

Read All About It: UFOC

Everything you need to know should be in this one document, but where?

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A Uniform Franchise Offering Circular (also known as a UFOC, a "disclosure document" or an "offering prospectus") is a detailed set of prescribed disclosures the law requires every franchisor to deliver at least a couple weeks before the completed franchise sale. All UFOCs follow the same guidelines regarding structure and content. That makes them useful for comparing two or more franchise programs side-by-side.

Reading the UFOC thoroughly gives you a substantial advantage. It's chock-full of information you can use. Thankfully, it's also well-organized into 23 items of narrative descriptions, and includes up to three years of audited financial statements from the franchisor and a copy of the franchise agreement you'll be asked to sign.

Here's a quick summary of the topics addressed in a UFOC:

Items 1 through 4: Background information about the franchisor, key executives, and the company's litigation and bankruptcy history.

Items 5 and 6: Fees charged by the franchisor, with continuing fees organized in chart form.

Item 7: An estimate of your total investment in establishing the business.

Item 8: Restrictions and details on purchase limitations for products sold.

Item 9: The franchisee's obligations.

Item 10: Franchisor-provided financing, if any.

Item 11: A summary of services provided by the franchisor, such as training and site selection.

Item 12: Territory protections.

Items 13 and 14: Description of trademarks, patents and copyrights.

Item 15: The franchisee's obligations to participate in the actual operation of the business.

Item 16: Restrictions on what the franchisee can sell in the business.

Item 17: A chart showing renewal, termination, transfer and dispute resolution provisions of the franchise agreement.

Item 18: Details regarding public figures promoting the franchise.

Item 19: Business and financial performance statistics.

Item 20: System statistics and lists of franchisees and former franchisees.

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