

# MINORITY *Enterprise* DEVELOPMENT

## Buying A Franchise Business?

Wait Until The First Of The Year

By Prof. McKinley Burt

That is when the new "Uniform Franchise Offering Circular (UFOC)" rules take effect on Jan. 1, 1995. This new federal legislation will force franchisors to reveal prospective franchisees vital information on often hidden or obscure factors of operation.

As one business magazine puts it, "The new Congress," which takes office in January, "may revive a dormant volcano of tough legislation regarding franchising." These events involve key issues or frictions that have affected the relationship between franchisor and franchisee for many years: earnings claims and "disclosures" ("The whole truth and not-

ing but the truth, so help me car wash"). In other words, the situation has been somewhat like that of the consumer, where he is advised, "cautem emtor" (let the buyer beware!).

But it is the case that buying a franchise business is not quite like buying a toaster or adding machine. More often than not the enthused and hopeful franchisee is committing his entire life savings (or more), and not to be fully informed is a recipe for economic disaster. In fact, what the buyer is expecting is that advantage to be gained from the informed advice of an operator who is experienced in the business.

A frequent issue is that of "earnings claims" and whether such claims

constitute "fraud or puffery." An earnings claim is any statement by a franchisor saying that you will make a certain amount of income or profit when you purchase that franchise. Under the Federal Trade Commission (FTC) Franchise Rule and many state's laws, a franchise company can make a voluntary claim about the money you will make, but only if the claims meet the guidelines in the "offering circular" (Jan 1, 1995).

One should not that a company is not "required" to make an earnings claim. It can simply refuse to discuss how much income and profits you can make -- and simply advise you to talk to existing and/or former franchisees. The trouble begins when

franchise companies make what franchise buyers allege are deliberately misleading and fraudulent statements earnings and about failure rates. An interesting situation has arise in respect to a clear definition of "failure".

Franchisees consider a failure to be any store that closes, changes hands or does not make a profit. Sounds reasonable, doesn't it? However, most franchisors consider an operation a failure only if the operation closes and never reopens. A company may simply operate a failed store until they can unload it on you.

The new UFOC rules, however, require franchisors to put in a clear table what precisely has happened to

its franchisees each year. This is according to Mr. Stephen W. Maxey, a Virginia Corporation Commissioner who also chairs the committee of the North American Security Administrators Association that prepared the new UFOC rules. Several congress persons, however, believe that there should be even more stringent legislation.

A Miami attorney who probably represented more franchisees in more lawsuits than any other lawyer is pushing for an extension of the Federal Trade Commission laws: "The rule now governs only 'pre-sale' disclosure, but my concern is the misleading earnings claims that franchisors make after the contract is

signed and before the grand opening." He is also concerned that earnings claims be consistent with income you can expect from an actual or projected market area -- a specific territory: "Be sure they do not use national or regional averages -- or compare suburbs to Inner-Cities."

There are several books on the subject that should be read thoroughly before embarking on this type of enterprise; The Franchise Handbook by Andrew Sherman and Franchises: Dollars and Sense by Warren Lewis. As in any other field, there is nothing that can substitute for your willingness to research, question and investigate every nuance of the enterprise!

## Tradeswomen Invited To Be Role Models

The Oregon Tradeswomen Network is helping young women make informed choices for their futures, particularly around their future employment.

A discussion of the Freshman Women's Forum, a program at Roosevelt High School, took place during the monthly meeting of the association.

Ellen Bussing said the purpose of the program is to provide experiences for ninth grade women in order to enhance their ability to make good choices for their life.

The Business Youth Exchange, together with Portland Public Schools, designed the program to provide maximum exposure to adult women from many backgrounds, work environments and ethnic cultures.

Students participate in monthly forums as well as other special projects and extra curricular activities.

The year ends with a celebration off campus attended by both students and the adult women facilitators. Each month a different topic is covered in the forum.

Adult facilitators lead discus-

sions with the young women in small groups talking about such things as communication styles, workplace protocol and career exploration.

Facilitator training is provided each month for the upcoming topic. It takes no special skills other than the willingness and the desire to impact a young women's life in a positive way.

Three 50 minute sessions are held, and facilitators are welcome to be there for one or for all three sessions.

If you are interested in being a facilitator, call Oregon Tradeswomen Network's Volunteer Coordinator Georgena Moran at 244-6111, extension 7438 to get information about the October forum.

The meeting was started, as always with a statement hoping that the space was safe for all those present, regardless of gender, ethnicity, race, religion, sexual orientation, union, open-shop or self-employed.

Each person present introduced themselves and said what trade they were in, or sought to be in, and talked about some of the issues on the job.

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### LIMITED ENERGY APPRENTICESHIP OPENINGS

The Limited Energy Technician JATC announces that they will accept electrical apprenticeship applications for 10 weekdays **starting October 3, 1994, and ending October 14, 1994.**

All applications must be made **in person** at the Metro office from **10:00 A.M. - 4:00 P.M.**, at 5600 NE 42nd Avenue, Portland, OR 97218 (corner of NE 42nd & Killingsworth). Photo identification will be required in order to apply.

Minimum program requirements:

1. At least 18 years of age; proof of age may be required.
2. High school graduate with a diploma or GED certificate; copies must be submitted to the Metro office.
3. Current math placement test results from Portland Community College. Results must show a placement level beyond high school level algebra (Math 70 is the lowest qualifying placement).

**PLEASE NOTE: Metro will schedule applicants for the placement test at the time of application.**

**All supporting documentation must be received in the Metro office by November 11, 1994.**

If accepted into the program, applicants will be required by their employer to take a substance abuse test.

This is an equal opportunity industry, and minorities and females are encouraged to apply.

Please contact the Metro office (503) 287-0756 for further information.

Sponsoring organizations are NECA and the IBEW.



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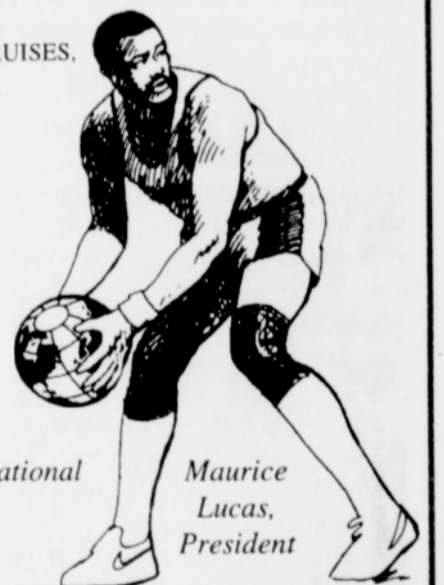
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