



Australian Government
Department of Industry, Science,
Energy and Resources

Supporting guide: Changes to the Franchising Code

November 2020

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About this document

The Department of Industry, Science, Energy and Resources (the Department) has prepared this guide to support the release of the Exposure Draft of proposed changes to the Franchising Code of Conduct (the Code) including options for the proposed Key Facts Sheet.

This guide describes how the Government plans to improve franchising regulations, and how you can provide your feedback on draft amendments to the Code.

Responses will be published online, unless you say you do not want your submission published. You may want your submission to be confidential because you wish to discuss details that are personal or commercially sensitive. Further privacy information can be found on the Consultations page of the Department's website.

Please provide feedback by email to: SmallBusinessFranchising@industry.gov.au

The closing date for feedback is **4 December 2020**

Further information is available at <https://consult.industry.gov.au/>.

Entering into a franchise agreement – a new Key Facts Sheet

To help prospective franchisees make a well informed decision, the Government is introducing a new 'Key Facts Sheet' to highlight the most critical information from a franchisor's disclosure document. We are asking for your comments on the *information* in the Key Facts Sheet, and the *format and presentation* of that information.

The Exposure Draft does not refer to the Key Facts Sheet. Instead, the guide has three mock-up versions of the Key Facts Sheet in the Appendix.

- Mock-up 1 has high-level information, with references to where further information can be found. It also provides tips and warnings to help the prospective franchisee interpret the information provided,
- Mock-up 2 highlights key information in more detail than in Mock-up 1, and
- Mock-up 3 summarises the information in free-text form.

The final version of the Key Facts Sheet will be added to the Franchising Code once it is finalised.

The Key Facts Sheet:

- will follow a standard format to make it easy to read
- will highlight the most critical information from the disclosure document
- will only include information that is in the disclosure document
- is not a substitute for due diligence, including reading the disclosure document fully.

Drafts of the Key Facts Sheet will include:

- Information on supplier rebates received by the franchisor, and how rebates are shared with franchisees
- Where available, earnings information, including historical and projected earnings data
- Where relevant, any interest the franchisor has in leases related to the franchise
- Information about ending the franchise agreement, including termination rights, how goodwill will be worked out, and restraints of trade that may apply.

Question:

Which mock-up version of the Key Facts Sheet would best help prospective franchisees to make an informed decision?

Entering into a franchise agreement – improved disclosure

Changes to Disclosure Document Requirements

The draft amendments to disclosure document requirements will help prospective franchisees to access and assess useful business information about the franchise.

In particular, the draft amendments:

- Require franchisors to provide disclosure documents in printed form, electronic form, or both, upon request by the franchisee
- Ensure the Information Statement is provided before other disclosure documents
- Require information in the disclosure document on what the agreement says about arbitration of disputes, the early termination of the agreement, and rights relating to goodwill and
- Require the franchisor to say whether earnings information in the disclosure document is accurate to the franchisor's knowledge, unless otherwise stated.

Significant Capital Expenditure

The draft amendments extend the recently introduced capital expenditure provisions for automotive franchises to the whole franchising sector.¹

These amendments will strengthen franchisees' rights when a franchisor demands significant capital expenditure by:

- Introducing clearer disclosure requirements about future capital expenditure, including disclosure about the amount, timing and nature of the expenditure; and
- Creating an obligation to discuss expenditure before the prospective franchisee enters the agreement, including discussing the circumstances under which the franchisee is likely to get the expenditure back.

Supplier Rebates

The draft amendments require franchisors to disclose information on supplier rebates, commissions and other payments, and where a master franchisor controls rebates from suppliers.

In particular, the disclosure document must include:

- Whether the franchisor will get a benefit from supplying goods or services to the franchisee and
 - If so, the nature of the benefit, who is the supplier, and the way in which the benefit is calculated; and
- Whether the benefit will be shared with franchisees, and
 - If shared, the amount kept by the franchisor and the amount given to franchisees and how those amounts are worked out.

¹ See *Competition and Consumer (Industry Codes – Franchising) Amendment (New Vehicle Dealership Agreements) Regulations 2020*.

Changes to the Information Statement

The draft amendments update the Annexure 2 Information Statement, which is provided to prospective franchisees when they first make contact with franchisors.

The changes include

- updating references and links to ACCC guidance material for franchisees
- providing additional warnings about restraint of trade clauses and employment laws, and
- giving prospective franchisees information about ‘no agent’ and ‘entire agreement’ clauses and the practices of ‘churning’ and ‘burning’.

Leasing of Premises

The draft amendments enhance the disclosure of information to franchisees and prospective franchisees relating to a lease over the franchise premises held by the franchisor. The franchisor must provide certain information about their lease upon request.

Operating a Franchise

Restriction on Passing on Legal Costs

The Exposure Draft introduces a new provision that prohibits a franchisor requiring a franchisee to pay any legal costs associated with the preparation, negotiation or execution of the agreement, or related documents. Such documents might include, for example, breach notices and renewal notices made under the agreement.

This provision is not meant to stop the franchisor including its legal costs in other, quantifiable fees, such as joining fees. Instead, it will mean that in the future the franchisee will not be liable for an unknown amount.

If a franchisor does pass on legal fees, it may be liable for a civil pecuniary penalty.

Retrospective Variation

The Exposure Draft includes a provision preventing a franchisor from retrospectively varying the terms of an agreement unless the franchisee, or a majority of affected franchisees, agree to the change. This is similar to an existing provision in the Food and Grocery Code of Conduct.

Marketing and Cooperative Funds

It is considered there is a lack of clarity and accountability with how marketing and cooperative funds are used and with reporting to franchisees. The Exposure Draft ensures that the wording of the Code is consistent by referring to ‘marketing funds and other cooperative funds’, rather than ‘advertising fees’.

The amendments also expand requirements related to marketing and cooperative funds to master franchisors.

Finally, civil pecuniary penalties will be available for breaches of Clause 31, which deals with how marketing funds are managed and used.

Ending the Franchise Relationship

The Exposure Draft includes changes to provisions in the Code about ending the franchise relationship.

Cooling Off

The Government is extending the cooling off period from 7 to 14 days. This, and any other reference to a number of days, refers to calendar days. The changes ensure that the cooling off period begins only when the franchisee has received all necessary information about the franchise system, the agreement they are entering, and, where applicable, any lease for the site of the franchise business. The cooling off period will only begin after a first payment is made by the franchisee under the agreement.

Cooling off rights are also being extended to franchisees who enter the system through a transfer from an existing franchisee.

Early exit

The Government is strengthening the ability of franchisees to negotiate to exit a franchise agreement before it expires. Currently, the Code does not say what a franchisee can do if they wish to leave the franchise system. This is often left to the agreement itself, and the law of contracts.

The amendments let franchisees formally tell the franchisor that they wish to exit and start negotiations for the early termination of their franchise agreement. Franchisors and franchisees will be able to use the dispute resolution process, if needed.

The Government will also improve the information provided to franchisees around what rights the franchise agreement gives either party to terminate the franchise agreement early. This information is also likely to appear in the Key Facts Sheet.

Termination

The amendments introduce additional notice provisions relating to termination in certain 'special circumstances', such as where

- the franchisor wants to terminate the agreement because the franchisee no longer holds a licence that they must hold
- becomes bankrupt or insolvent
- is deregistered by ASIC
- endangers public health or safety or
- acts fraudulently

among other reasons.

The franchise agreement must still give the franchisor the power to terminate for a specified reason for it to do so.

The proposed amendments will give franchisees time to commence dispute resolution if they dispute the grounds of termination. In a situation like this, the dispute resolution practitioner may effectively 'freeze' the seven day notice period awaiting the outcome of the dispute resolution process if it decides that is the fair thing to do.

If the franchisor wants to terminate the agreement because the franchisee could endanger public health or safety or has acted fraudulently, it can still stop the franchisee operating the business while dispute resolution proceedings are underway.

Restraints of trade

The Government is better balancing the rights of franchisors and franchisees to enforce restraint of trade clauses. Restraint of trade clauses try to restrict the commercial activities an ex-franchisee can undertake after the end of their franchise agreement.

Clause 23 of the Code sets out when a restraint of trade clause in a franchisee agreement does not have an effect. Now it will not apply unless a franchisee has committed a 'serious' breach (which is different to a technical or insubstantial breach) of their agreement. The Code will not define 'serious' because the franchising sector is very diverse and what amounts to a 'serious' breach may differ from system to system, and will often depend on the circumstances.

Dispute Resolution

The Government is strengthening dispute resolution options in the Franchising Code by introducing conciliation and voluntary binding arbitration. This will create more affordable dispute resolution options for the franchising sector. Mediation will still be the first step in dispute resolution.

The approach is similar to the approach taken in the Dairy Industry Code of Conduct.²

The Exposure Draft includes:

- Voluntary binding arbitration between franchisors and franchisees
- Multi-party dispute resolution – so that franchisees can come together as a group to resolve a dispute with their franchisor. The franchisor cannot refuse to take part in multi-party dispute resolution if the dispute resolution practitioner decides it is appropriate.
- Giving all franchising dispute resolution adviser functions to the Australian Small Business and Family Enterprise Ombudsman. This includes renaming the former 'mediation adviser' function to the 'dispute resolution adviser', to reflect that the adviser will now assist the sector with referral to conciliation and arbitration. The Ombudsman's Office will be able to assist all franchisees and franchisors to resolve disputes, whether or not they fall within the statutory definition of a small business.

Application and commencement dates

Except for provisions relating to dispute resolution and penalties, it is proposed that the draft amendments to the Code will come into effect from 1 July 2021.

The proposed commencement date marks the beginning of a new financial year, and the regulations will give businesses sufficient lead time to adjust or redesign their franchise agreements and disclosure documents in light of the new regulations. To recognise that parties may need dispute resolution assistance before 1 July 2021, the dispute resolution provisions will commence the day after the new regulation is registered.

² See *Competition and Consumer (Industry Codes – Dairy) Regulations 2019* (Cth) Pt 2 Div 2 Subdiv F.

Regulatory Framework – Doubling Penalties

The Government is strengthening the enforcement framework and deterring poor conduct.

The maximum penalty available for a breach of a provision that carries a civil penalty will double from 300 to 600 penalty units (\$133,200). These changes will further deter conduct that breaches the Code.

These changes are dependent on enabling amendments to the *Competition and Consumer Act 2010* (Cth) passing Parliament.

Appendix: Key Facts Sheet

Mock Up 1

WARNING

Reading this sheet is not a substitute for carefully considering the disclosure document and other documents given by the franchisor.

You should:

- carefully read the franchisor’s Disclosure Document, Franchise Agreement and other associated documents;
- take your time, read all the documents carefully, talk to other franchisees and assess your own financial resources and capabilities to deal with the requirements of the franchised business;
- make your own enquiries about the franchise and about the business of the franchise;
- get independent legal, accounting and business advice before signing the franchise agreement;
- consider preparing a business plan and projections for profit and cash flow; and
- consider educational courses, particularly if you have not operated a business before.

Entering into a franchise agreement is a serious undertaking. Franchising is a business and, like any business, the franchise (or franchisor) could fail during the franchise term. This could have consequences for the franchisee.

A franchise agreement is legally binding on you if you sign it.

You are entitled to a **minimum waiting period of 14 days** before you enter into this agreement.

If this is a new franchise agreement (not the renewal of a franchise agreement, nor the extension of the term or the scope of a franchise agreement), you will be entitled to a 14 day “cooling off” period after signing the agreement, during which you may terminate the agreement.

If you decide to terminate the agreement during the cooling off period, the franchisor must, within 14 days, return all payments (whether of money or of other valuable consideration) made by you to the franchisor under the agreement. However, the franchisor may deduct from this amount its reasonable expenses, if the expenses or their method of calculation have been set out in the agreement.

Franchisor

| | |
|------------------|---------------|
| Name | [Insert text] |
| Business address | [Insert text] |
| Contact details | [Insert text] |

| | |
|---|---------------|
| ABN, CAN or ARBN (or foreign equivalent if the franchisor is a foreign franchisor) | [Insert text] |
| The name under which the franchisor carries on business in Australia relevant to the franchise | [Insert text] |
| The number of years that the franchisor operated a business substantially the same as the franchise | [Insert text] |

Tip:

- This section should tell you how much experience the franchisor has in running the franchise system. Gaps in work history and a relatively new system could be indications that the franchise system has not been tested or that the franchisor is inexperienced in business or in the franchise system.

Litigation

| | | | |
|---|-----|----|---|
| a) Are there any current proceedings by a public agency, criminal or civil proceedings or arbitration, relevant to the franchise, against the franchisor, or a director of or an associate of the franchisor, in Australia? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| b) Are there any proceedings against the franchisor, or a director of or an associate of the franchisor, other than for unfair dismissal of an employee? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| c) Has the franchisor, or a director of the franchisor, been in the last 5 years subject to final judgment in civil proceedings of a matter mentioned in (a)? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| d) Has the franchisor, or a director of the franchisor, in the last 10 years, been convicted of a serious offence or an equivalent offence outside Australia; bankrupt; insolvent; and/or under administration? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |

Tip:

- If yes to any of the above, you should exercise caution and conduct further research on these instances

Details of Existing and Previous Franchises

A list of existing franchisees (within the State, Territory, region or metropolitan area in which the franchise is to be operated) is available in paragraphs XX-XX of the disclosure document.

For each of the last 3 financial years, the number of franchised businesses for which the following occurred:

| | |
|--|------|
| a) The franchise was transferred | [XX] |
| b) The franchised business ceased to operate | [XX] |
| c) The franchise agreement was terminated by the franchisor | [XX] |
| d) The franchise agreement was terminated by the franchisee | [XX] |
| e) The franchise agreement was not extended | [XX] |
| f) The franchised business was brought back by the franchisor | [XX] |
| g) The franchise agreement was terminated and the franchised business was acquired by the franchisor | [XX] |

Tip:

- It is advisable to contact previous franchisees and seek advice on their experience in the system. Ask them how long they were operating a franchise, and why they left.
- Exercise caution and conduct more research:
 - if you find most ex-franchisees are unwilling to speak to you or have been told they cannot do;
 - the franchisor tells you that you can only speak to a set number of ex-franchisees; and/or
 - the franchisor does not provide mobile phone numbers or personal emails so you cannot easily contact them.

Franchise site or territory

| | | |
|---|-----------|---------------|
| a) Is the franchise site an exclusive or non-exclusive territory? | Exclusive | Non exclusive |
| b) Is the franchise limited to a particular site? | Yes | No |

If the franchisee has an exclusive territory:

| | | | |
|--|-----|----|--|
| a) Can the franchisor own or operate a business that is very similar to the franchised business in the franchisee's territory? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Can the franchisor establish other franchises that are very similar to the franchise in the franchisee's territory? Tip: If yes, franchisees of another brand but under the same franchisor could be set up in your territory. | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Can the franchisee own or operate a business that is very similar to as the franchised business outside the territory of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| d) Can the franchisor change the territory or site of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Site selection

| | | | |
|---|-----|----|--|
| a) Has the site been previously operated by another franchisee or franchisor? Tip: If yes, find out why they left the business | Yes | No | See paragraphs XX-XX of the disclosure document. |
|---|-----|----|--|

Tip:

- Find out what the franchisor's policy is on selecting a site and/or territory for your franchise.

Lease arrangements

Details of any interests in the lease of any premises held by the franchisor (if applicable)

| | |
|------------------|--|
| 1. [Insert text] | See paragraphs XX-XX of the disclosure document. |
| 2. [Insert text] | See paragraphs XX-XX of the disclosure document. |

Tip:

- Check if:
 - you will be involved in any negotiations between the franchisor and landlord on the lease of the premises you are renting
 - the franchisor is negotiating the lease of multiple sites within the same vicinity. If so, how can you be sure you are getting the best terms for your lease.

Supply of goods or services to a franchisee

| | | | |
|--|-----|----|--|
| a) Must the franchisee maintain a level of inventory or acquire an amount of goods or services? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Can the franchisee acquire goods or services from sources not approved by the franchisor? Tip: If no, there may be instances where the price set by the supplier is higher than if you were to buy it from another source. | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Does the franchisor have an interest in any supplier from which the franchisee may be required to acquire goods or services? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| d) Must the franchisee accept goods or services from the franchisor? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| e) Must the franchisor supply goods or services to the franchisee? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| f) Will the franchisee be offered the right to be supplied with the whole range of the goods or services of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| g) Can the franchisee return goods? | Yes | No | See paragraphs XX-XX of the disclosure document. |

| | | | |
|---|-----|----|--|
| h) Can the franchisee obtain a refund for goods or services provided by the franchisor? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| i) May the franchisor change the range of goods or services the franchisee is required to offer? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| j) Does the franchisor receive a rebate or other financial benefit from the supply of goods or services to franchisees? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| k) Is any part of any rebate or financial benefit referred to under paragraph (j) shared, directly or indirectly, with franchisees? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Supply of goods or services by a franchisee

| | | | |
|---|-----|----|--|
| a) Are there any restrictions on the goods or services that the franchisee may supply?* | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Must the franchisee supply the whole range of the goods or services of the franchise? Tip: If yes, there may be instances where you may need to stock goods and services that are less profitable and/or do not sell well at your business. | Yes | No | See paragraphs XX-XX of the disclosure document. |

*Before a requirement is made, the franchisor may notify, or seek authorisation from, the Australian Competition and Consumer Commission (see Part VII of the *Competition and Consumer Act 2000*).

Supply of goods or services—online sales

| | | | |
|---|-----|----|--|
| a) Can the franchisee make available, online goods of the same type or brand as the franchise system? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Can the franchisor make available, online services of the same type as the franchise system? Tip: If yes, you may be in direct competition with the franchisor for customers or business. | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Is there a profit sharing arrangement that applies in relation to goods or services made available online and would affect the franchisee? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| i. Can these arrangements be unilaterally changed by the franchisor? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Other payments

Based on current practices please state the total amount, or if unavailable estimates, of:

| | | |
|---|---------------|--|
| Prepayments the prospective franchisee will be required to make to enter the franchise agreement | [Insert text] | See paragraphs XX-XX of the disclosure document. |
| Establishment costs the prospective franchisee will be required to make to start the franchise business | [Insert text] | See paragraphs XX-XX of the disclosure document. |

Please indicate whether any caveats apply to the payments quoted and specify the paragraph in the disclosure document setting out that caveat.

For each other payment the franchisee is required to make, including marketing fund contributions:

| Description of the payment | The amount of the payment or the formula used to work out the payment | When the payment is due |
|----------------------------|---|-------------------------|
| 1. [Insert text] | [Insert text] | [Insert text] |
| 2. [Insert text] | [Insert text] | [Insert text] |

Further detail can be found in paragraphs XX-XX of the disclosure document.

Please indicate whether any caveats apply to the payments quoted and specify the paragraph in the disclosure document setting out that caveat.

Tip:

- It is highly advisable to seek financial advice from a professional who has expertise in franchising.
- Speak to the franchisor to learn about the set-up and ongoing costs of running the business. Ask about:
 - any requirements that involve payments to third parties (e.g. application for permits and licences); and
 - any payments to the franchisor before you sign the franchise agreement. Check if it would be refundable if you decide to not sign the agreement.
- Exercise caution and conduct more research if:
 - There are no cost amounts for wages, rent or inventory
 - You can't work out the cost of setting up and running the business
 - You are told how much money you can make but there is no solid evidence to support that.

Marketing or other cooperative funds

For **each** marketing or other cooperative fund, controlled or administered by or for the franchisor, to which the franchisee may be required to contribute, the following details:

| | |
|-----------|---------------|
| Fund Name | [Insert text] |
|-----------|---------------|

| | | |
|---|----------------|--|
| a) The amount the franchisee must contribute to the fund | [Insert value] | |
| b) Who controls or administers the fund? | [Insert text] | |
| c) Do parties other than the franchisee contribute to the fund? | Yes No | See paragraphs XX-XX of the disclosure document. |
| d) Do other franchisees contribute at a different rate? | Yes No | See paragraphs XX-XX of the disclosure document. |
| e) Is the fund audited? | Yes No | See paragraphs XX-XX of the disclosure document. |
| f) Can the fund's financial statements be inspected by franchisees? | Yes No | See paragraphs XX-XX of the disclosure document. |
| g) Are the kinds of expenses for which the fund may be used, specified? | Yes No | See paragraphs XX-XX of the disclosure document. |
| h) Does the franchisor, or its associates, supply goods or services which are paid for by the fund? | Yes No | See paragraphs XX-XX of the disclosure document. |
| i) Is the franchisor required to spend part of the fund on marketing, advertising or promoting the franchisee's business? | Yes No | See paragraphs XX-XX of the disclosure document. |

Tip:

- Not all franchise systems have a marketing fund
- Exercise caution and conduct more research if:
 - The franchisor does not contribute to the fund on the same basis as other franchisees;
 - It is not clear what the marketing the fund was used to pay for
- If the franchisor uses the funds in a way that you do not agree with, consider if the franchise system is right for you.

Unilateral variation of franchise agreement

| | | |
|---|---------------|--|
| a) Number of times the franchisor unilaterally varied a franchise agreement in the last 3 financial years (including, if applicable, financial years before this code came into force), other than variations of a minor nature | [Insert text] | See paragraphs XX-XX of the disclosure document. |
| b) Are there any foreseeable circumstances in which the franchise agreement may be unilaterally varied? | Yes No | See paragraphs XX-XX of the disclosure document. |

Tip:

- This section tells you the times where the franchisor has made changes to franchise agreements without the needing the consent of the franchisee.
- Research the types of variations that the franchisor has made in the past. Check if they happen frequently and if the changes are reasonable to you.
- Consider if you would be comfortable if the franchisor made changes to your agreement in the future. If not, consider if franchising is right for you.

Arbitration of disputes

| | | | |
|--|-----|----|--|
| a) Does the franchise agreement provide for arbitration of disputes? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|--|-----|----|--|

Tip:

- The Franchising Code of Conduct provides for a dispute resolution process.
- Participation in mediation and/or arbitration is voluntary. This means that the franchisor may choose to not participate in any mediation and/or arbitration disputes you may raise in the future. Consider if you are comfortable with this.

Ways of ending the franchise agreement early

| | | | |
|--|-----|----|--|
| a) Does the franchisor have the right to terminate the franchise agreement before it expires? Tip: If yes, consider any capital or investments you may need to put into the business and what you would do if your business was terminated. | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Does the franchisee have the right to terminate the franchise agreement before it expires? Tip: If no, consider if you would be able to cover costs of keeping the business running for the duration of the agreement even if the business was unprofitable. | Yes | No | See paragraphs XX-XX of the disclosure document. |

Arrangements to apply at the end of the franchise agreement

| | | | |
|---|-----|----|--|
| a) Does the prospective franchisee have an option to renew the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Does the prospective franchisee have an option to enter into a new franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Will the prospective franchisee be able to extend the term of the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| d) Will the franchisor purchase unsold stock, marketing material, equipment and other assets at the end of the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| e) Will the prospective franchisee have the right to sell the business at the end of the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document (includes information on any restrictions on the ability of the franchisee to sell the business at the |

| | | |
|--|--------|--|
| | | end of the franchise agreement). |
| f) If the prospective franchisee has the right to sell the business at the end of the franchise agreement, will the franchisor have first right of refusal? | Yes No | See paragraphs XX-XX of the disclosure document. |
| i. If so, does the franchise agreement or the disclosure document specify how the market value of the business will be determined? | Yes No | See paragraphs XX-XX of the disclosure document/franchise agreement. |
| g) Will the franchisor consider any significant capital expenditure undertaken by the franchisee during the franchise agreement, in determining the arrangements to apply at the end of the franchise agreement? | Yes No | See paragraphs XX-XX of the disclosure document. |
| h) Is the franchisee entitled to any goodwill in the business at the end of the franchise agreement? | Yes No | See paragraphs XX-XX of the disclosure document. |
| i. If so, does the franchise agreement or the disclosure document specify how that goodwill be calculated? | Yes No | See paragraphs XX-XX of the disclosure document/franchise agreement. |
| i) Will the franchisee or directors or guarantors of the franchisee be subject to any restraint of trade clause after the franchise agreement has ended? | Yes No | See paragraphs XX-XX of the disclosure document. |
| j) Will the franchisor amend (or require the amendment of) the franchise agreement on or before the transfer of the franchise? | Yes No | See paragraphs XX-XX of the disclosure document. |

Tip:

- The franchise agreement is only valid for the term of the agreement. There is no guarantee that you will be offered an extension and/or renewal of the agreement unless stated otherwise.
- Consider and check:
 - What your rights are and you would do if the franchisor chooses not to renew or extend your agreement; and
 - What the pre-conditions are (if any) for extending or renewing your agreement. For example, you may be asked to spend a lot of money to renovate the site to get another term.

Earnings information

| | | | |
|---|-----|----|---|
| a) Are earnings information provided? | Yes | No | See paragraphs XX-XX of the disclosure document. OR See [document title] |
| b) Are historical earnings data provided? | Yes | No | See paragraphs XX-XX of the disclosure document/ [document title] |
| c) Are projected earnings information provided? | Yes | No | See paragraphs XX-XX of the disclosure document/ [document title] |

Tip:

- It is highly advisable to seek financial advice from a professional who has expertise in franchising.

Financial details

| | | | |
|--|-----|----|--|
| a) Will the franchisor be able to pay its debts when they are due? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Are financial reports for the last 2 completed financial years available? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Has the franchisor existed for 2 or more financial years? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Tip:

- It is highly advisable to seek financial advice from a professional who has expertise in franchising.
- Exercise caution if:
 - you are not given a financial report; and
 - the report shows that the business is struggling.

Mock Up 2

WARNING

Reading this sheet is not a substitute for carefully considering the disclosure document and other documents given by the franchisor.

You should:

- carefully read the franchisor’s Disclosure Document, Franchise Agreement and other associated documents;
- take your time, read all the documents carefully, talk to other franchisees and assess your own financial resources and capabilities to deal with the requirements of the franchised business;
- make your own enquiries about the franchise and about the business of the franchise;
- get independent legal, accounting and business advice before signing the franchise agreement;
- consider preparing a business plan and projections for profit and cash flow; and
- consider educational courses, particularly if you have not operated a business before.

Entering into a franchise agreement is a serious undertaking. Franchising is a business and, like any business, the franchise (or franchisor) could fail during the franchise term. This could have consequences for the franchisee.

A franchise agreement is legally binding on you if you sign it.

You are entitled to a **minimum waiting period of 14 days** before you enter into this agreement.

If this is a new franchise agreement (not the renewal of a franchise agreement, nor the extension of the term or the scope of a franchise agreement), you will be entitled to a 14 day “cooling off” period after signing the agreement, during which you may terminate the agreement.

If you decide to terminate the agreement during the cooling off period, the franchisor must, within 14 days, return all payments (whether of money or of other valuable consideration) made by you to the franchisor under the agreement. However, the franchisor may deduct from this amount its reasonable expenses, if the expenses or their method of calculation have been set out in the agreement.

Franchisor

| | |
|--|---------------|
| Name | [Insert text] |
| Business address | [Insert text] |
| Contact details | [Insert text] |
| ABN, CAN or ARBN (or foreign equivalent if | [Insert text] |

| | |
|---|--|
| the franchisor is a foreign franchisor) | |
|---|--|

The name under which the franchisor carries on business in Australia relevant to the franchise:

| |
|---------------|
| [Insert text] |
|---------------|

A description of the kind of business operated under the franchise:

| |
|---------------|
| [Insert text] |
|---------------|

The number of years that the franchisor or the franchise system has operated in Australia:

| |
|---------------|
| [Insert text] |
|---------------|

The number of years that the franchise business operated (whether in Australia or overseas) before franchises were offered:

| |
|---------------|
| [Insert text] |
|---------------|

| | |
|---|------------------------------|
| (Signature) Franchisor/Director/Officer/Authorised agent of the Franchisor | Date of Preparation |
|---|------------------------------|

Further detail can be found on page **XX-XX** of the disclosure document

Note: For simplicity, references to the ‘franchisor’ throughout this document can also apply to associate(s), a director, or a consolidated entity (as defined in the *Corporations Act 2001*) of the franchisor.

Litigation

| | | |
|--|-----|----|
| a) Are there current legal action relevant to the franchise or against the franchisor ³ in Australia alleging: | | |
| (i) breach of a franchise agreement; or | Yes | No |
| (ii) contravention of trade practices law; or | Yes | No |
| (iii) contravention of the <i>Corporations Act 2001</i> ; or | Yes | No |
| (iv) unconscionable conduct; or | Yes | No |
| (v) misconduct; or | Yes | No |
| (vi) an offence of dishonesty; and | Yes | No |
| b) Are there legal action against the franchisor, not including proceedings involving alleged unfair dismissal of an employee, under: | | |
| (i) section 12 of the <i>Independent Contractors Act 2006</i> ; or | Yes | No |
| (ii) a law relating to workplace relations or independent contractors. | Yes | No |
| c) Has the franchisor been convicted of a serious offence, or an equivalent offence outside Australia in the last 10 years? | Yes | No |
| d) Has the franchisor been subject to final judgment in civil proceedings for a matter mentioned in (a) in the last 5 years? | Yes | No |
| e) Has the franchisor been bankrupt, insolvent under administration or a Chapter 5 body corporate in Australia or elsewhere in the past 5 years? | Yes | No |

Further detail can be found on page XX-XX of the disclosure document.

Details of Existing and Previous Franchises

A list of existing franchisees (within the State, Territory, region or metropolitan area in which the franchise is to be operated) is available in paragraphs XX-XX of the disclosure document.

For each of the last 3 financial years, the number of franchised businesses for which the following occurred:

| | |
|---|------|
| a) The franchise was transferred | [XX] |
| b) The franchised business ceased to operate | [XX] |
| c) The franchise agreement was terminated by the franchisor | [XX] |
| d) The franchise agreement was terminated by the franchisee | [XX] |
| e) The franchise agreement was not extended | [XX] |

³ A reference anywhere in this document to a franchisor includes a reference to a franchisor director, an associate of the franchisor or a director of an associate of the franchisor.

| | |
|--|------|
| f) The franchised business was bought back by the franchisor | [XX] |
| g) The franchise agreement was terminated and the franchised business was acquired by the franchisor | [XX] |

Master Franchises

| | |
|---|---------------|
| Name | [Insert text] |
| Business address | [Insert text] |
| Contact details | [Insert text] |
| ABN, CAN or ARBN (or foreign equivalent if the franchisor is a foreign franchisor) | [Insert text] |
| The name under which the master franchisor carries on business relevant to the franchise: | [Insert text] |

Further detail can be found on page XX-XX of the disclosure document

Franchise site or territory

| | | |
|---|-----------|---------------|
| a) Is the franchise site an exclusive or non-exclusive territory? | Exclusive | Non exclusive |
| b) Is the franchise limited to a site? | Yes | No |

If the franchisee has an exclusive territory:

| | | | |
|--|-----|----|--|
| a) Can the franchisor own or operate a business that is very similar to the franchised business in the franchisee's territory? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Can the franchisor establish other franchises that very similar to as the franchise in the franchisee's territory? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Can the franchisee own or operate a business that is very similar to as the franchised business outside the territory of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| d) Can the franchisor change the territory or site of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Site selection

| | | | |
|---|-----|----|--|
| a) Has the site been previously operated by another franchisee or franchisor? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|---|-----|----|--|

Lease arrangements

Details of any interests in the lease of any premises related to the franchisee, and held by the franchisor (if applicable).

| | |
|------------------|--|
| 1. [Insert text] | See paragraphs XX-XX of the disclosure document. |
| 2. [Insert text] | See paragraphs XX-XX of the disclosure document. |

Supply of goods or services to a franchisee

| | | | |
|---|-----|----|--|
| a) Must the franchisee maintain a level of inventory or acquire an amount of goods or services? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Can the franchisee acquire goods or services from sources not approved by the franchisor? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Does the franchisor have an interest in any supplier from which the franchisee may be required to acquire goods or services? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| d) Must the franchisee accept goods or services from the franchisor? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| e) Must the franchisor supply goods or services to the franchisee? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| f) Will the franchisee be offered the right to be supplied with all the goods or services they need to operate the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| g) Can the franchisee can return goods? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| h) Can the franchisee can obtain a refund for goods or services provided by the franchisor? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| i) May the franchisor change the range of goods or services the franchisee is required to offer? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| j) Does the franchisor, receive a rebate or other financial benefit from supplying goods or services to franchisees? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| k) Is any part of any rebate or financial benefit referred to under paragraph (j) shared, directly or indirectly, with franchisees? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Supply of goods or services by a franchisee

| | | | |
|---|-----|----|--|
| a) Are there any restrictions on the goods or services that the franchisee can supply in the franchise business?* | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Are there any restrictions on who the franchisee may supply goods or services to?* | Yes | No | See paragraphs XX-XX of the disclosure document. |

| | | | |
|--|-----|----|--|
| c) Must the franchisee supply the whole range of the goods or services of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|--|-----|----|--|

*Before a requirement is made, the franchisor may notify, or seek authorisation from, the Australian Competition and Consumer Commission (see Part VII of the *Competition and Consumer Act 2000*).

Supply of goods or services—online sales

| | | | |
|---|-----|----|--|
| a) Can the franchisee make available online goods of the same type or brand as the franchise system? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Can the franchisee make available online services of the same type as the franchise system? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Are there conditions on the franchisee’s ability to make goods and services available online? If so: | Yes | No | See paragraphs XX-XX of the disclosure document. |
| i. Can goods or services be made available via a third party website? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| ii. Are there conditions on the franchisee’s use of a third party website: | Yes | No | See paragraphs XX-XX of the disclosure document. |
| iii. Can goods or services be supplied outside the territory of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| d) Does the franchisor make, or expect to make, goods or services available online? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| e) Do other franchisees make, or expect to make, goods or services available online? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| f) Is there a profit sharing arrangement that applies in relation to goods or services made available online and would affect the franchisee? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| i. Can these arrangements be unilaterally changed by the franchisor? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Other payments

Prepayments

| List of prepayments | Amount? | Conditions under which a payment will be refunded |
|---------------------|---------|---|
| 1. [Insert text] | [XX] | • [Insert text] |
| 2. [Insert text] | [XX] | • [Insert text] |

Establishment Costs

Details of the range of costs to start operating the franchised business, based on current practice, for the following matters*:

| Expenditure | Description of the payment | The amount of the payment or the formula used to work out the payment | To whom the payment is made | When the payment is due | Whether the payment is refundable and if so, what conditions |
|---|-----------------------------------|--|------------------------------------|--------------------------------|---|
| (a) Real property, including property type, location and building size | | | | | |
| | | | | | |
| | | | | | |
| (b) Equipment, fixtures, other fixed assets, construction, remodelling, leasehold improvements and decorating costs | | | | | |
| | | | | | |
| | | | | | |
| (c) Inventory required to begin operation | | | | | |
| | | | | | |
| | | | | | |
| (d) Security deposits, utility deposits, business licences, insurance and other prepaid expenses | | | | | |
| | | | | | |
| | | | | | |
| (e) Additional funds, including working capital, required by the franchisee before operations begin | | | | | |
| | | | | | |
| | | | | | |
| (f) Other payments by a franchisee to begin operations | | | | | |
| | | | | | |
| | | | | | |

Other payments

For each recurring or isolated payment payable by the franchisee to the franchisor or another party*:

| Description of the payment | The amount of the payment or the formula used to work out the payment | To whom the payment is made | When the payment is due | Whether the payment is refundable and if so, under what conditions |
|----------------------------|---|-----------------------------|-------------------------|--|
| | | | | |
| | | | | |

*Notes:

- If the amount of the payment cannot easily be worked out, please state the upper and lower limits of the amount.
- If two or more items listed apply to a payment, the information required by those items in relation to that payment needs to be set out only once.
- Includes a payment of significant capital expenditure.
- Includes a payment to marketing and cooperative funds

Please indicate whether any caveats apply to the payments quoted and specify the paragraph in the disclosure document setting out that caveat.

Marketing or other cooperative funds details

For **each** marketing or other cooperative fund, controlled or administered by or for the franchisor, to which the franchisee may be required to contribute, the following details:

| | | |
|---|----------------|--|
| Fund Name | [Insert text] | |
| a) The amount the franchisee must contribute to the fund | [Insert value] | |
| b) Who controls or administers the fund? | [Insert text] | |
| c) Do parties other than the franchisee contribute to the fund? | Yes No | See paragraphs XX-XX of the disclosure document. |
| d) Do other franchisees contribute at a different rate? | Yes No | See paragraphs XX-XX of the disclosure document. |
| e) Is the fund audited? | Yes No | See paragraphs XX-XX of the disclosure document. |
| f) Can the fund's financial statements be inspected by franchisees? | Yes No | See paragraphs XX-XX of the disclosure document. |
| g) Are the kinds of expenses for which the fund may be used, specified? | Yes No | See paragraphs XX-XX of the disclosure document. |

| | | | |
|---|-----|----|--|
| h) Does the franchisor, or its associates, supply goods or services which are paid for by the fund? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| i) Is the franchisor required to spend part of the fund on marketing, advertising or promoting the franchisee's business? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Financing

| | | | |
|--|-----|----|--|
| a) Does the franchisor offer the franchisee any financing arrangement for the establishment or operation of the franchised business? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Must the franchisee provide a minimum amount of unborrowed working capital for the franchised business? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Must the franchisee meet a stated debt-to-equity ratio in relation to the franchised business? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Unilateral variation of franchise agreement

Instances where the franchisor has unilaterally varied a franchise agreement in the last 3 financial years (including, if applicable, financial years before this code came into force), other than variations of a minor nature:

| Type of variation* | Date of variation | |
|--------------------|-------------------|--|
| 1. [Insert text] | [DD/MM/YY] | See paragraphs XX-XX of the disclosure document. |
| 2. [Insert text] | [DD/MM/YY] | See paragraphs XX-XX of the disclosure document. |

* Refers to the substance and/or the intent of the variation.

| | | | |
|--|-----|----|--|
| a) Are there any foreseeable circumstances in which the franchise agreement may be varied? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|--|-----|----|--|

Arbitration of disputes

| | | | |
|--|-----|----|--|
| a) Does the franchise agreement provide for arbitration of disputes? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|--|-----|----|--|

Ending the franchise agreement early

| | | | |
|---|-----|----|--|
| a) Does the franchisor have the right to terminate the franchise agreement before it expires? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|---|-----|----|--|

| | | | |
|---|-----|----|--|
| b) Does the franchisee have the right to terminate the franchise agreement before it expires? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|---|-----|----|--|

Arrangements to apply at the end of the franchise agreement

| | | | |
|--|-----|----|---|
| a) Does the prospective franchisee have an option to renew the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Does the prospective franchisee have an option to enter into a new franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Will the prospective franchisee be able to extend the term of the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| d) Will the franchisor purchase unsold stock, marketing material, equipment and other assets at the end of the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| e) Will the prospective franchisee have the right to sell the business at the end of the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document (includes information on any restrictions on the ability of the franchisee to sell the business at the end of the franchise agreement). |
| f) If the prospective franchisee has the right to sell the business at the end of the franchise agreement, will the franchisor have first right of refusal? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| i. If so, does the franchise agreement or the disclosure document specify how the market value of the business will be determined? | Yes | No | See paragraphs XX-XX of the disclosure document/franchise agreement. |
| g) Will the franchisor consider any significant capital expenditure undertaken by the franchisee during the franchise agreement, in determining the arrangements to apply at the end of the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| h) Is the franchisee entitled to any goodwill in the business at the end of the franchise agreement? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| i. If so, does the franchise agreement or the disclosure document specify how that goodwill be calculated? | Yes | No | See paragraphs XX-XX of the disclosure document/franchise agreement. |
| i) Will the franchisee or directors or guarantors of the franchisee be subject to any restraint of trade clause after the franchise agreement has ended? | Yes | No | See paragraphs XX-XX of the disclosure document. |

| | | | |
|--|-----|----|--|
| j) Will the franchisor amend (or require the amendment of) the franchise agreement on or before the transfer of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|--|-----|----|--|

Amendment of franchise agreement on transfer of franchise

| | | | |
|--|-----|----|--|
| a) Will the franchisor amend (or require the amendment of) the franchise agreement on or before the transfer of the franchise? | Yes | No | See paragraphs XX-XX of the disclosure document. |
|--|-----|----|--|

Earnings information

| | | | |
|---|-----|----|---|
| a) Are earnings information provided? | Yes | No | See paragraphs XX-XX of the disclosure document. OR See [document title] |
| b) Are historical earnings data provided? | Yes | No | See paragraphs XX-XX of the disclosure document/ [document title] |
| c) Are projected earnings information provided? | Yes | No | See paragraphs XX-XX of the disclosure document/ [document title] |

Financial details

| | | | |
|--|-----|----|--|
| a) Will the franchisor be able to pay its debts when they are due? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| b) Are financial reports for the last 2 completed financial years available? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| c) Has the franchisor existed for 2 or more financial years? | Yes | No | See paragraphs XX-XX of the disclosure document. |
| d) Was the franchisor insolvent in either or both of the last 2 completed financial years? | Yes | No | See paragraphs XX-XX of the disclosure document. |

Mock Up 3

WARNING

Reading this sheet is not a substitute for carefully considering the disclosure document and other documents given by the franchisor.

You should:

- carefully read the franchisor’s Disclosure Document, Franchise Agreement and other associated documents;
- take your time, read all the documents carefully, talk to other franchisees and assess your own financial resources and capabilities to deal with the requirements of the franchised business;
- make your own enquiries about the franchise and about the business of the franchise;
- get independent legal, accounting and business advice before signing the franchise agreement;
- consider preparing a business plan and projections for profit and cash flow; and
- consider educational courses, particularly if you have not operated a business before.

Entering into a franchise agreement is a serious undertaking. Franchising is a business and, like any business, the franchise (or franchisor) could fail during the franchise term. This could have consequences for the franchisee.

A franchise agreement is legally binding on you if you sign it.

You are entitled to a **minimum waiting period of 14 days** before you enter into this agreement.

If this is a new franchise agreement (renewal of a franchise agreement, nor the extension of the term or the scope of a franchise agreement), you will be entitled to a 14 day “cooling off” period after signing the agreement, during which you may terminate the agreement.

If you decide to terminate the agreement during the cooling off period, the franchisor must, within 14 days, return all payments (whether of money or of other valuable consideration) made by you to the franchisor under the agreement. However, the franchisor may deduct from this amount its reasonable expenses, if the expenses or their method of calculation have been set out in the agreement.

Franchisor

| | |
|--|---------------|
| Name | [Insert text] |
| Business address | [Insert text] |
| Contact details | [Insert text] |
| ABN, CAN or ARBN (or foreign equivalent if the franchisor is a foreign franchisor) | [Insert text] |
| The name under which the franchisor carries on business in Australia relevant to the franchise | [Insert text] |

| | |
|--|---------------|
| The number of years that the franchisor operated a business substantially the same as the franchise: | [Insert text] |
|--|---------------|

Litigation

| | | | |
|---|-----|----|---|
| a) Are there any current proceedings by a public agency, criminal or civil proceedings or arbitration, relevant to the franchise, against the franchisor a franchisor director or an associate of the franchisor, in Australia? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| b) Are there any proceedings against the franchisor, a franchisor director or an associate of the franchisor, other than for unfair dismissal of an employee? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| c) Has the franchisor, or a director of the franchisor, been in the last 5 years subject to final judgment in civil proceedings of a matter mentioned in (a)? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| d) Has the franchisor, or a director of the franchisor, been in the last 10 years convicted of a serious offence or an equivalent offence outside Australia; bankrupt; insolvent; and/or under administration? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |

Existing Franchises

A list of existing franchisees (within the State, Territory, region or metropolitan area in which the franchise is to be operated) is available in paragraphs XX-XX of the disclosure document.

For each of the last 3 financial years, the number of franchised businesses for which the following occurred:

| | |
|--|------|
| a) The franchise was transferred | [XX] |
| b) The franchised business ceased to operate | [XX] |
| c) The franchise agreement was terminated by the franchisor | [XX] |
| d) The franchise agreement was terminated by the franchisee | [XX] |
| e) The franchise agreement was not extended | [XX] |
| f) The franchised business was brought back by the franchisor | [XX] |
| g) The franchise agreement was terminated and the franchised business was acquired by the franchisor | [XX] |

Master Franchises

| | | |
|---|--------|---|
| Are there any franchisees that operate under the master franchisor? | Yes No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
|---|--------|---|

Franchise site or territory

Summarise in no more than 150 words, the information that appears in Item 9 of Annexure 1 of the Franchising Code of Conduct.

[Insert text]

Lease arrangements

Details of any interests in the lease of any premises held by the franchisor (if applicable)

| | |
|------------------|---|
| 1. [Insert text] | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| 2. [Insert text] | Further detail can be found in paragraphs XX-XX of the disclosure document. |

Supply of goods or services

Summarise in no more than 300 words, the information that appears at Items 10-12 of Annexure 1 of the Franchising Code of Conduct.

[Sample text]

The franchisee will need to maintain a minimum level of inventory as set by FranchisorCo and be sourced from a prescribed list of suppliers. The franchisee may return goods supplied and obtain a refund at 50% of the purchase price... FranchisorCo retains the right to change the range of goods and services at any time, subject to ...

FranchisorCo receives a rebate from suppliers which is used to fund ...

The franchisee must and only provide the whole range of goods and services as prescribed by FranchisorCo

FranchisorCo runs a central website, www.FranchisorCo.com, which contains a list of available outlets and their contact details. FranchisorCo provides a select range of goods for sale on the website, the revenue of which, is retained by FranchisorCo

Further detail can be found in paragraphs XX-XX of the disclosure document.

Payments

Based on current practices please state the total amount, or if unavailable, estimates of:

| | | |
|---|---------------|---|
| Prepayments the prospective franchisee will be required to make to enter the franchise agreement | [Insert text] | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| Establishment costs the prospective franchisee will be required to make to start the franchise business | [Insert text] | Further detail can be found in paragraphs XX-XX of the disclosure document. |

Please indicate whether any caveats apply to the payments quoted and specify the paragraph in the disclosure document setting out that caveat.

For each other payment the franchisee is required to make, including marketing and other cooperative fund contributions:

| Description of the payment | The amount of the payment or the formula used to work out the payment | When the payment is due |
|----------------------------|---|-------------------------|
| 1. [Insert text] | [Insert text] | [Insert text] |
| 2. [Insert text] | [Insert text] | [Insert text] |

Further detail can be found in paragraphs XX-XX of the disclosure document.

Please indicate whether any caveats apply to the payments quoted and specify the paragraph in the disclosure document setting out that caveat.

Marketing or other cooperative funds

Summarise in no more than 200 words for each marketing or other cooperative fund controlled or administered by the franchisor, the information that appears at Item 15 of Annexure 1 of the Franchising Code of Conduct.

[Insert text]

(Insert if applicable)

Financing

Summarise in no more than 200 words, the information that appears in Item 16 of Annexure 1 of the Franchising Code of Conduct.

[Insert text]

Unilateral variation of franchise agreement

Summarise in no more than 200 words, the information that appears in Item 17 of Annexure 1 of the Franchising Code of Conduct.

[Insert text]

Arbitration of disputes

| | | | |
|---|-----|----|---|
| a) Does the franchise agreement provide for arbitration of disputes in a manner consistent with Subdivision C of Division 3 of Part 4 of the Franchising Code of Conduct? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
|---|-----|----|---|

Ways of ending the franchise agreement early

| | | | |
|---|-----|----|---|
| a) Does the franchisor have the right to terminate the franchise agreement before it expires? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| b) Does the franchisee have the right to terminate the franchise agreement before it expires? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |

Arrangements to apply at the end of the franchise agreement

Summarise in no more than 800 words, the information that appears in Item 18 of Annexure 1 of the Franchising Code of Conduct.

[Insert text]

Financial details

| | | | |
|---|-----|----|---|
| a) Will the franchisor be able to pay its debts when they fall due? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| b) Are financial reports for each of the last 2 completed financial years available in the disclosure document? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| c) Has the franchisor or a consolidated entity (as defined in the <i>Corporations Act 2001</i>) existed for 2 or more financial years? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |
| d) Was the franchisor or a consolidated entity (as defined in the <i>Corporations Act 2001</i>) insolvent in either or both of the last 2 completed financial years? | Yes | No | Further detail can be found in paragraphs XX-XX of the disclosure document. |