

## **Unique Business Risks Franchising versus Non-Franchised**

1. 1,001 ways to make your life miserable
2. 100 per cent of settlements have gag orders
3. 101 ways to terminate a contract
4. 1st generation of investments knowingly sacrificed
5. 30 different programs of kickbacks, shelf allowances and inside money
6. 40 per cent of franchisees have unsuccessful relationship with franchisor
7. 5,000 new lawsuits per year in Ontario, Canada
8. 55 per cent of franchisees would not advise others to join their system
9. 95 per cent of legal fees are paid by franchisors
10. Accept the new contract or you're terminated
11. Advertising fund buys franchisor's assets
12. Advertising fund paid to executives
13. Advertising fund put into general franchisor's coffers
14. Anti-trust provisions not applied to franchising
15. Arbitration, secret
16. Bank account access by franchisor
17. Bank alerts franchisor of problem franchisee
18. Bank allows franchisor to take money from franchisee's account over the lending agreement limit
19. Bank pays franchisor with franchisee's funds
20. Banker says franchised is less risky than independent business
21. Banks allegedly mastermind fraud
22. Banks collude
23. Basic legal standards inapplicable to franchisees
24. Betrayal
25. Beyond the Tipping Point
26. Big Automotive
27. Big Franchising
28. Big Grocery
29. Big Petroleum
30. Blame themselves
31. Blocking for the industry
32. Build up the business so they can take it
33. Buying a job
34. Buying an existing outlet even riskier than a new one
35. Can't afford to sue
36. Can't talk to media
37. Cannibalization of sales
38. Cannon fodder
39. Can't buy lower priced products (tied buying)
40. Can't talk to politicians
41. Cash grab
42. Caveat emptor canard
43. Centralized order taking system problems
44. Change in store format
45. Churning (serial reselling)
46. Class-action dead end
47. Close store if staff unionizes
48. Close store if staff unionizes
49. Coerced waiver of jury trial
50. "Coerced waiver of legal rights, self"
51. "Coerced waiver of legal rights, self & descendants"

52. Coerced waiver of punitive damages
53. Collaborators
54. Company-owned stores given preferential treatment
55. Concept is a fad
56. Conflict of interest
57. Conspiracy to commit fraud
58. Conspiracy to hide the true nature of events in order to avoid detection
59. Conspiracy to use unlawful means
60. Corporate stores competing with franchisees
61. Corporate stores get better deal than franchisees
62. Courts misunderstand relationship
63. Credence goods
64. Cross-default provisions
65. Cruellest lies are often told in silence
66. Current franchisees can't talk freely
67. Deceptive business practices
68. Deny expansion because of media, political or association involvement
69. Deposit money not refunded
70. Development agents
71. Difference between appraised and market value equipment and leaseholds funds fraud
72. Disclosure laws: false sense of security
73. Discount programs destroy retail margins but boost wholesale profits
74. Disputes heard on franchisor's home turf
75. Divide and conquer
76. Don't use a brand name franchise lawyer
77. Due diligence is irrelevant
78. Easy to sell around a disclosure document
79. Emboldens industry bottom-feeders
80. Encroachment (too many outlets put in territory)
81. Endorsed mediation program, in 5 years used zero times
82. Entire agreement clauses
83. Eviction cheaper and faster than termination
84. Exclusive territory endangered
85. Expand with another store across the street or we'll sell to a new franchisee
86. Expands too quickly
87. Exponential increase in franchise bar services (\$ and influence)
88. Expropriation without compensation
89. False earnings claims
90. Feeble enforcement and prosecution
91. Feudal relationships
92. Financial failure of the first franchisee is a material fact to the second one
93. Forced ordering
94. Forced renovations
95. Forced to sell
96. Forced to spend on renovations
97. Franchise agreements breached the moment they're signed
98. Franchise consultant
99. Franchise law being ignored
100. Franchise laws protect franchisors, not franchisees
101. Franchised store converted to corporate store
102. Franchisee advisory group (lap-dog)
103. Franchisee-on-franchisee opportunism
104. Franchisees are pawns in insolvency flip
105. Franchisees' equity destroyed in unrelated part of trademark system
106. Franchisees have no say on new brand
107. Franchisees who are related to franchisor have advantage

108. Franchising practiced the same, worldwide
109. Franchisor abandonment
110. Franchisor association still maintains fiction of representing franchisees
111. Franchisor bankruptcy
112. Franchisor changes personal names
113. Franchisor controls both wholesale costs and retail prices
114. Franchisor controls retail prices
115. Franchisor corporation created to fail
116. Franchisor cuts off supplies
117. Franchisor insolvency
118. Franchisor insolvency, intentional
119. Franchisor is wholesaler and retailer
120. Franchisor keeps best sites for corporate stores
121. Franchisor must approve new buyer
122. Franchisor overcharges for required products
123. Franchisor sells out
124. Franchisor sues candidate franchisee for not taking store
125. Franchisor takes back high-volume store
126. Franchisor takes franchisee store, gives to relative
127. Franchisor takes franchisee store, resells to new dealer
128. Franchisor takes store and converts to corporate
129. Franchisor tries to break franchisee association "union"
130. Franchisor tries to take store without legal authority to do so
131. Franchisor withholds rent
132. Franchisor's associate
133. Franchisors want the minimum regulation they can get away with
134. Fraudster banker
135. Fraudster broker
136. Fraudster franchisor
137. Fraudster lawyer
138. Fraudster real estate agent
139. Fraudulent misrepresentation
140. Free riding
141. Frenzied lobbying
142. Futility of taking legal action
143. Gag order (confidentiality agreement)
144. Gag order muzzles self & descendants
145. Gag order, court-mandated
146. Get promises in writing
147. Gosh, we've never heard of that problem
148. Gouging on supplies
149. Government guaranteed loan disbursed before disclosure document seen
150. Government guaranteed loan disbursed before franchise agreement seen
151. Government guaranteed loan filled out by sales agent
152. Government guaranteed loan made without proper security
153. Government guaranteed loan misapplied
154. Government guaranteed loan program very attractive to fraud
155. Happy serfs
156. I own the assets but the franchisor controls them
157. Illegal immigrants said to be the cause for terminating franchisee
158. Illusion of government oversight
159. Imbalance of information and power
160. Immigrants as prey
161. Indemnification provisions
162. Indentured servants
163. Independent businesses much higher profit than franchised ones

164. Independent businesses survive longer than franchised ones
165. Independent franchisee association's directors terminated after franchisee's suicide
166. Industry in disrepute
167. Ineffective marketing
168. Insolvent system renamed and sold to a relative
169. Integration clauses
170. Intimidation through lawyers
171. Jealously guarded monopoly on the provision of legal services
172. Kill the messenger
173. Language shortcomings create a vulnerability
174. Law grinds the poor, and rich men rule the law
175. Lawsuits just a cost of doing business
176. Lawyers issue threatening letters
177. Lawyers must be stripped of self-regulation
178. Lease controlled by franchisor
179. Lender's due diligence not done properly
180. Lender's due diligence not done properly
181. Lending duty
182. Lending is subject to expert fraud because it is a credence good service
183. Libel chill
184. Life savings gone
185. Like a medieval marriage
186. Listing fees and inside money
187. Loan pushing
188. Loan-broker fraud
189. Loans to be paid but no asset received
190. Location chosen by franchisor
191. Mandatory arbitration (no trial)
192. Mask of respectability
193. Massive defaults
194. Masterpieces of deceptive wording and artful omission
195. Material facts were not disclosed
196. Materially misleading information
197. McLibel
198. Media is sued by franchisor
199. Misrepresentations
200. Model of de-regulated free-marketeers
201. Money influencing public decision-making
202. Money swears
203. Most lucrative form of commercial lending, franchising
204. Must arbitrate disputes, cannot litigate
205. Must buy only through franchisor
206. Must lease, not buy, land and/or building
207. Must sell franchise through franchisor
208. Must use franchisor's credit card processing company
209. Must work only as a franchisee
210. New buyer must sign current, often less favourable, contract
211. No franchisor support
212. No justice in legal system for franchisees
213. No penalties for abuse of federal insolvency laws
214. No protection from monopoly
215. Non-compete restrictions
216. Ombudsman, franchisee must sign gag order 1st
217. Ombudsman, funded by franchisors & suppliers
218. Ombudsman, risk of information going to franchisor
219. One franchisee turned against the other (action very difficult)

220. Only saw bank official once before loan granted
221. Organized crime
222. Outrageous fees
223. Perception of lower business risk
224. Personal assets pledged to cover business
225. Piling on
226. Political contributions by franchisors
227. Politicians helping their friends
228. Politics is vulnerable to expert fraud because it is a credence good
229. Ponzi (pyramid) scheme
230. Potemkin village
231. Predatory Franchise Lending
232. Preying on the economically poor
233. Privacy breaches a prerequisite for fraud
234. Pro forma income statements
235. Protect gross negligence, wanton recklessness and intentional misconduct
236. Punished for talking to police
237. Punished for talking to press
238. Quiet settlement
239. Raining litigation
240. Rebranding usually hides real objective
241. Refusal to acknowledge franchisee association
242. Refusal to renew contract
243. Refuses to back loan applications
244. Refuses to investigate complaints
245. Refuses to take client
246. Regulatory capture breeds its own incompetence
247. Related company transactions
248. Related scammers
249. Relationship legislation
250. Relative of franchisor buys assets from Trustee
251. Relative of franchisor owns construction company
252. Renewal of contract denied
253. Renewing contract much tougher
254. Rent increase
255. Renting a business
256. Reputational risk
257. Re-sale permission unreasonably withheld
258. Re-sale value set by franchisor
259. Re-sales as a profit center
260. Reserves a veto over any legislation
261. Restructuring legislation is deficient
262. Retaliation
263. Retirement savings gone
264. Right to associate and right to harass
265. Right to associate but refuses to acknowledge
266. Risk much higher for franchisee than independent business
267. Sales agent danger
268. Scapegoating
269. Secret kickbacks and rebates
270. Seminar selling
271. Sham of self-regulation
272. Sharecropping
273. Short- or forced-shipping
274. Sign away human rights and legal remedies
275. Signed only last page of form but several copies

276. Slap on the wrist for white-collar crime
277. Slush funds
278. Social cascades
279. Sold during time of psychological vulnerability, especially unemployment
280. Sold used equipment when franchisee thought it would be new
281. Solicitor-client privilege used to shield white-collar crime (self and others)
282. Starts 2nd system from insolvent 1st
283. State refuses to even listen
284. State sanction
285. Stock market pressures make franchisor push system sales higher and higher
286. Stop territorial protection at contract renewal
287. Success or failure is within the direct control of the individual franchisee
288. Success rate, Timothy Bates' study
289. Success rates fudged
290. Successful for the middleman
291. Sue the professionals
292. Sunk costs
293. Suppliers act with franchisor
294. Survivability (franchisee and franchisor)
295. Symbiotic relationships (industry, banks, lawyers)
296. System designed to fail for franchisees
297. System ownership changes very frequently
298. Telephone number controlled by franchisor
299. Terminate or buy off franchisee leaders
300. Termination of franchisee, mass"
301. Termination of franchisee, single"
302. Termination threats
303. Terrorizing franchisees
304. The game is rigged
305. Threatening letters
306. Threatens to drop client
307. Threats against supporters of franchisee association
308. Threats of lawsuits
309. Tip of the iceberg (inaccurate reputation system)
310. Toothless law
311. Tougher to sell franchises
312. Trade payable debt used to dominate
313. Trademark re-acquired by franchisor after insolvency
314. Trading in false hope
315. Tragedy of the commons
316. Trap for the trusting
317. Trial decision always appealed
318. Trust account irregularities
319. Unauthorized funds transfer by bank
320. Unbridled corporate power
321. Undue influence
322. Unilateral fines
323. Unintentional franchises
324. Unpaid government obligations
325. Unproven business model
326. Uttering threats
327. Vacuum of information favours dominant party
328. Veil of secrecy
329. Vendor incentives
330. Violence
331. Waiver of legal rights

332. War of attrition
333. Watchdog fails to bark
334. We will bankrupt you
335. Weak law worse than no law
336. Wealth is meant to be re-distributed (not created)
337. When the franchisor tanks, so does the franchisee
338. White-collar crime is widespread
339. White-knight lawyer turns black
340. Why should we care? It's not our money.
341. Wild West of the business world
342. Will work even when Variable costs > than Selling price
343. Wiretap authorization virtually impossible if a lawyer is the target
344. Within the four corners of the contract

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