

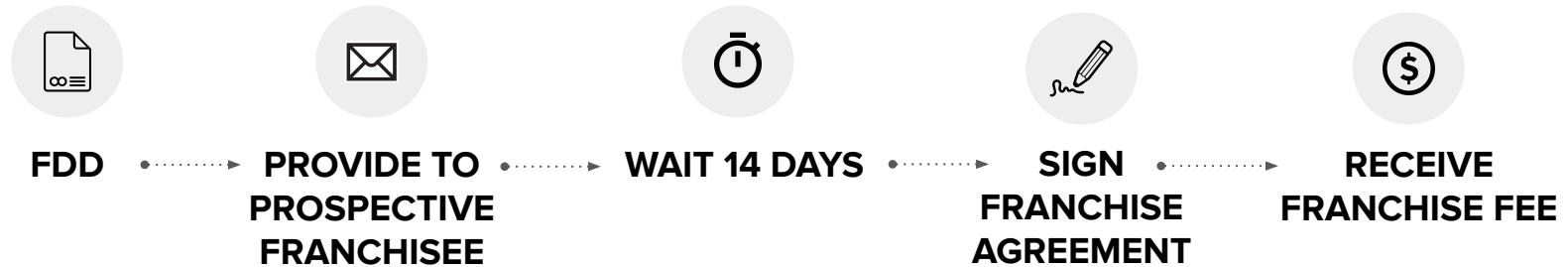


EVERYTHING YOU NEED TO KNOW ABOUT THE **FRANCHISE DISCLOSURE DOCUMENT**

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The Franchise Disclosure Document, also known as the FDD, is a mandatory legal prospectus that franchisors must disclose to prospective franchisees before they can sign a franchise agreement or pay a franchise fee.



It's the hub of your franchise offering and the document that you need to use to make sure you comply with franchise regulations



Franchise Agreement and
Development Agreement

Business underpinnings of
your franchise

Integral part of **franchise**
sales process

options

Territories

FRANCHISE DISCLOSURE DOCUMENT

Initial **Franchise Fee**

Ongoing **Royalties**

Prospective franchisees and
brokers compare your FDD to
competitors

Franchise Structure:

Do you offer the option to
establish a full-service location
and/or express-type location?

If franchisees will have a fair
shot at generating a good **ROI**



23 REQUIRED ITEMS IN THE FDD

ITEM 1	The Franchisor and any Parents, Predecessors, and Affiliates
ITEM 2	Business Experience
ITEM 3	Litigation
ITEM 4	Bankruptcy
ITEM 5	Initial Fees
ITEM 6	Other Fees
ITEM 7	Estimated Initial Investment
ITEM 8	Restrictions on Sources of Products and Services
ITEM 9	Franchisee's Obligations
ITEM 10	Financing
ITEM 11	Assistance, Advertising, Computer Systems, and Training
ITEM 12	Territory

ITEM 13	Trademarks
ITEM 14	Patents, Copyrights, and Proprietary Information
ITEM 15	Obligation to Participate in the Actual Operation of the Franchise
ITEM 16	Restrictions on What the Franchisee May Sell
ITEM 17	Renewal, Termination, Transfer, and Dispute Resolution
ITEM 18	Public Figures
ITEM 19	Financial Performance Representations
ITEM 20	Outlets and Franchisee Information
ITEM 21	Financial Statements
ITEM 22	Contracts
ITEM 23	Receipts



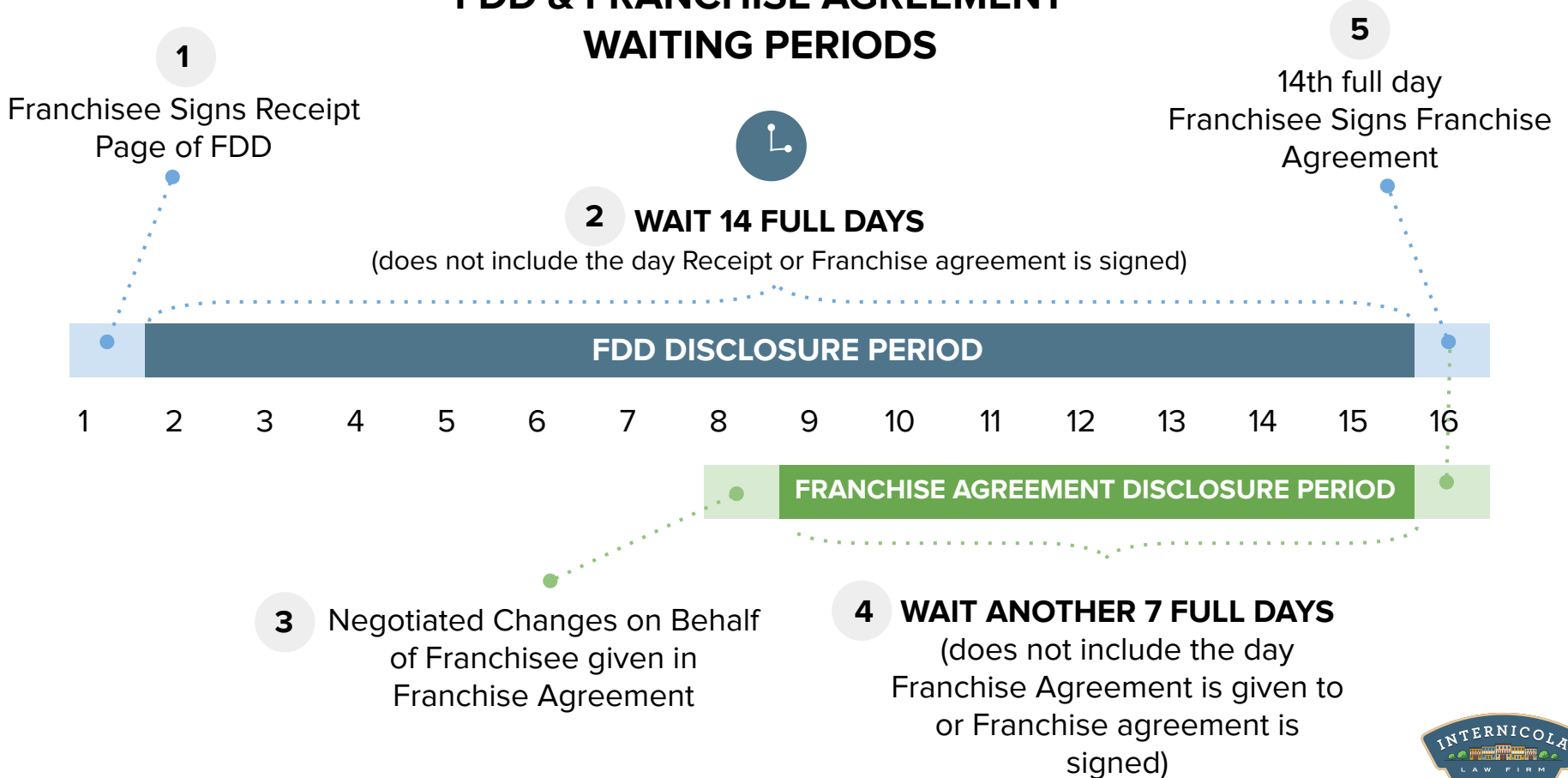
When do you have to disclose your FDD to prospective franchisees?

Prospective franchisee must get your FDD at least **14 days** before they can sign a franchise agreement or pay a franchise fee.

*14 day clock starts when prospective franchisee **signs the Receipt Page** in the FDD.



FDD & FRANCHISE AGREEMENT WAITING PERIODS



The Franchise Laws

COMBINATION OF

FEDERAL
LAW

+

STATE
LAWS





Federal Franchise Rule

Regulated by FTC code section

Mandatory requirement for FDD

Must be disclosed 14 days before signing franchise agreement or accepting a franchise fee



What to do with your FDD

1

FEDERAL

- Issue FDD
- Disclose to franchisees
- Not registered or filed at federal level

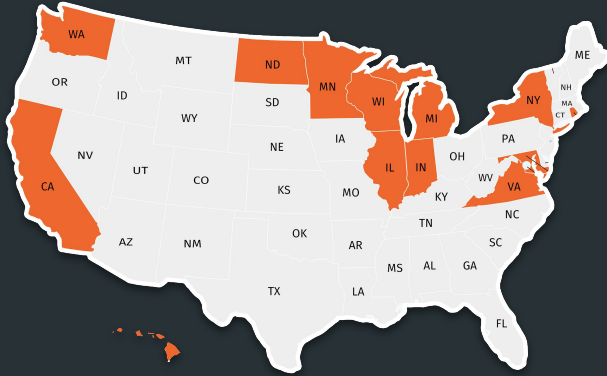
2

REGISTRATION STATES

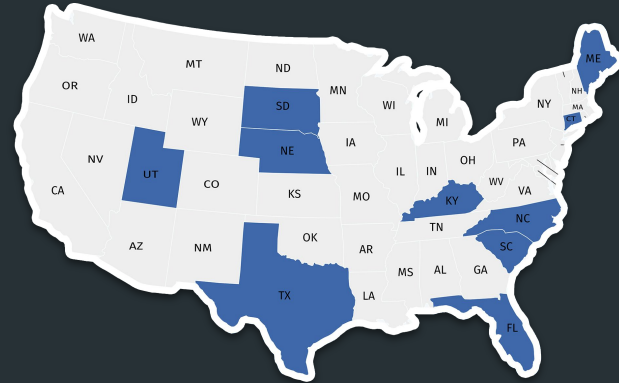
- Must register your FDD in that particular state
- Disclose to franchisees no less than 14 days prior to signing a franchise agreement or accepting a franchise fee
- Be aware of state variations



STATE FRANCHISE LAWS



FRANCHISE **REGISTRATION**
STATES



FRANCHISE **FILING**
STATES

Do you have to update your FDD every year?

Your FDD must be updated at least **annually**
(within 120 days of your fiscal year end)

If there are material changes in the information contained in your FDD, then you have to update your FDD on a quarterly basis or immediately for material or misleading information.



When does your FDD Registration Expire?

Under the Federal Franchise Rule, you must update your FDD every year **within 120 days of the end of your fiscal year.**

If your fiscal year is based on a calendar year and ends on Dec. 31, then your updated FDD must be issued no later than April 30th.

***Otherwise, your FDD will automatically expire
and you must stop selling franchises.***



Do you have to renew Filings?

How long a state registration or filing is effective varies among the states.

Some states have one-time filings, and others have annual renewal filings.

One Time Filing

Kentucky
Nebraska
Texas

Annual Filing

(Expires 1 year from filing effective date)

Florida
South Dakota
Utah
Virginia
Washington
Wisconsin

Exemption

Connecticut
Maine
South Carolina





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