

CANADIAN FRANCHISE ASSOCIATION DISCLOSURE DOCUMENT GUIDE

In accordance with the mandatory disclosure policy of the Canadian Franchise Association adopted November 4, 1996 Revised April 2002.

(To be updated when there is any material change affecting the franchise system, but at least annually and to be given to potential franchisees and existing franchisees on renewal.)

1. CORPORATE NAME OF FRANCHISOR:

(State the name of the Franchisor).

2. BUSINESS EXPERIENCE OF THE FRANCHISOR:

(Provide a brief history of the experience of the franchisor in the business being franchised, including the number of years in that business.)

3. DIRECTORS, GENERAL PARTNERS AND OFFICERS:

(The names of the directors, general partners officers of the franchisor who will have day to day management responsibilities relating to the franchise should be listed. A brief history of the experience of such directors, general partners, officers should also be set out. Further, include a statement that no conviction for an indictable offense under the Criminal Code of Canada involving franchises or other businesses or involving fraud or unfair or deceptive business practices, arising within the last ten (10) years, remains outstanding against any of such directors, general partners or officers, franchisor, or details of any such conviction).

COMMENTARY ON THE DISCLOSURE DOCUMENT GUIDE

1. CORPORATE NAME OF FRANCHISOR

In addition to the corporate name, information as to the trademarks used in the operation of the franchise and their status of registration and ownership may be material.

2. BUSINESS EXPERIENCE OF THE FRANCHISOR

The intent of this section is to provide the prospective franchisees with sufficient information about the experience of the franchisor in the underlying business. This experience could be that of the shareholders of the franchisor, but might also include the specific business experience of the directors, officers or employees of the franchisor. It will be common that a franchisor is already disclosing some or all such information in promotional material.

3. DIRECTORS GENERAL PARTNERS AND OFFICERS

Refer to the Guide. In addition, it may be relevant in some situations, such as where the major shareholders are involved in managing the franchise, to include similar information about those major shareholders.

4. FRANCHISE EXPERIENCE OF THE FRANCHISOR:

(In this section, the franchisor should set out how long it has been awarding the franchises. The franchisor should also describe any previous franchise systems operated by it or any other franchise systems it currently operating under different trade-marks and trade names.)

5. NATURE OF BUSINESS:

(The nature of the franchisor's business and of the franchises being offered, should be described.)

6. EXISTING FRANCHISEES:

(A franchisor will normally include the following information in the form of a list with respect to its existing franchises:

- (a) names of existing franchisees;
- (b) the address and telephone number at which the franchisee can be contacted, and the name of the person to contact, where applicable; and
- (c) the addresses of the franchise locations of the franchisee.)

(Franchisors are strongly encouraged to include such information. If the franchisor does not include the above information, then the franchisor should include a statement describing the opportunity which will be given to the prospective franchisee to have such information disclosed, or made available for review before making a decision to invest in the franchise.)

(The franchisor should disclose, provide or make available review the above information a reasonable time (at least fourteen (14) days) prior to the execution of any binding unconditional document pursuant to which

4. FRANCHISE EXPERIENCE OF THE FRANCHISOR

It is important in making a decision about investing in a franchise that the prospective franchisee know of the franchise experience of the franchisor. It is relevant that the franchisor is operating or has operated other franchise systems.

5. NATURE OF BUSINESS

The intent of this section is to describe in brief summary form the material aspects of the franchisor's own business, and of the type of franchised business being offered to prospective franchisees, in general terms sufficient for a prospective franchisee to understand the material nature of the franchisor's business and of the franchises being offered.

6. EXISTING FRANCHISEES

Prospective franchisees are receiving advice from many different sources, including our Association's booklet "Investigate Before Investing", that they should inquire of existing franchisees about the system. Sometimes, complaints are made that the franchisor supplies prospective franchisees with the names and addresses of only "friendly" franchisees. It is felt that the franchisor should disclose or otherwise provide or make available for review information about all existing franchisees and let the prospective franchisee decide which ones to contact. The franchisor is strongly encouraged to include the existing franchisee information in its Disclosure Document. However, if the franchisor, and particularly in the case of the large, mature systems, chooses not to include this information, for confidentiality, privacy or competitive reasons, then the franchisor should make, and should disclose in the Disclosure Document, alternate arrangements to provide this information to, or make it available for review by, the prospective franchisee a

financial consideration is payable but not refundable.)

7. CORPORATE OUTLETS:

(A list of existing franchisor-owned and affiliate-owned outlets should set out with their addresses.)

8. REQUIRED INVESTMENT BY THE FRANCHISEE:

(To the extent possible, the franchisor should set out the investment required of the franchisee broken down into the various categories front-end franchise fee, initial capital package, initial inventory and leasehold improvements. The franchisor should outline the terms of any available financing given or arranged by franchisor and the timing of all payments to the franchisor. The franchisor should state whether or not any deposit is required towards the award of the franchise, and if so, the terms of the deposit including amounts payable and refundability should be described.)

9. THE FRANCHISE DOCUMENTS:

(The salient provisions of the franchise should be summarized briefly, i.e. the length of the term and any renewals, amount of the initial fee and when payable, the amount of the royalty and when payable, the amount of the advertising contributions and when payable, any restrictions or investing in ongoing inventory, supplies and equipment, restrictions on the terms and conditions for renewal, assignment, whether and to what extent the franchisee receives an exclusive territory, etc.)

(The franchisor's current policy, if any, as to how close to an existing franchisee outlet the franchisor may establish another franchise or franchisor-owned outlet, other methods of distribution using the same trade-mark, and other franchises or franchisor-owned outlets that distribute similar products or services

reasonable time before signing any franchise document containing a non-refundable financial commitment. Where the existing franchisee information is not being included in the Disclosure Document as described above, information about the total number of franchisee outlets currently operating in the system should be included in the Disclosure Document. The franchisor can choose whether to include an existing franchisee's business or residential address and telephone number, and it is considered appropriate to provide only one contact address and telephone number in the case of franchisees who have more than one franchise location. The franchisor may choose, include an existing franchisee's residential or other business or contact address and telephone number to avoid having prospective franchisees contacting franchise locations where a franchisee principal is not normally present. The existence of and contact persons for any franchisee associations or advisory councils operating in the system may also be relevant. By disclosing that information, the franchisor provides to a prospective franchisee a further valuable investigative source. However, it is considered appropriate that the franchisor disclose only those franchisee associations or advisory councils that have been recognized by the franchisor.

7. CORPORATE OUTLETS

Refer to the Guide.

8. REQUIRED INVESTMENT BY THE FRANCHISEE

It is anticipated that this information is already being supplied by the franchisor to prospective franchisees.

9. THE FRANCHISE DOCUMENTS

It is felt that too much disclosure about the franchise documentation is as bad as too little. The goal here is to provide the prospective franchisee with a succinct summary of the most

under a different trade-mark, should be described.)

(The franchisor's current policy, if any, as to whether the continuation of the franchisee's territory depends on the achievement of a certain sales volume, market penetration or other contingency and under what circumstances the franchisee's territory may be altered, should be described.)

10. REBATES:

(In this section, the franchisor should provide a general statement whether or not the franchisor or its affiliate receives rebates or other benefits resulting from the investing of goods or services by franchisees and if any such rebates or benefits are shared with franchisees directly or indirectly.)

11. EARNINGS CLAIMS:

(In this section, the franchisor should state whether or not it gives claim information to prospective franchisees. An earnings claim is oral or written information given by a franchisor or its agent from which a specific level or range of actual or potential sales, costs, income from franchises or franchisor-owned or affiliate-owned outlets may be readily ascertained. If the franchisor makes an earnings claim, it must have a reasonable basis in fact at the time it is made, including a description of the facts and assumptions used in its preparation.

12. OPPORTUNITY TO REVIEW DOCUMENTS AND INVESTIGATE THE FRANCHISE:

(A statement should be made to the effect that the franchisee will be given not less than fourteen (14) days to investigate the franchise.)

13. BANKRUPTCY AND INSOLVENCY:

(A statement should be made to the effect that during the six (6) year period immediately preceding the date of this disclosure document neither the franchisor, nor any director, officer

important provisions of the franchise package of documents.

10. REBATES

The intent of this section is to provide the prospective franchisees with general, rather than specific, information about rebates and similar benefits being received by the franchisor or an affiliate, and whether or not the franchisees share in them, directly or indirectly, in whole or in part. It is not required to disclose any of the actual terms of the rebates and benefits being received, or the names of the parties who provide them.

11. EARNINGS CLAIMS

It is the franchisor's own decision as to whether or not it makes or does not make earnings claims. Refer to the Guide for what should be disclosed in each case. Past sales history for the system may be considered material by some prospective franchisees. It is considered appropriate to have an earnings claim referred to in the Disclosure Document and then to have the earnings claim attached as a Schedule to the Disclosure Document.

12. OPPORTUNITY TO REVIEW DOCUMENTS AND INVESTIGATE THE FRANCHISE

It is considered appropriate to provide a prospective franchisee with at least 14 clear days to review the franchise offering with legal, financial and business advisors. A statement as to how long a period of review is allowed by the franchisor should appear in the Disclosure Document.

13. BANKRUPTCY AND INSOLVENCY

In addition, information about bankruptcy or insolvency of predecessors or controlling shareholders of the franchisor may be relevant.

or general partner of the franchisor having day to day management responsibilities relating to the franchise has been adjudged or voluntarily became bankrupt or was reorganized due to insolvency or has taken the benefit of any statute for the relief of bankrupt or insolvent debtors or is subject to any pending bankruptcy, insolvency or reorganization proceeding, or the particulars of such bankruptcy, insolvency or reorganization should be summarized.)

14. EXISTING LITIGATION:

(The franchisor should describe, in reasonable detail, the existence ongoing material litigation with present or former franchisees involving misrepresentation or unfair or deceptive business practices or violating a law that regulates franchises or businesses.)

15. OUTLET CLOSURES:

(In this section, the franchisor should provide information about the total number of franchisor-owned, affiliate-owned and franchisee outlets have been closed in the two (2) year period prior to the date of the Disclosure Document, and information about the total number of which have been terminated or cancelled by the franchisor, not renewed by the franchisor, reacquired by the franchisor, or which have otherwise left the system during that time.)

16. OTHER MATERIAL INFORMATION:

(The franchisor should describe, in reasonable detail, any other information material to the franchise, the franchise relationship or about the franchisor.)

17. CERTIFICATE OF DISCLOSURE:

(The franchisor should include the following two paragraphs in this section.)

(The foregoing information is provided in accordance with the disclosure policy of the

14. EXISTING LITIGATION

Information about any material litigation should be sufficient to identify the main issues and claims and the parties litigating. Franchisors need not reveal information about litigation that is not part of the public court record. However, the franchisor may, if desired, offer an opinion about the outcome of the litigation.

15. OUTLET CLOSURES

The intent of this section is to provide the prospective franchisees with general information about the total numbers of outlets, rather than specific information about them or the reasons for their closure, etc. The information may be included in whatever form, such as a narrative, list or table, that the franchisor decides. It is considered appropriate that this information be updated at least annually, or whenever the Disclosure Document is updated for a change in other material information.

16. OTHER MATERIAL INFORMATION

Any other information material to the franchise, the franchise relationship or about the franchisor should be described in reasonable detail, particularly if such information is not contained in the franchise package of documents. In considering whether or not something is material consider whether or not it would influence the decisions of prospective franchisees to acquire the franchise or the amount that prospective franchisees would be willing to pay to acquire the franchise.

17. CERTIFICATE OF DISCLOSURE

his certificate should be inserted in the Disclosure Document without amendment, together with the CFA Code of Ethics. The Disclosure Document should be signed on behalf of the franchisor by at least one director, general partner or senior officer.

Canadian Franchise Association and is current to date. The Canadian Franchise Association has not checked the information and does not know if it is correct. The franchisor is a member in good standing of the Canadian Franchise Association and abides by its Code of Ethics, a copy of which is attached. The franchisee should examine the franchise investment carefully and independent legal, financial and business advice before making a decision to invest in the franchise.)

(The information provided in this disclosure document, or in any changes made in respect of this disclosure document, is full and accurate information considered by the franchisor to be material to the matters disclosed.)

DATED this day of _____, 20__.

EXECUTION:

(NAME OF FRANCHISOR)

BY: _____

SIGNATURE

NAME

TITLE

GENERAL NOTE

CFA's current policy regarding the disclosure documents of members, is that:

instead of providing the disclosure document required by the CFA Disclosure Document Guide, members are permitted to use a disclosure document prepared and used in accordance with the franchise disclosure laws of one or more jurisdictions in Canada or the United States, together with the CFA Code of Ethics, and with appropriate changes to expand upon disclosures which pertain to only one or more specified jurisdictions, in order to disclose substantially similar information which pertains to all areas in Canada in which the member is franchising, and to disclose in reasonable detail any such additional information which the member considers material in order to make the disclosures pertinent to the actual franchises being offered.

members are encouraged to use a substantially consistent form of disclosure in all Canadian jurisdictions.