



The Ultimate FDD Review Checklist

Transform 200 Pages of Confusion into a Clear Decision Path

Introduction: Congratulations on taking a crucial step toward becoming a business owner! This checklist is designed to help you systematically and methodically review the Franchise Disclosure Document (FDD). We'll follow the “Four-Step Strategic Analysis Framework” outlined in the article, breaking down this complex document into manageable questions.

Print it out and use it to check off and document each item as you read through the FDD.

IMPORTANT LEGAL DISCLAIMER: This checklist is for educational and informational purposes only and does not constitute legal or financial advice. The FDD is a highly legally binding document. Before making any investment commitment or signing any documents, you must engage a qualified franchise attorney and a ****Certified Public Accountant (CPA)**** to jointly review the FDD and provide professional advice. This checklist is a supplementary tool and cannot replace professional consultation.

Step 1: Investigate the People & History

Objective: Assess the background, experience, and reputation of your future business partners.

Corresponding FDD Items: Items 1-4

Review Checklist:

(Item 1) Company Background: Do I clearly understand the company's history, parent company structure, and how long it has been in operation?

(Item 2) Management Experience: Have I carefully reviewed the resumes of all key executives? Do they have successful experience in this industry or franchise sector?

(Item 3) Litigation History: Have I thoroughly reviewed all litigation records?

(Item 3) Key Litigation Parties: Are there any major lawsuits initiated by franchisees alleging fraud, breach of contract, or violations of franchise law against the franchisor?

(Item 4) Bankruptcy History: Has the company, its predecessor, or any key executives had bankruptcy records in the past?

My Notes / Red Flags Found:

Step 2: Analyze the Investment & Return

Objective: Determine how much you need to invest and how much you can expect to earn back.

Corresponding FDD Items: Items 5, 6, 7, 19

Review Checklist:

(Item 5) Initial Franchise Fee: Have I clearly identified the exact amount of the initial franchise fee and what services it covers (e.g., training, site selection assistance)?

(Item 6) Ongoing Fees: Have I listed all future fees that will be required?

What percentage is the Royalty Fee?

What percentage is the National/Regional Advertising Fund Fee?

Are there any other hidden fees like software fees, technical support fees, training fees, transfer fees, renewal fees, etc.?

(Item 7) Total Investment Estimate: Do I understand the total investment range (minimum to maximum) required to open this location? Does this range include working capital for the first 3 months?

(Item 19) Financial Performance Representation (FPR): Does this FDD include Item 19?

(Item 19) Key Data: If present, have I recorded key financial metrics (e.g., average annual revenue, gross profit, median income)? How many stores and what time period does this data represent?

Pro-Tip:

Input the key data found in Item 7 and Item 19 into our website's free ROI Calculator to quickly and intuitively forecast potential payback periods and profitability!

My Notes / Red Flags Found:

Step 3: Understand the Rules of the Game

Objective: Clarify the level of support you will receive and the restrictions you must comply with.

Corresponding FDD Items: Items 8, 11, 12, 16

Review Checklist:

(Item 8) Purchasing Restrictions: Am I required to purchase goods or services from designated suppliers? How will this impact my costs and profits?

(Item 11) Headquarters Support: Does the FDD clearly and specifically describe the training, operational support, marketing support, and IT systems provided by headquarters?

(Item 12) Territorial Protection: Will I receive a clearly defined, protected exclusive territory? Does headquarters retain the right to sell through other channels (e.g., online, supermarkets, airports) within your territory?

(Item 16) Operational Restrictions: Do I clearly understand which products/services I must offer and which I am prohibited from offering?

★ **Pro-Tip:**

Does this level of control and support align with your entrepreneurial style? Visit our website and complete the Entrepreneur Assessment to better understand yourself.

My Notes / Red Flags Found:

Step 4: Clarify Entry & Exit Mechanisms

Objective: Understand the contract lifecycle—how to begin and how to end.

Corresponding FDD Items: 17, 20, 22

Review Checklist:

(Item 17) Contract Term & Renewal: How many years is the contract term? What are the conditions and fees for renewal upon expiration?

(Item 17) Contract Termination: Under what circumstances can headquarters unilaterally terminate my contract? What liabilities would I incur if I wish to terminate early?

(Item 17) Sale/Transfer: What is the process if I wish to sell my business? Does headquarters have a right of first refusal? What is the transfer fee?

(Item 20) Market Data: Have I analyzed franchisee count changes over the past three years? Are the ratios of new openings, closures, and transfers healthy?

(Item 20) Contacting Franchisees: Have I developed a plan to contact at least 5-10 current and former franchisees for interviews?

(Item 22) Reviewing the Contract: Have I (or do I plan to with my lawyer) carefully reviewed the sample franchise agreement in the appendix?

My Notes / Red Flags Found:

You've Completed the Checklist. Now What?

Step 1: Consolidate Your Findings Review the “Notes/Red Flags” you recorded on each page. Compile all points causing concern or uncertainty into a list of questions.

Step 2: Conduct Comparative Analysis If considering multiple franchise opportunities, it's time for a scientific comparison.

Visit our website and use the **【 Opportunity Comparison 】** tool to compare key data from different FDDs side-by-side, revealing strengths and weaknesses at a glance.

Step 3: Build Your Business Plan

You've gathered all the core information—now transform it into a professional business plan. Our Business Plan Generator guides you in synthesizing these findings, preparing you to apply for loans or pitch investors.

Step 4: The Most Critical Step: Seek Professional Help

Now, take your completed checklist and list of questions to meet with your lawyer and accountant. You've completed 90% of the “homework,” enabling them to serve you more efficiently and save you significant consulting fees. They'll identify legal pitfalls and financial risks you might overlook from a professional perspective.

Always remember: Never sign anything until the professionals give their approval!

At GlobalFranchiseHub.com, our mission is: To empower every entrepreneur and investor with robust tools, reliable data, and deep insights, helping you make smarter, more confident business decisions.

We believe the right tools and information are the cornerstone of success.

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