

The Franchise Disclosure Document Receipt

A Practical Guidance® Article by Julie Lusthaus, Lusthaus Law P.C.



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The Federal Trade Commission (FTC) Franchise Rule (“FTC Rule”) and state franchise sales laws require franchisors to provide prospective franchisees with a franchise disclosure document (“FDD”). 16 CFR 436 (2008). The FDD contains 23 items of information about the franchise, franchisor, and franchise investment. Item 23 of the FDD is the receipt for the FDD.

The receipt generally asks prospective franchisees to confirm that they have received the FDD, to identify the franchisor’s sales personnel with whom they have dealt, and the date on which they received the FDD. The FDD receipt (Receipt) must follow the form required by the FTC Rule and two copies of the Receipt must be attached as the last two pages of the FDD. The franchisee will sign and return one copy of the Receipt to the franchisor and can sign and retain the second copy for its own records. Pursuant to the FTC Rule, franchisors are required to retain a copy of the signed Receipt for at least three years.

The FDD Receipt

The Receipt must include the following information:

- A proscribed preamble which generally indicates that the FDD “summarizes certain provisions of the franchise agreement and other information in plain language” and encourages franchisees to read the FDD and all agreements related to the franchise investment carefully. The preamble also advises the franchisee that the

franchisor must provide the prospect with the FDD at least 14 calendar days prior to the franchisee signing a binding agreement with the franchisor or paying any money or other consideration to the franchisor in connection with the proposed sale of the franchise. To the extent state franchise laws require different delivery requirements, additional language is required to set forth those state law requirements. Finally, the preamble includes contact information for the FTC and encourages franchisees to report to the FTC if the franchisor does not timely deliver the FDD or if the FDD contains false or misleading statements, as such actions may be a violation of federal and state law.

- The name and contact information, including the principal business address and telephone number, for each seller offering the franchise. For such purposes, a “seller” may include not only representatives of the franchisor but also third-party brokers who deal with prospective franchisees. Because franchisors may have different brokers and other individuals involved in the franchise sales process with different prospects, franchisors often include a blank space where the name and contact information for any additional sellers can be filled in prior to the signing of the Receipt by the franchisee.
- A list of all exhibits to the FDD.
- The issuance date of the FDD. The issuance date is generally the date on which the franchisor finalized the current version of the FDD. This may be a different date than the state “effective date,” which is the date on which a particular state approved the franchise offering.
- A signature and date line for the prospective franchisee to sign and date the receipt. The term “signature” includes not only written signatures but also electronic

signatures, passwords, security codes, and other devices that enable a prospective franchisee to easily acknowledge receipt, confirm their identity, and submit the information to the franchisor. To that end, franchisors are permitted to include specific instructions on how prospects should submit the Receipt, e.g., via snail mail or email. The Receipt need not be transmitted to the franchisor by the same method as the FDD was provided to the prospect.

See the FTC 2008 Franchise Rule Compliance Guide for further guidance, which Guide can be found on the FTC's [website](#).

What Franchisors Should Know

As indicated above, franchisors must provide prospective franchisees with a copy of the FDD at least 14 calendar days prior to the franchisee signing a binding agreement with the franchisor or making any payment to the franchisor. 16 C.F.R. §436.2(a)(2008). The FTC Rule also requires franchisors to furnish the FDD earlier in the process upon the reasonable request of the franchisee.

State franchise laws may have different requirements. For instance, the New York Franchise Sales Act requires franchisors to provide the prospect with the FDD at the earlier of (a) the first personal meeting between the franchisor or its agent and the prospective franchisee; (b) at least 10 business days prior to execution of a binding agreement; or (c) at least 10 days prior to the receipt of any consideration in connection with the sale of a proposed sale of a franchise. See N.Y. Gen. Bus. Law § 683 (McKinney 1996). Regardless, the signed and dated receipt will operate as confirmation of the date on which the prospect received the FDD and will be used to calculate the earliest date on which the franchisee can sign a binding

agreement or pay a fee. Notably, franchisors should not count the day on which the FDD was delivered; rather, the 14 day period commences on the date after delivery of the FDD.

What Franchisees Should Know

Franchisees are sometimes uneasy about the request to sign the Receipt upon delivery of the FDD. One common concern is that signing the Receipt will oblige them to buy the franchise. To be clear, signing the Receipt does not signify an agreement to buy or sell the franchise. Rather, it simply serves as written confirmation that the prospective franchisee received the FDD. As is discussed above, execution of the Receipt will also help ensure that the franchisor complies with the disclosure timeframe required by both the FTC Rule and state franchise sales laws. Failing to sign and return the Receipt will likely stop the sales process as the franchisor will rely on the dated and signed Receipt to determine the date that the franchise agreement can be signed.

Related Content

Practice Notes

- [A Guide to the Franchise Disclosure Document](#)
- [The Federal Trade Commission Franchise Rule](#)
- [State Franchise Registration and Disclosure Laws](#)
- [State Websites for Franchises and Business Opportunities](#)
- [Franchising under State Franchise Laws](#)
- [Franchising under the Federal Trade Commission Franchise Rule](#)
- [Franchise Disclosure Document](#)

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Julie Lusthaus is a franchise attorney based in Westchester, New York whose practice focuses on franchise and general business matters. Julie represents a broad spectrum of franchised and independently owned businesses and their owners in all stages of growth. Julie's clients operate businesses in various industries including restaurants (full-service, bakeries, cafés, delis, QSRs and juice bars), retail, hospitality, real estate, fitness, recreation and family entertainment, business services, household and home improvement services, health care, education, childcare, pet services, printing, used clothing, senior care, residential and commercial cleaning, staffing services and disaster restoration.

Julie is also a skilled litigator with many years' experience representing business clients in state and federal courts as well as in arbitration and mediation.

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