

How to Use This Guide

This guide supports Micro-Learning Lessons 31–37 and is designed to be used alongside the corresponding video lessons. Together, these lessons cover Items 1–23 of the Franchise Disclosure Document (FDD) and guide candidates through understanding disclosure, financials, contracts, system trends, and timing protections.

Use this guide to reinforce what you hear in each video, slow down the learning process, and organize key concepts in a practical, easy-to-reference format. Each section highlights what the lesson covers, why it matters, and how it applies to real-world franchise evaluation.

The reflection prompts are intended to help you think critically about how the information applies to your personal goals, financial readiness, and expectations as a prospective franchise owner. Revisit this guide as you progress through the lessons to build clarity, confidence, and consistency in your evaluation and decision-making process.

FRANCHISE DISCLOSURE DOCUMENT (FDD) – MICRO LEARNING LESSON 31 ITEM 18: PUBLIC FIGURES IN FRANCHISING

What this covers

This lesson explains how **public figures such as celebrities or well-known personalities may be involved in a franchise system**, and how that involvement is disclosed in the FDD.

Learners are introduced to the different ways a public figure's name or image may be associated with a brand, including paid endorsements, partial ownership, or limited promotional roles. Importantly, the lesson clarifies that public visibility does not necessarily translate into operational involvement or management expertise.

By reviewing how this information appears in the FDD, learners can better understand what role if any a public figure plays in the franchise's operations and decision-making. This helps separate marketing appeal from operational reality and supports more informed franchise decisions.

Key Takeaways

- **Public figures may serve different roles**

Their involvement may range from paid marketing appearances to limited ownership interests, and does not usually include day-to-day operations.

- **Visibility does not equal operational control**

A well-known name can attract attention and credibility, but franchise performance depends on systems, support, and execution.

- **The FDD provides transparency**

Item 18 outlines the nature and extent of any public figure involvement so candidates can understand exactly what influence exists.

- **Marketing appeal can create assumptions**

Celebrity association may create excitement, but it should not replace careful evaluation of the franchise model.

- **Informed decisions focus on substance**

Successful franchise ownership is driven by training, systems, and support — not star power.

Why this matters

Public figures can strongly influence perception. Candidates may assume that a franchise is safer, easier, or more successful simply because a recognizable name is attached to it. Without clarity, this can lead to unrealistic expectations.

This lesson helps learners look beyond branding and understand how a franchise actually operates. By reviewing the FDD carefully, candidates can identify whether a public figure's role is meaningful to operations or purely promotional. This understanding protects against emotional decision-making and keeps the evaluation process grounded in facts.

Reflection Prompts

- How does the involvement of a public figure influence my perception of this franchise?
- What assumptions might I be making based on name recognition alone?
- What role does the public figure actually play according to the FDD?
- How important are systems, training, and support compared to marketing appeal?
- What additional questions should I ask to clarify this involvement?

Next Steps

With a clearer understanding of how public figures are disclosed and positioned within a franchise system, learners can continue evaluating opportunities with greater objectivity and confidence.

Proceed to the next Micro-Learning lesson to further explore additional FDD sections and how they impact franchise ownership decisions. Additional tools and resources are available at **aboutfranchising.org** to support informed, disciplined franchise evaluation.

FRANCHISE DISCLOSURE DOCUMENT (FDD) – MICRO LEARNING LESSON 32
ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

What this covers

This lesson provides an overview of **Item 19**, the section of the FDD that may disclose historical financial performance information for a franchise system.

Learners explore what Item 19 typically includes such as gross sales, average revenue, or net profit and why this information can be helpful when evaluating a franchise opportunity. The lesson also explains that Item 19 is **optional**, meaning not all franchisors choose to provide financial data.

Emphasis is placed on understanding the purpose of Item 19 as a disclosure tool, not a guarantee of future earnings. By learning how to read the numbers, assumptions, and footnotes carefully, candidates can use this information responsibly and realistically.

Key Takeaways

• **Item 19 provides historical financial data**

When included, it offers insight into how certain franchise units have performed in the past.

• **Disclosure is optional**

Franchisors are not required to include Item 19, and its absence does not automatically indicate a weak system.

• **Numbers vary by scope and assumptions**

Data may reflect only certain units, timeframes, or ownership types, which must be understood before drawing conclusions.

• **Footnotes are critical**

They explain what is included, excluded, or limited in the financial figures.

- **Item 19 sets expectations, not outcomes**

The information helps guide evaluation but does not predict individual results.

Why this matters

Financial performance numbers often receive the most attention during franchise evaluation. Without proper context, candidates may overestimate what the data represents or assume similar results are guaranteed.

This lesson helps learners approach Item 19 with discipline and objectivity. By understanding what the numbers show — and what they do not — candidates can avoid unrealistic assumptions, ask better validation questions, and compare franchise opportunities more accurately.

Using Item 19 correctly supports smarter financial planning and more confident decision-making.

Reflection Prompts

- Is Item 19 included in this franchise's FDD? Why or why not?
- What assumptions or limitations are noted in the footnotes?
- Which financial metrics are most relevant to my goals?
- How might my location, expenses, or management style affect results?
- What follow-up questions should I ask based on this data?

Next Steps

With a foundational understanding of Item 19, learners are better prepared to analyze financial disclosures responsibly and continue validating franchise opportunities.

Proceed to the next Micro-Learning lesson to explore additional FDD sections and how they impact franchise ownership decisions. Additional tools and resources are available at **aboutfranchising.org** to support informed and confident franchise evaluation.

FRANCHISE DISCLOSURE DOCUMENT (FDD) – MICRO LEARNING LESSON 33
ITEM 19: READING & VALIDATING THE NUMBERS

What this covers

This lesson focuses on **how to interpret Item 19 financial data responsibly** and how to validate those numbers before making a franchise decision.

Learners explore common pitfalls such as relying solely on averages, misunderstanding how outlets are selected for reporting, and assuming headline figures represent typical results. The lesson introduces the importance of medians, understanding outliers, and recognizing how selected data can shape perception.

Emphasis is placed on validation comparing Item 19 disclosures with real-world conversations with existing franchisees. By combining reported data with firsthand insights, learners can develop a more realistic understanding of potential performance.

Key Takeaways

Averages can be misleading

High-performing units can skew averages and create unrealistic expectations.

Medians often reflect typical performance

The median shows the middle result and is often a more practical indicator of what most franchisees experience.

“Selected outlets” may limit context

Reported numbers may only reflect certain units, not the full system.

Validation is essential

Speaking with franchisees helps confirm whether reported figures align with real-world results.

Trends matter more than individual stars

Consistent system-wide performance is more meaningful than isolated top performers.

Why this matters

Financial numbers can strongly influence franchise decisions, especially when they appear impressive at first glance. Without proper interpretation, candidates may assume these results are easily achievable or representative of all franchisees.

This lesson helps learners slow down and analyze Item 19 data with discipline. Understanding how numbers are calculated, which units are included, and how results vary across the system reduces the risk of false assumptions and overconfidence.

Validating financial performance through multiple sources supports smarter planning, better questions, and more grounded expectations.

Reflection Prompts

- Am I focusing more on averages or medians when reviewing Item 19?
- How were the reported units selected for the financial data?
- What differences exist between top-performing units and typical units?
- How do franchisee conversations align with the disclosed numbers?
- What additional information do I need before relying on these figures?

Next Steps

With a stronger understanding of how to read and validate Item 19 financial data, learners are better equipped to assess franchise opportunities realistically and responsibly.

Continue to the next Micro-Learning lesson to explore additional FDD sections and due diligence tools that support confident, informed franchise ownership decisions. Additional resources are available at **aboutfranchising.org** to guide you through the process.

FRANCHISE DISCLOSURE DOCUMENT (FDD) – MICRO LEARNING LESSON 34
ITEM 20: OUTLETS, GROWTH & SYSTEM TRENDS

What this covers

This lesson explains how to **analyze franchise growth patterns using Item 20**, rather than relying on surface-level metrics like total unit count or rapid expansion claims.

Learners are introduced to the concept of **pattern recognition** comparing openings and closures over multiple years to understand whether a system is truly growing or simply churning units. The lesson highlights how stable systems tend to show steady net growth or consistent unit counts, while high churn may indicate deeper operational issues.

By examining trends such as sudden spikes, regional concentration, and franchisee turnover, learners gain insight into system health, support capacity, and long-term sustainability.

Key Takeaways

• **Growth must be evaluated over time**

Single-year numbers can be misleading; patterns across multiple years reveal the real story.

• **Openings and closures must be compared together**

A system that opens many units but closes nearly as many may be churning rather than growing.

• **High churn can signal risk**

Frequent closures may indicate weak onboarding, operational strain, or misaligned expectations.

• **Trends reveal system behavior**

Regional clustering, sudden spikes, or drops often point to underlying structural issues.

• **Momentum matters more than size**

Stable, consistent systems are often healthier than large but volatile ones.

Why this matters

Rapid growth can look impressive, but it does not always reflect system strength. Without context, candidates may assume expansion equals opportunity, when in reality it may signal aggressive sales or insufficient support.

This lesson helps learners evaluate **how growth is achieved and sustained**, not just whether it exists. Understanding Item 20 trends allows candidates to assess franchisee satisfaction, support capacity, and long-term viability — all critical factors in ownership success.

Using trends thoughtfully leads to better questions, stronger validation conversations, and more realistic expectations.

Reflection Prompts

- How do openings compare to closures over multiple years?
- Does the system show steady growth, stability, or high churn?
- Are closures concentrated in specific regions or markets?
- What might these patterns suggest about franchisee support and onboarding?
- What follow-up questions should I ask based on these trends?

Next Steps

With a clearer understanding of Item 20 and system growth patterns, learners are better equipped to evaluate franchise stability and long-term sustainability.

Continue to the next Micro-Learning lesson to explore additional FDD sections and deeper validation strategies. More tools and resources are available at **aboutfranchising.org** to support informed, confident franchise decisions.

FRANCHISE DISCLOSURE DOCUMENT (FDD) – MICRO LEARNING LESSON 35
ITEM 21 & 22: FINANCIALS & CONTRACTS

What this covers

This lesson provides a **high-level overview of the franchisor’s financial condition (Item 21)** and the **contracts governing the franchise relationship (Item 22)**.

Learners are introduced to the types of financial statements included in Item 21 and how they can indicate the franchisor’s ability to support training, operations, and long-term system growth. The focus is not on detailed financial analysis, but on recognizing big-picture signals that may require further discussion.

The lesson also explains the purpose of Item 22, which contains the franchise agreement and related contracts. Learners are guided to notice key structural elements such as agreement length, renewal terms, exit conditions, and termination rights — all of which shape the long-term relationship between franchisor and franchisee.

Key Takeaways

• **Item 21 reflects franchisor stability**

Financial statements provide insight into whether the franchisor appears capable of sustaining and supporting the system.

• **Big-picture signals matter**

Trends, losses, debt, and reliance on franchise fees are conversation starters, not conclusions.

• **Item 22 defines the relationship**

Contracts outline rights, obligations, and limits for both parties over the life of the agreement.

• **Contracts shape long-term flexibility**

Renewal, termination, and exit terms influence how challenges are handled later.

- **Awareness comes before analysis**

Understanding what you're reviewing helps you know when to seek professional guidance.

Why this matters

Franchise candidates often focus heavily on the opportunity itself while overlooking the financial strength of the franchisor and the long-term commitments defined by the contract.

This lesson helps learners recognize that even strong brands and attractive models depend on financially stable franchisors and clearly defined agreements. Understanding these elements at a high level reduces the risk of surprises and ensures that candidates approach professional reviews with better questions and clearer expectations.

Awareness at this stage supports smarter, more confident decision-making.

Reflection Prompts

- Does the franchisor appear financially stable at a high level?
- Are there any financial trends that raise questions I should explore further?
- What is the length and commitment level of the franchise agreement?
- How flexible are the renewal and exit terms?
- What professional advice do I need before moving forward?

Next Steps

With a foundational awareness of franchisor financials and franchise contracts, learners are well positioned to engage professional advisors and continue the franchise evaluation process with confidence.

Additional Micro-Learning lessons and tools are available at **aboutfranchising.org** to support informed, thoughtful franchise decisions.

FRANCHISE DISCLOSURE DOCUMENT (FDD) – MICRO LEARNING LESSON 36
TEM 23: RECEIPTS & TIMING RULES

What this covers

This lesson explains the purpose of **Item 23**, which documents when the Franchise Disclosure Document is delivered and establishes the **mandatory review period** before any agreement can be signed or fees paid.

Learners are shown that the receipt is not an approval or commitment — it is simply confirmation of delivery and version received. The lesson also clarifies when the review “clock” starts and why waiting periods exist to protect franchise candidates from rushed decisions.

Additionally, the lesson introduces the importance of **state addenda**, which may include extended timing rules or additional disclosures depending on the state where the franchise is offered.

Key Takeaways

• **The receipt confirms delivery, not agreement**

Signing the receipt only acknowledges that you received the FDD and which version was provided.

• **Timing rules protect candidates**

Mandatory waiting periods ensure you have time to review, ask questions, and seek professional advice.

• **The review period has a clear start point**

The clock begins when the FDD is received, not when discussions first start.

• **State rules may vary**

Some states impose additional timing or disclosure requirements through state addenda.

- **Review comes before commitment**

No agreements should be signed and no fees paid before the required waiting period ends.

Why this matters

Franchise decisions carry long-term financial and contractual commitments. Without timing protections, candidates could feel pressured to move forward before fully understanding the opportunity.

This lesson helps learners recognize that Item 23 exists to **slow the process down**, not speed it up. Understanding when the review period begins and why it matters gives candidates control over their timeline and encourages thoughtful, independent decision-making.

Using this time wisely reduces regret and strengthens confidence after signing.

Reflection Prompts

- When did I officially receive the FDD?
- How much time do I have to complete my review before any commitment?
- What questions should I prioritize during this review period?
- Which professionals should I consult before the deadline?
- Am I allowing myself enough time to make an informed decision?

Next Steps

With a clear understanding of Item 23 and the timing protections it provides, learners are better prepared to complete their due diligence without pressure.

Continue through the remaining Micro-Learning lessons and use the review period to ask questions, consult advisors, and reflect carefully before making any franchise commitments.

Additional tools and resources are available at **aboutfranchising.org** to support confident, informed decisions.

FRANCHISE DISCLOSURE DOCUMENT (FDD) – MICRO LEARNING LESSON 37
DD WRAP-UP & TRANSITION TO VALIDATION

What this covers

This lesson concludes the FDD series by reinforcing the purpose of the Franchise Disclosure Document as a **foundation for informed decision-making**, not a tool for persuasion.

Learners are reminded that all 23 required FDD items work together to provide a complete picture of the franchisor, the system, the costs, the risks, and the expectations of franchise ownership. With disclosure complete, the lesson outlines what comes next: validation conversations, advisor reviews, and final clarification with the franchisor.

The lesson also emphasizes the importance of pausing before award — recognizing that franchise decisions are mutual and that readiness, alignment, and timing matter for both the candidate and the brand.

Key Takeaways

• **The full FDD has now been reviewed**

Items 1–23 provide standardized, legally required disclosure to support informed evaluation.

• **The FDD informs — it does not persuade**

Its role is clarity and transparency, not selling the opportunity.

• **Validation is the next phase**

Real-world conversations with franchisees and advisors help confirm what the documents disclose.

• **Readiness goes both ways**

Both the candidate and the franchisor are assessing fit, preparedness, and alignment.

- **Pausing supports better decisions**

Reflection time reduces pressure and strengthens confidence in the next steps.

Why this matters

After working through the FDD, it can be tempting to rush toward a decision. However, documents alone cannot fully capture what day-to-day franchise ownership feels like.

This lesson helps learners recognize that the FDD is the starting point not the finish line. Transitioning thoughtfully into validation ensures that expectations shaped by disclosure are tested against real experiences. This reduces uncertainty, prevents regret, and leads to more grounded, confident decisions.

Taking time at this stage protects both clarity and long-term satisfaction.

Reflection Prompts

- What have I learned about this franchise from the FDD as a whole?
- Which areas feel clear, and which still raise questions?
- What do I need to validate through franchisee conversations?
- Am I feeling informed rather than rushed at this stage?
- What would readiness look like for me before moving toward award?

Next Steps

With the FDD phase complete, learners are ready to move into **validation** speaking directly with franchisees, deepening advisor conversations, and clarifying expectations through real-world insights.

Continue to the next Micro-Learning lessons to explore validation strategies and tools designed to help you confirm fit, alignment, and long-term potential before making a final decision.

Additional resources are available at **[aboutfranchising.org](https://www.aboutfranchising.org)** to support confident, informed franchise ownership decisions.