

Law Allows Franchises to Flourish in State

By M. Scott Carter | The Journal Record

January 22, 2013

OKLAHOMA CITY – With more than 11,000 franchises, 131,000 workers and an economic impact of more than \$10 billion, it can pay to operate a franchise in Oklahoma.

In fact, according to Entrepreneur Magazine, five of the country's top franchises make their home here, including Golf USA, Sonic, Express Personnel, Bonus Building Care and Camille's Sidewalk Café.

It also helps that Oklahoma's law are not as strict, too.

"Oklahoma is one of the states where there is less regulation," said **Beverly Vilardofsky, a director and shareholder with the Phillips Murrah law firm.** "It's a business opportunity state."

The state's franchise law isn't near as strict as other states, Vilardofsky said.

"It's aimed more at the franchiser than the franchisee," she said.

However, even in a state with little regulation on franchises, there are certain disclosure requirements. Vilardofsky said state law requires a company selling franchises to issue a franchise disclosure document, known as an FDD, 10 days before a franchise agreement is signed.

That document, she said, spells out several things the prospective franchise owner should know before signing a contract.

"It outlines things such as what might be a typical payroll or

the size of a territory," she said. "It's probably not going to be real, real specific, but will give you estimates instead."

Vilardofsky said many times franchise agreements will include specific information about the location of the business and often a clause that allows the franchiser to repossess the franchise in case of a default.

"That's a pretty standard clause across the United States," she said. "They want to protect their goodwill."

Other states, she said, have more stringent requirements.

"I don't know if the lack of regulation offers more or less protection," Vilardofsky said, "but I think it encourages more franchisers to come here."

In addition to legal requirements, she said, many franchise applications include provisions that specify the amount of capital an owner must have and requirements for yearly payments.

"A lot of these businesses are paying a 5-, or 6- or 10-percent fee to use the franchise name," she said, "but there are benefits such as goodwill and cooperative advertising. A lot of the success of the franchise is going to depend on the individual running that franchise."