Kickstart MyFranchise

BEFORE YOU SIGN

The Black Box Checklist

The 25-point pre-signing check from Avoid Franchise Failure.

> **Air crash investigators open the black box after something goes wrong. You get to open it before you take off.** Work through every item below before you sign a franchise agreement or pay a franchise fee.

1 About you

- [ ] I've written down my income goals, timeline to break even and how hands-on I want to be.
- [ ] I've pictured myself doing the core daily tasks of this business, and I'm good at them and would enjoy them.
- [ ] The business's peak hours and demands fit my family and lifestyle commitments.

2 About the franchise

- [ ] I've read the full FDD and received it at least 14 days before signing or paying.
- [ ] Item 3 shows no pattern of franchisee lawsuits, misrepresentation claims or recent regulatory actions, or I've had them explained to my satisfaction.
- [ ] Item 7's working capital estimate is realistic, and I've budgeted beyond the high end.
- [ ] Item 19 includes franchised-unit data with costs, not just revenue, and I understand the footnotes.
- [ ] Every earnings figure I was given appears in Item 19.
- [ ] Item 20 shows healthy openings relative to closures, transfers and reacquisitions, and units sold are actually opening.
- [ ] I understand which purchases are required in Item 8, and whether the franchisor profits from them.
- [ ] My territory protections in Item 12 are clear and acceptable.
- [ ] Item 21 shows a franchisor with the financial strength to support its franchisees, without depending on new unit sales to survive.
- [ ] I've compared this brand with two or three of its closest competitors.
- [ ] Demand for this business is likely to last, not just a trend.

3 About the people

- [ ] I've spoken with at least five to seven current franchisees, including some I found myself.
- [ ] I've spoken with at least one or two former franchisees.
- [ ] Most owners I spoke with said they would make the investment again.
- [ ] Every promise that matters to me is in writing in the franchise agreement.

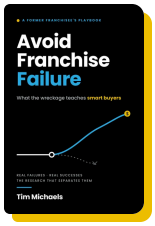
4 About the money

- [ ] I've modeled a first year with revenue 25% below plan, and I can survive it.
- [ ] My monthly debt payments are manageable even before the business is profitable.
- [ ] I have a cash reserve I won't touch unless the business needs it.
- [ ] I understand any personal guarantee I'm signing.

5 About my team

- [ ] A franchise attorney has reviewed the FDD and franchise agreement.
- [ ] A CPA or financial adviser has reviewed my financial model.
- [ ] Nobody has pressured me to decide faster than I'm comfortable with.

If you can check every box, you've done more research than most franchise buyers ever do, and you've put the odds firmly on your side. If you can't, that's not a failure. It's the checklist doing its job.



From *Avoid Franchise Failure: What the Wreckage Teaches Smart Buyers* by Tim Michaels

The book behind this checklist: real franchise failures and successes, and the research that separates them. Coming soon to Amazon in Kindle and paperback.

Want help working through the checklist?

Free for buyers. Book a time at kickstartmyfranchise.com

Schedule a call