
DISCLOSE • VERIFY • COMPARE

BEFORE YOU BUY A FRANCHISE

Read every required item.

Build the independent model.

Call the people who left.

FDD | UNIT ECONOMICS | LENDER | COUNSEL

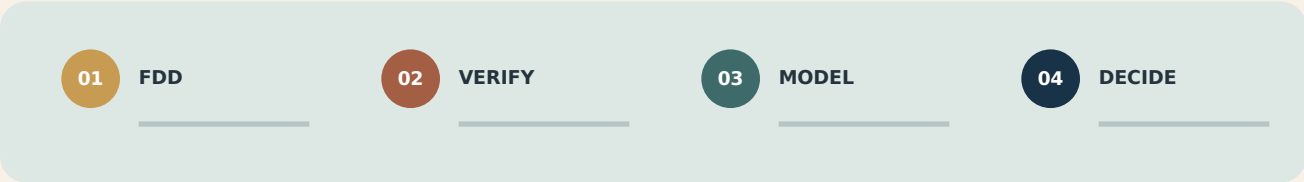
Veteran's Strategic Solutions LLC



START HERE

How to Use This Guide

Read the core guide first. Then use the worksheets to organize the FDD, questions, advisor budget, total-investment comparison, decision record, franchisee interviews, and legal, financial, lending, advertising, disclosure, privacy, and document-control checks before signing or paying.

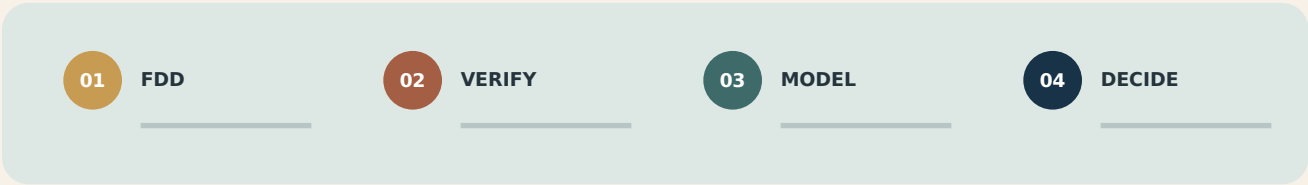


DISCLOSURE REVIEW | Read the complete FDD and mark questions before any binding agreement or payment.

PIECE	USE
Core guide	Use the FDD, written answers, independent financial model, current and former franchisee interviews, and qualified advisers to close the information gap before committing.
Operating kit	Use the checklist, due-diligence budget, investment comparison, decision record, contact tracker, and compliance page for each franchise considered.

CORE GUIDE 01

The rule that protects you



The FTC Franchise Rule, at 16 CFR Part 436, requires a franchisor to give you a Franchise Disclosure Document. The FDD has 23 numbered Items and it is the single most important document in the transaction.

You must receive the complete FDD at least 14 calendar days before you sign any binding agreement or pay any money — including a deposit. That language is required to appear on the FDD’s own cover page.

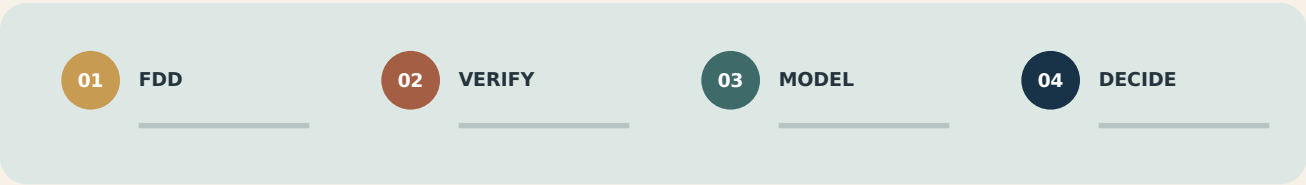
Two things most people don’t know:

You can have it earlier. The FTC states that you have the right to the FDD once the franchisor has received your application and agrees to consider it. You do not have to wait to be handed it at the end of a sales process.

BUSINESS LENS	CONTROL
Disclosure	Confirm the complete FDD and every required waiting period.
Economics	Model a new unit with royalties, labor, rent, debt service, and working capital.
Evidence	Call comparable current and former franchisees and verify every material claim.

CORE GUIDE 01

The rule that protects you Continued

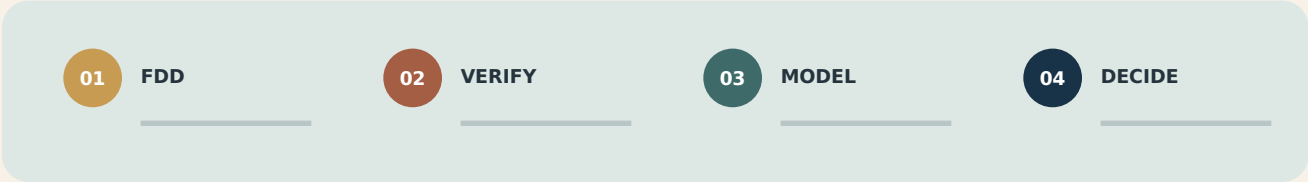


There is a second waiting period. If the franchisor unilaterally changes the agreement, you are generally entitled to the revised version at least 7 calendar days before you sign it. Confirm the exact terms with a franchise attorney — this one has conditions attached.

The FTC’s own guidance adds the part that matters most: providing the FDD does not make a franchisor reputable. It’s required by law. But if they’re slow to hand it over, give you an incomplete one, dodge your questions, or rush you — that tells you something.

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The gap: nobody has to tell you what a new unit earns



This is the whole page. Read it twice.

Item 19 is where a franchisor may disclose financial performance. The FTC’s own words: Item 19 contains claims the franchisor chooses to make. It is optional. A franchisor may leave it out entirely and remain fully compliant.

And when it is included, it does not have to answer the question you actually need answered.

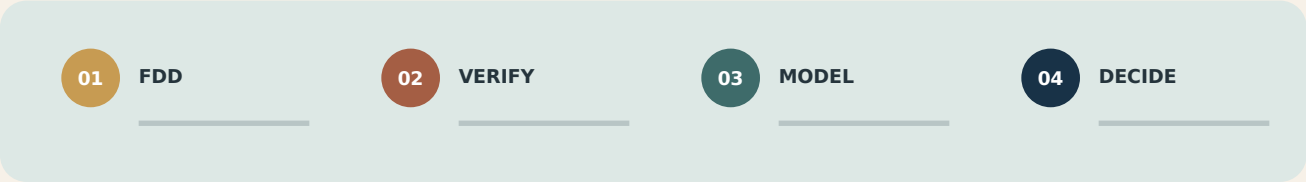
GAO found that federal regulations do not require a franchise organization to provide actual first-year average revenues for start-up businesses in its disclosure document.



UNIT ECONOMICS | Rebuild first-year cash needs, operating costs, royalties, debt service, and working capital.

CORE GUIDE 02

The gap: nobody has to tell you what a new unit earns Continued

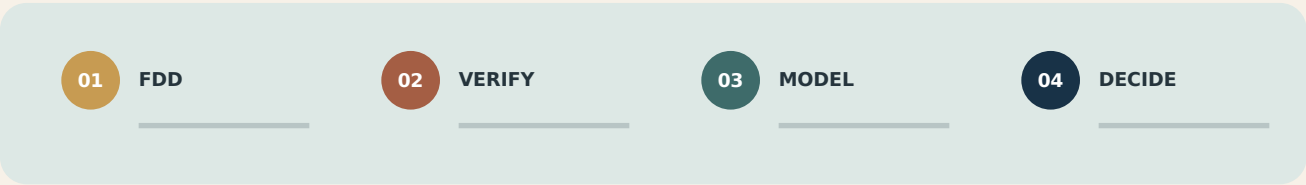


Sit with that. The document everyone tells you to study is not required to tell you what a brand-new unit — the thing you are about to become — actually made in its first year.

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CORE GUIDE 03

What GAO found when it looked



In GAO-13-759, the Government Accountability Office examined SBA-guaranteed 7(a) loans made to franchisees of one franchise organization between 2000 and 2011.

The franchisees GAO interviewed described two problems: difficulty meeting anticipated revenue estimates, and limited access to the information they needed to plan the business.

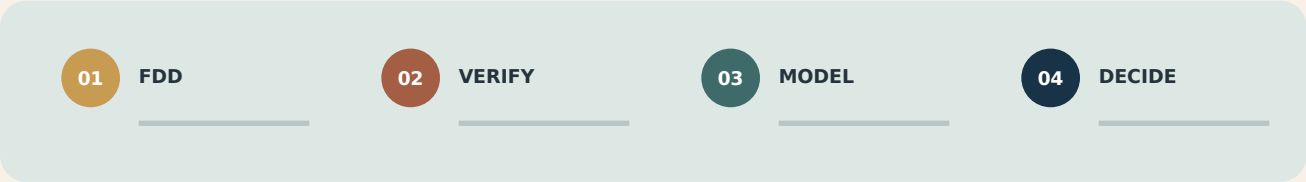
The projections were roughly double

GAO investigated an allegation that a loan agent supplied inflated revenue projections to help franchisees qualify for SBA loans.

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CORE GUIDE 03

What GAO found when it looked Continued



First-year projected revenues on the applications involving that loan agent or her employer averaged more than twice the actual first-year revenue — for 19 of the 24 franchisees GAO reviewed.

SBA’s Office of Credit Risk Management debarred the loan agent and her employer for encouraging false statements, making them ineligible to work with the federal government for three years.

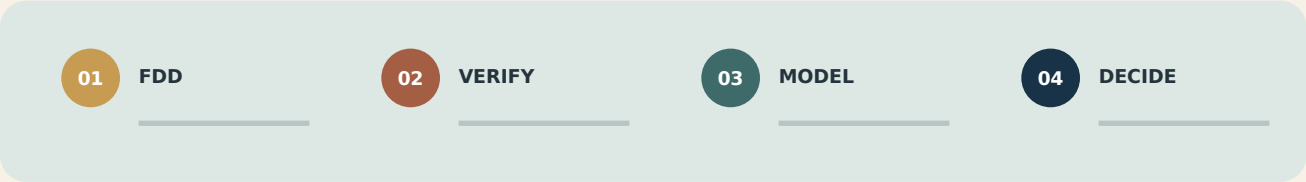
Who writes your loan is a variable

Of the 170 loans, 74 defaulted — and 55 of those defaults, 74%, came from just four lenders.

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CORE GUIDE 03

What GAO found when it looked Continued



Same brand. Same period. Nearly triple the default rate depending on who originated the loan. Nobody tells you to ask about your lender’s track record.

And the program-wide number

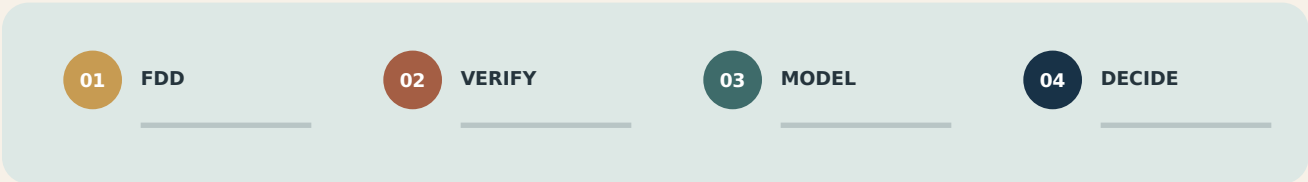
GAO reports that from fiscal years 2003 to 2012, SBA guaranteed around \$10.6 billion in franchise 7(a) loans — and, according to SBA, made guarantee payments on approximately 28% of them, about \$1.5 billion.

A guarantee payment means the loan went bad and the taxpayer covered the guaranteed portion. These were vetted borrowers who had to show credit, capital and a business plan.

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CORE GUIDE 04

The claim you will hear, and what to do with it



Somewhere in the sales process you will hear a version of “franchises have a 90% or 95% success rate, compared to most small businesses that fail.”

Ask where that number comes from. Ask for the study, the year, and the sample.

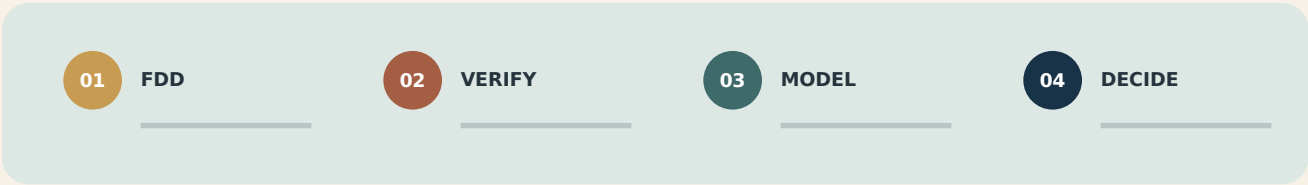
We are not going to counter one unsourced statistic with another. Independent research and industry research disagree with each other, and the sources arguing that franchises are safer are largely published by people who sell franchises. What is not in dispute is the government data above.

The useful move is not to win the argument. It is to notice that a person quoting an unsourced success rate at you is selling, not advising.

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CORE GUIDE 05

The questions that close the gap



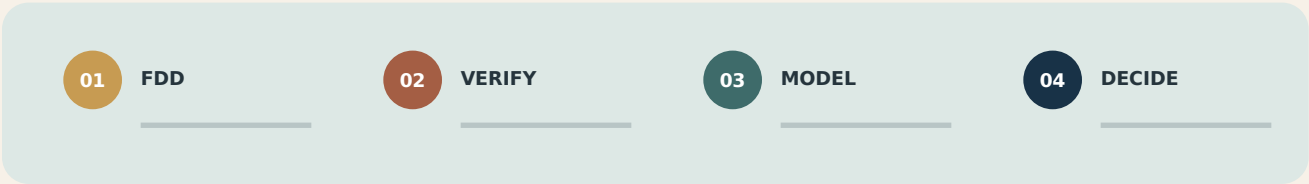
Put every one of these in writing and ask for written answers.

- On revenue - What did a first-year unit actually gross, on average, across every unit opened in the last three years? - How many of those units are still open? - Will you put that in writing?
- On Item 19 - Does your FDD contain an Item 19? If not, why not? - Does the Item 19 cover all units or only the top performers? - Does it show revenue, or profit after royalties, rent, labor and debt service?
- On Item 20 — the one nobody reads - Item 20 contains the tables showing openings, closures, terminations, non-renewals and transfers. Read it before Item 19. - Ask for the contact list of current and former franchisees that Item 20 requires. Call the ones who left. They have nothing to sell you.

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The questions that close the gap

Continued



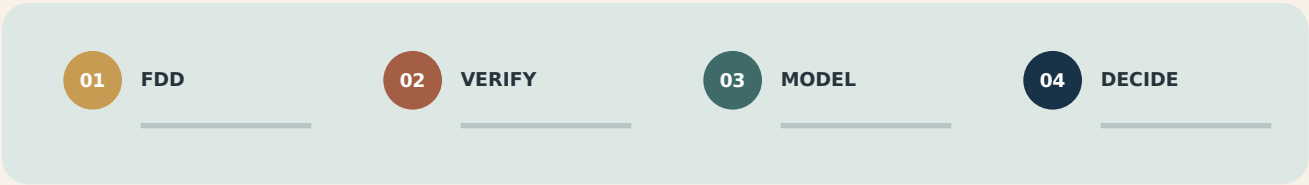
On the loan - Which lenders do your franchisees typically use? - What is that lender’s default rate on loans to your system?

On the fee discount - The VetFran program, run by the International Franchise Association, lists hundreds of participating brands offering veterans a discount on the initial franchise fee. Verify any offer appears in Item 5 of the FDD before you sign. - Remember the scale: the franchise fee is a fraction of total investment. A discount on the fee is real money and a small share of your risk. Do not let it drive the decision.

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CORE GUIDE 06

Before you sign anything



Hire your own franchise attorney. Not one the franchisor recommends. Someone who reads FDDs for a living and works for you.

Hire your own accountant to build the model from the numbers you gathered, not the numbers you were shown.

Talk to the SBA district office about what an SBA loan on this deal actually looks like, including the veteran fee advantages.

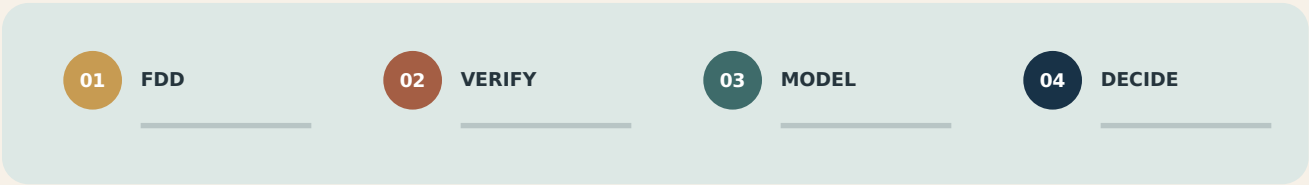
And take the full 14 days. They are yours by law. Anyone pressuring you to move faster has told you what you need to know.



OWNER INTERVIEWS | Call current and former franchisees, record comparable answers, and investigate departures.

CORE GUIDE 07

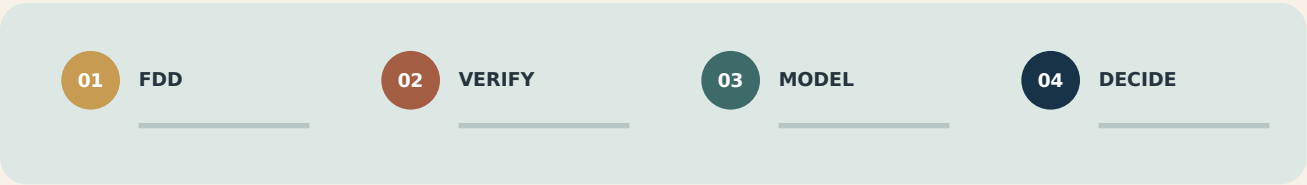
Sources



- FTC Franchise Rule, 16 CFR Part 436 ([ecfr.gov](https://www.ecfr.gov))
- FTC, Franchise Fundamentals: Taking a deep dive into the Franchise Disclosure Document ([ftc.gov](https://www.ftc.gov))
- FTC, Amended Franchise Rule FAQs ([ftc.gov](https://www.ftc.gov))
- GAO-13-759, Small Business Administration: Review of 7(a) Guaranteed Loans to Select Franchisees, published 10 Sep 2013 ([gao.gov](https://www.gao.gov))

BUSINESS LENS	CONTROL
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Evidence	Call comparable current and former franchisees and verify every material claim.

Sources Continued



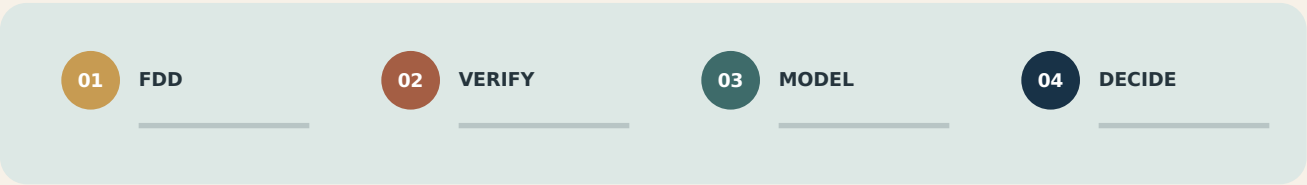
International Franchise Association, VetFran (franchise.org)

This guide is educational and is not legal, financial or investment advice. Franchise regulations change and every franchise system is different. Retain your own franchise attorney and accountant before signing anything.

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CORE REFERENCE

GAO Loan Findings Reference

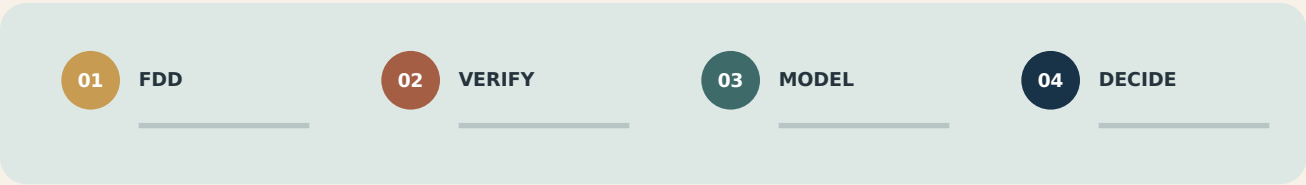


Use the source figures as the planning baseline. Replace local, personal, already-owned, and time-sensitive assumptions with actual quotes and requirements before launch.

Finding	Figure
Loans reviewed	170, about \$38.4 million
Loans that defaulted	74
Franchisees GAO interviewed	22
Of those, defaulted	16
Of those, filed bankruptcy	10

CORE REFERENCE

Franchise Claim Review



Use the source figures as the planning baseline. Replace local, personal, already-owned, and time-sensitive assumptions with actual quotes and requirements before launch.

	Loans	Defaults	Rate
The four highest-volume lenders	88	55	63%
The other 50 lenders	82	19	23%

WORKSHEET 01

Startup Checklist

01FDD

02VERIFY

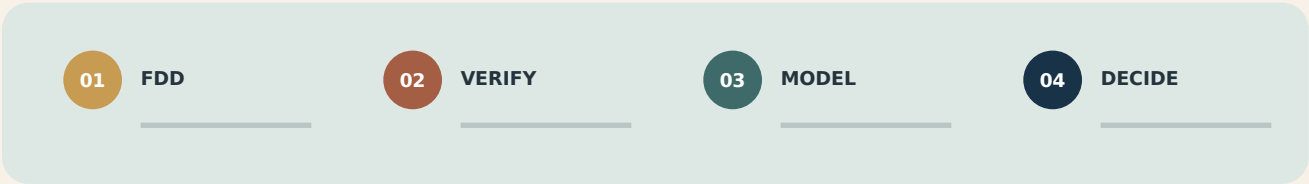
03MODEL

04DECIDE

DONE	ACTION	OWNER DATE NOTES
☐	Define the exact before you buy a franchise guide customer, problem, deliverable, service area or channel, and buying trigger.	
☐	Run the source's smallest low-cost demand test before buying major equipment or committing to long-term overhead.	
☐	Write the offer, inclusions, exclusions, timing, acceptance standard, and customer responsibilities.	
☐	Check licensing, zoning, and tax rules for your own city and state before starting.	
☐	Confirm federal, state, local, tax, advertising, privacy, accessibility, contract, and record requirements [VERIFY].	
☐	Obtain general liability, professional liability, cyber, property, auto, workers' compensation, and client-required coverage as applicable [VERIFY].	
☐	Create intake, estimate, scope, approval, delivery, quality-control, incident, invoice, and closeout records.	
☐	Price from actual labor, materials, equipment, travel, payment fees, taxes, rework, overhead, and reserve.	
☐	Complete one paid pilot and document the result only with written customer permission.	
☐	Track the one metric from the source, plus gross margin, delivery time, exceptions, referrals, and repeat work.	

WORKSHEET 02

Franchise Due-Diligence Budget Worksheet



DUE-DILIGENCE KIT | Organize documents, questions, advisor reviews, financial models, deadlines, and decisions.

ITEM	NEEDED	ESTIMATE	ACTUAL	NOTES
Business formation, registrations, licensing, tax, contracts, and professional review [VERIFY]				
General liability, professional liability, cyber, property, auto, workers' compensation, and client coverage [VERIFY]				
Core equipment, tools, supplies, safety gear, storage, maintenance, replacement, and backups				
Computer, phone, software, scheduling, payment, e-signature, records, security, and backup				
Website, business email, phone, listings, signage, accessibility, privacy, and marketing [VERIFY]				
Original intake, estimate, scope, checklist, quality, incident, invoice, and closeout templates				
Training, credentials, continuing education, renewal, testing, and professional memberships [VERIFY]				
Vehicle, delivery, travel, fuel, mileage, parking, tolls, rental, and route costs as applicable				
Bookkeeping, merchant fees, taxes, legal review, data protection, and records [VERIFY]				
Contractor, employee, payroll, supervision, quality control, and administrative support [VERIFY]				
Working capital, refunds, rework, claims, chargebacks, downtime, deductibles, and reserve				

BUDGET CONTROL

TOTAL ESTIMATE: _____ TOTAL ACTUAL: _____ CASH RESERVE: _____

WORKSHEET 03

Pricing and Estimate Template

01FDD

02VERIFY

03MODEL

04DECIDE

CLIENT	SERVICE LOCATION	ESTIMATE NUMBER	DATE

SERVICE OR INPUT	BASIS	AMOUNT
Initial franchise fee	Item 5	
Other initial payments	Items 5 and 7	
Buildout and equipment	Item 7 and quotes	
Opening inventory and deposits	Item 7 and quotes	
Professional fees	Attorney and accountant	
Training and travel	FDD and actual plan	
Working capital	Independent model	
Debt costs	Lender term sheet	
Contingency [VERIFY]	Documented basis	
Total investment		

TOTAL ESTIMATE	DEPOSIT OR AUTHORIZATION	VALID THROUGH

WORKSHEET 04

Franchise Decision Record

01

FDD

02

VERIFY

03

MODEL

04

DECIDE

FIELD	AGREED DETAIL
Customer, legal entity, contacts, billing, service or delivery location, dates, and decision-maker	
Customer need, current condition, objective, constraints, success standard, and source documents	
Selected offer, quantities, deliverables, inclusions, exclusions, options, and completion standard	
Schedule, access, dependencies, customer preparation, approvals, delays, and communication	
Materials, equipment, substitutions, delivery, storage, utilities, security, and site conditions [VERIFY]	
Inspection, testing, checklist, documentation, acceptance, correction, and handoff	
Change orders, added work, hidden conditions, cancellation, rescheduling, and out-of-scope requests	
Fee, deposit, expenses, tax, invoicing, payment, late payment, refunds, and chargebacks [VERIFY]	
Licensing, permits, insurance, safety, privacy, accessibility, and customer-required controls [VERIFY]	
Warranty, maintenance, service response, damage, loss, limitation, and claim procedure [VERIFY]	
Confidentiality, records, photos, data, testimonials, portfolio use, retention, and deletion [VERIFY]	
Completion, acceptance, closeout, support period, complaint, dispute, termination, and signatures [VERIFY]	

WORKSHEET 06

Franchise Contact and Document Tracker

01FDD

02VERIFY

03MODEL

04DECIDE

DATE	BRAND / PERSON	ROLE	DOCUMENT / QUESTION	STATUS NEXT STEP

BRAND	FDD DATE	ITEM 19	FORMER OWNERS	MODEL	DECISION
BRAND	FDD DATE	ITEM 19	FORMER OWNERS	MODEL	DECISION
BRAND	FDD DATE	ITEM 19	FORMER OWNERS	MODEL	DECISION

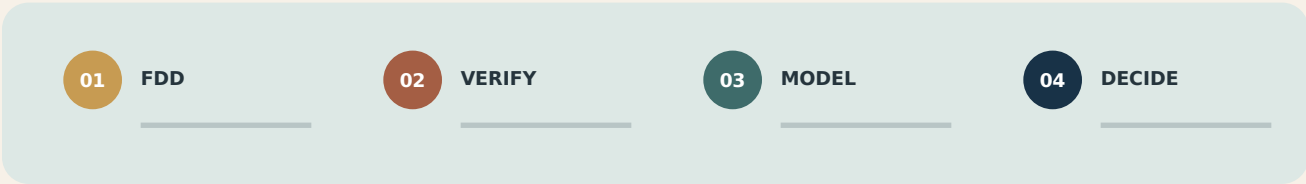
BRAND	FDD DATE	ITEM 19	FORMER OWNERS	MODEL	DECISION
BRAND	FDD DATE	ITEM 19	FORMER OWNERS	MODEL	DECISION
BRAND	FDD DATE	ITEM 19	FORMER OWNERS	MODEL	DECISION

ONE METRIC

WRITTEN ANSWERS RECEIVED: _____ FORMER OWNERS CALLED: _____ UNRESOLVED ITEMS: _____

WORKSHEET 07

Franchise Due-Diligence and Decision Protection



Check licensing, zoning, and tax rules for your own city and state before starting.

CHECK	CONTROL	INITIALS NOTES
☐	Licensing, zoning, tax, advertising, privacy, accessibility, safety, environmental, and local rules are confirmed [VERIFY].	
☐	Required insurance, certificates, limits, exclusions, additional insureds, drivers, workers, and subcontractors are confirmed [VERIFY].	
☐	Written scope defines the offer, exclusions, responsibilities, schedule, acceptance, payment, warranty, and change control.	
☐	Equipment, tools, vehicles, products, software, storage, access, and backups are inspected and fit for the actual work [VERIFY].	
☐	Training, credentials, permits, inspections, records, recurring renewals, and customer requirements are current [VERIFY].	
☐	Customer, payment, property, employee, health, identity, and confidential data are minimized and protected [VERIFY].	
☐	Pricing, credentials, affiliations, testimonials, savings, results, and outcome claims are truthful and documented.	
☐	Incident, damage, spill, injury, complaint, refund, breach, interruption, and escalation procedures are written [VERIFY].	
☐	Work stops for unsafe conditions, missing authorization, inadequate coverage, prohibited scope, deception, or requirements outside competency.	

STOP RULE

Do not sign, pay, borrow, transfer retirement funds, or make a binding commitment until the complete current FDD, waiting periods, written answers, independent unit model, lender terms, franchisee interviews, attorney review, accountant review, and all unresolved risks are documented [VERIFY].

The invoice template was skipped because this is a buyer due-diligence guide, not an operating service that invoices customers.