable with the answers, proceed to Step 4.

Step 4 Thoroughly Review the System

A strong franchise company will have written documentation of their systems, operations and marketing programs in a concise and easy to use format for the reference of franchisees. More than likely, the franchisor will not hand you a copy of their actual manuals. However, it's not unreasonable to expect that they at least provide you with a table of contents or index of each manual they use. This will allow you to verify that the documentation exists and will provide insight into the scope of the coverage of all their major aspects of business.

If you have reviewed the materials and are satisfied, proceed to Step 5.

Step 5 - Meet with the Franchisor

A personal meeting with key personnel of the franchise company is extremely important. You may need to travel to the franchisor's headquarters, or it may be possible to meet with the franchisor in your local market. Many franchisors hold meetings referred to as "Discovery Days". These are planned events at a specified location where all of the key people from the franchisor will be available. It is important that you get to know the people you will be working closely with to build your business. Discover who will be providing the operational support and training to you and form an opinion about their ability to do so effectively. If you have questions or issues that have been raised throughout your research and investigation, be sure to have them addressed at these meetings.





HOW MUCH DOES A FRANCHISE COST?

The amounts listed below are averages provided by franchise companies that participated in a franchise survey. Source: "Annual Franchising Industry Overview" Bond's Franchise Guide's

Franchise Category	Franchise Fee	Total Investment
	US \$\$	US \$\$
Accounting/Credit/Collections	\$ 17,286	\$ 31,329
Advertising & Promotion	\$ 17,813	\$ 32,107
Automotive Products & Services	\$ 21,848	\$ 207,746
Building Maintenance/Cleaning/Inspection	\$ 18,967	\$ 61,262
Building & Remodeling	\$ 23,509	\$ 104,373
Check Cashing/Protection	\$ 21,650	\$ 115,920
Child Development/Education/Products	\$ 21,646	\$ 133,013
Clothing/Shoes/Accessories	\$ 16,667	\$ 93,443
Computer Sales & Service	\$ 17,833	\$ 109,913
Convenience Stores/Supermarkets/Drugs	\$ 23,481	\$ 380,726
Education/Personal Development - Adult	\$ 27,948	\$ 123,567
Employment & Personnel	\$ 21,037	\$ 105,238
Food - Donuts/Cookies/Bagels	\$ 24,676	\$ 261,165
Food - Quick Service/Take-out	\$ 20,084	\$ 299,618
Food - Ice Cream/Yogurt	\$ 18,316	\$ 190,177
Food - Restaurant/Family Style	\$ 32,925	\$ 772,927
Food - Specialty	\$ 22,714	\$ 213,318
Health/Fitness/Beauty	\$ 11,389	\$ 91,240
Home Improvement & Hardware	\$ 14,333	\$ 118,900
Laundry/Dry Cleaning	\$ 20,205	\$ 171,121
Lodging	\$ 27,300	\$ 6,600,000
Packaging/Mailing	\$ 22,054	\$ 148,600
Pet Products/Services	\$ 15,800	\$ 103,820
Photography Products/Services	\$ 31,317	\$ 121,067
Security/Safety Systems	\$ 18,381	\$ 99,913
Signs	\$ 20,288	\$ 85,269
Sports/Recreation & Entertainment	\$ 14,983	\$ 295,310
Travel	\$ 19,945	\$ 76,036
Video/Audio/Electronics	\$ 24,883	\$ 135,744

FINANCING YOUR FRANCHISE

If you are an entrepreneur in search of financial backing to buy a franchise, you do have some options available to you. However, it is important to know that lenders will be looking for two things when you approach them for financing: (1) a strong business plan, and (2) your financial commitment in the form of approximately a third of the total capital needed. This could mean having to raise roughly \$50,000 to \$200,000, given the franchise opportunity, from your savings, stocks, bonds, pensions, IRAs, property, and so forth.

401K or IRA

Using your 401k or IRA assets to fund your new business can satisfy the 25 to 30 percent equity investment required to qualify for a Small Business Administration (SBA) guaranteed loan for the remaining amount.

Franchisor

Many franchise companies either offer financial assistance themselves or help franchisees find a bank or other lender. Most have lists of bank and non-bank lenders with which the company has good relations. These sources are called preferred lenders.

Banks

Generally, Franchisees can more easily secure bank loans than independent business owner because they are backed by an established trademark and the marketplace experience of their franchisor. Typically, banks also note a lower default rate on franchise loans. Finally, several lending institutions offer franchising loans that cater almost exclusively to franchising which has been enjoying a 10 to 12 percent growth rate each year.

U.S. Small Business Administration (SBA)

The (SBA) offers competitive rates and generally longer terms than other sources. Usually, loans are made by a private bank or other lending institution, with a portion guaranteed by the SBA. The agency offers many programs designed to meet a variety of needs including the well-known 7(a) Guaranteed Business Loan Program.

Other Alternatives

There are several other alternative funding sources to consider as well. Each has their own disadvantages and advantages which require thorough research on your part to find the one best suited for you. For example, there is the Business and Industrial Development Corps. (BIDCOs) which provides long-term debt financing and are operated under state programs with federal guarantees. Unfortunately, they exist in only a handful of states. Another possibility is venture capital firms which generally specialize in certain industries and look for a high-return on investment, short pay-out and a good share of the business, with fixed buy-back terms at a guaranteed price.

When you're ready to take the next step for loan qualification, please visit www.GetFunding.com



AVOIDING POTENTIAL FRANCHISING PITFALLS

Your decision to buy a franchise is major. If you do not investigate thoroughly or miscalculate, it can cost you not just in money, but energy and time. Therefore, it's important that you effectively navigate the potential pitfalls of franchising. To do this, we suggest the following:

Perform a personal assessment

Your chances of success are higher when you choose a business that is compatible with your personal traits, attributes and interests. To do this, you need to truly know yourself and what motivates you. Do you have a disciplined work ethic? Can you manage people effectively? Are you able to follow a franchisor's formula for success?

Sufficient working capital

You must have the required working capital to see your business through the first few years. It is extremely important that you have the operating funds recommended by the franchisor in addition to enough money to meet your family's financial needs.

Evaluate the market

Doing your own research into the market is always helpful. Take an in-depth look at the industry and the franchisor's position in it. Also compare your market to what seems to be the ideal location. Identify the competition and what their strengths and weaknesses are. Develop a detailed business plan that also includes your marketing plan.

Go to see the franchisor's headquarters

A trip to the franchisor's headquarters allows you to meet the franchisor's key management personnel and the field representative in charge of your territory. The meet and greet can provide you with valuable insight, have your questions answer and with an opportunity to confirm your research findings.

Thoroughly read the UFOC

Much information can be obtained from reading the mandated Uniform Franchise Offering Circular (UFOC). Thoroughly read and understand each item of the UFOC. If there are sections that seem confusing and unclear, make note and ask the franchisor for clarification.

Communicate with other franchisees

To have a true understanding of the big picture, talk to other franchisees and not just those in your immediate area. A list of franchisees will be available in the UFOC document under "Past, Current and Future Franchisees". Don't be afraid to contact them and ask about their personal experience with the franchisor. Find out:

- ◆ What they like best about the franchise.
- ◆ What they feel needs improvement.
- ◆ If the franchisor deals fairly and honestly with franchisees
- ◆ About the quality and commitment of the franchisor's to ongoing support assistance and training.
- ◆ Would they buy the franchise again knowing what they know now.

Verify why certain franchises failed

If possible, contact previous owners of franchise units that either closed and/or changed ownership. Why did they close? Does a common problem or pattern emerge that you need to be concerned about?

Seek financial guidance.

Accounting is not everyone's calling in life. If your accounting background is weak, find a good accountant who can read and explain the financial statements to you and guide you through making the proper loan request.

Obtain qualified legal advice

Finding an attorney who specializes in franchise law is highly recommended. They can advise you on how to proceed in regards to the franchise agreement, lease or real estate agreement and other contract issues related to franchising. They can also address any specific concerns you may have after reviewing the UFOC or other documents.

