

What Information Is Found in the Franchise Disclosure Document (FDD)?

The purpose of the FDD is to provide prospective franchisees with information about the franchisor, the franchise system and the agreements that they will need to sign so that they can make an informed decision. The FDD is a requirement of the Federal Trade Commission (FTC).

THE FRANCHISE DISCLOSURE DOCUMENT (FDD) ITEMS:

- **The franchisor** and any parents, predecessors and affiliates. This section provides a description of the company and its history.
- **Business experience.** This section provides biographical and professional information about the franchisors and its officers, directors and executives.
- **Litigation.** This section provides relevant current and past criminal and civil litigation for the franchisor and its management.
- **Bankruptcy.** This section provides information about the franchisor and any management who have gone through bankruptcy.
- **Initial fees.** This section provides information about the initial fees and the range and factors that determine the amount of fees.
- **Other fees.** This item provides a description of all other recurring fees or payments that must be made.
- **Initial investment.** This item is presented in table format and includes all the expenditures required by the franchisee to make to establish the franchise.
- **Restriction on sources of products and services.** This section includes the restrictions that the franchisor has established regarding the source of products or services.
- **Franchisee's obligations.** This item provides a reference table that indicates where in the franchise agreement franchisees can find the obligations they have agreed to.
- **Financing.** This item describes the terms and conditions of any financing arrangements offered by the franchisor.
- **Franchisor's Assistance, Advertising, Computer Systems and Training.** This section describes the services that the franchisor will provide to the franchisee.
- **Territory.** This section provides the description of any exclusive territory and whether territories will be modified.
- **Trademarks.** This section provides information about the franchisor's trademarks, service marks and trade names.
- **Patents, copyrights and proprietary information.** This section gives information about how the patents and copyrights can be used by the franchisee.

- **Obligation to participate in the actual operation of the franchise business.** This section describes the obligation of the franchisee to participate in the actual operation of the business.
- **Restrictions on what the franchisee may sell.** This section deals with any restrictions on the goods and services that the franchisee may offer its customers.
- **Renewal, termination, transfer and dispute resolution.** This section tells you when and whether your franchise can be renewed or terminated and what your rights and restrictions are when you have disagreements with your franchisor.
- **Public Figures.** If the franchisor uses public figures, (celebrities or public persons) the amount the person is paid is revealed in this section.
- **Financial Performance Representations.** Here the franchisor is allowed, but not required to provide information on unit financial performance.
- **Outlets and Franchise Information.** This section provides locations and contact information of existing franchises.
- **Financial Statements.** Audited financial statements for the past here years are included in this section.
- **Contracts.** This item provides all of the agreements that the franchisee will be required to sign.
- **Receipts.** Prospective franchisees are required to sign a receipt that they received the FDD.