

December 22, 1999

Secretary, Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Room 159
Washington, D.C. 20580

Re: 16 CFR Part 436 -- Franchise Rule Comment

Dear Mr. Secretary:

This letter responds to the Commission's request, in the October 22, 1999 edition of the Federal Register, 64 FR 57294, for comments on the proposed changes to the Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures Trade Regulation Rule (the "Franchise Rule" or "Rule"). FRANDATA Corporation ("FRANDATA") appreciates the opportunity to comment on the Commission's proposal and questions.

By way of background, FRANDATA is the leading supplier of information to the franchise community. Founded in 1989, FRANDATA has amassed and continues to maintain a database of the information contained in franchisors' disclosure documents. FRANDATA has created and currently operates a web-based solution for the U.S. Small Business Administration that enables on-line review of franchise agreements for compliance with financing eligibility requirements. FRANDATA has also conducted most of the significant studies of franchising in the last six years, including the "Item 20" study sponsored by the International Franchise Association ("IFA"), and the three-year Statistical Abstract for the IFA's Educational Foundation.

FRANDATA respectfully offers its comments concerning four aspects of the Commission's proposed Rule: electronic disclosure and the disclosure requirements for Items 1, 6, and 20.

A. Electronic Disclosure

FRANDATA strongly supports the Commission's proposal to allow franchisors to utilize electronic media to the fullest extent possible to furnish their disclosure documents. Notice of Proposed Rulemaking §§ C.10 (a) - (g) and proposed Rule §436.2.

1. Cost Savings

As the Commission has observed, electronic disclosure will reduce franchisors' compliance costs. However, FRANDATA believes that the overall expenses of disclosure may have been understated. We have conducted several random surveys of franchise systems with respect to this issue. Our conclusions are as follows:

- a. The average number of documents distributed per franchisor is 180 per year, and this number is expected to increase 25-50 % annually once electronic disclosure is allowed.
- b. The percentage of franchisors that will make use of the electronic delivery option is closer to 40% and will also increase 25-50% annually, tracking the increased use of the Internet by this sector.
- c. While the out-of-pocket expenses related to printing and mailing one domestic disclosure document averages \$40, this figure does not take into account the overall "process" involved in responding to requests for information from prospective franchisees, which carries very high labor costs from franchisors' administrative and sales departments. There are typically six separate steps in this process, each of which has a related labor and/or administrative cost:
 - i. Response to each inquiry, from all sources;
 - ii. For pre-qualified leads, dissemination of application forms;
 - iii. Review of returned and completed application forms, to determine whether the applicant should be sent a disclosure document, and if so, which version of the disclosure document (depending on the state in which the prospective franchisee would operate);
 - iv. Communication with all applicants returning applications;
 - v. Printing and mailing of disclosure documents to qualified applicants; and
 - vi. Creation of an administrative file for each recipient of the Uniform Franchise Offering Circular (UFOC).

Our surveys concluded that only 13% of the prospective franchisees making initial inquiries ultimately receive a UFOC. This means that 87% of the inquiries received by franchisors must be given administrative attention, but will not survive the entire process outlined

above to culminate in the dissemination of a UFOC. Thus, the results of our surveys indicate that this "weeding-out" process effectively raises the expense of sending out one domestic disclosure document from \$40 to nearly \$100, when related labor costs are included.

d. The electronic delivery option will definitely reduce the distribution cost per document over a period of years, but we believe that the cost will not be as low as \$5 per document. Using the Commission's estimate of only 100 documents distributed per franchisor per year, and a per document cost of \$5, the total cost of creating a system to automate the UFOC delivery process would be \$500 per franchisor. We believe this estimate to be very low, and that the following additional costs must be factored into the equation:

- i. The storage costs attendant to maintaining prior copies of a system's disclosure document electronically;
- ii. The number of documents distributed annually;
- iii. The costs of creating an electronic file which contains the entire UFOC;
- iv. The costs of adding search engines and hyper-links to the UFOC;
- v. The programming costs related to tracking all inquiries throughout the process;
- vi. The programming costs related to automatic prequalification and further on-line screening to reduce administrative costs;
- vii. Overall maintenance costs of the system; and
- viii. Related labor costs.

By factoring in these additional related expenditures, there will be an upfront cost of creating a delivery system and an annual maintenance/storage cost for each system. After the first year or two, the average cost of electronically distributing one disclosure document may be reduced to \$5-10 per document, but there will also be related costs for developing, implementing, and maintaining the system which will range from \$2,500-10,000 per year, depending on the number of inquiries received and the sophistication of the franchisor's (or related third-party's) tracking and reporting systems. However, even with these additional

costs, electronic delivery will still dramatically reduce the overall cost of the sales and delivery process.

2. Improved Review of Disclosure Documents

In addition to reducing franchisors' disclosure compliance costs, electronic disclosure will enable qualified franchisees to obtain a franchisor's disclosure document more quickly, and through cross-links to the subject franchise agreement, review and understand those documents more intelligently. For example, under today's "paper only" disclosure protocol, a franchisee reviewing the various UFOC tables (those in UFOC Item 9 specifying the franchisee's principal obligations and Item 17 regarding the termination, renewal, transfer and dispute provisions of the subject franchise agreement) must constantly shift back and forth between the disclosure document itself and the franchise agreement provisions it describes. Enabling electronic disclosure with internal cross-links between the disclosure document and the subject agreement eliminates this time-consuming and confusing task, thus affording a franchisee a more intelligent and efficient review of a disclosure document.

With respect to these internal cross-links, FRANDATA believes that a set of acceptable cross-links should be defined by the Commission to allow for uniformity and clarity for prospective franchisees. A prospective franchisee's ability to access a great number of franchise disclosure documents will be greatly fostered through the revised Rule's electronic disclosure provisions. We can clearly anticipate the day when various Internet sites will feature a vast number of franchisors' disclosure documents. The ability to swiftly access these documents -- and compare and contrast their provisions -- will enable prospective franchisees to "comparison shop" in an unprecedented and altogether optimal fashion that will improve the functioning of an already robust marketplace. Accordingly, we believe that prospects may be confused when "comparison shopping" if they find a feature available in one document and not another. For example, viewing a document with extensive search features keyed to words in the disclosure document might predispose a prospect to envision that all electronic versions contained such a feature, and would therefore create a negative impression (or customer service issues) for other systems which have not incorporated such a feature, while simultaneously confusing the prospect. FRANDATA proposes simple links to the 23 items found in the disclosure document, as well as links from the UFOC to any referenced section of any attached agreement. In addition, FRANDATA believes that such uniformity might best be accomplished by a third-party aggregator using a common electronic platform, common hyper-links in posted documents and a uniform delivery format.

3. Summary Documents

The Commission's narrow requirement that a franchisor engaging in the electronic delivery of disclosure documents furnish prospective franchisees with a summary document and a special receipt form is altogether sensible. We suggest, however, that the Commission permit the summary document to be delivered to a prospect through electronic means -- either via electronic mail, a website, or facsimile, with the requirement that the Acknowledgement of Receipt must be returned via facsimile or mail or in an electronic format containing an acceptable electronic signature. Furthermore, if the summary document is required to be sent prior to electronic dissemination of the full document, and the full document is then distributed only upon receipt of the Acknowledgment of Receipt, the Commission's concerns regarding education and disclosure could be better met. In addition, we believe that the summary document should also include the Internet address of any third-party provider or common electronic platform through which a franchisor's document is made available.

4. Consent and Receipt Requirements

FRANDATA respectfully suggests that a few minor changes to the requirements of proposed § 426.7 of the revised Rule may be effected without limiting a prospective franchisee's receipt of full and complete disclosure via electronic means. Specifically, FRANDATA submits that the requirement that a prospective franchisee consent in advance to receiving electronic disclosure be eliminated. See proposed Rule § 436.7(a). As the Commission notes in its Notice of Proposed Rulemaking, it ". . . does not wish to impede franchisors' ability to maximize the use of new technologies in their efforts to comply with the Rule." However, FRANDATA fears that an advance consent precondition to electronic disclosure would do just that. We envision the day when franchisors will routinely post their UFOCs either on individual websites or through a common electronic platform designed to aggregate such UFOCs for access by the general public (which, as noted above, would greatly enhance a prospective franchisee's ability to "comparison shop" among various franchisors). A "prior consent" precondition to electronic disclosure would frustrate the Rule's otherwise seamless paradigm for effecting such disclosure for no apparent purpose. Prospective franchisees who receive disclosure via electronic means will be receiving, pursuant to proposed Rule § 436.7(b), a special summary document and special Item 23 Receipt ensuring both that the franchisee in question intended to receive electronic disclosure, and perhaps more significantly, that the franchisor in question cannot subsequently claim that its then-prospective franchisee received disclosure through electronic means when, in fact, the franchisee did not. In short, the "prior consent" precondition is a cumbersome one that may serve no purpose.

In the same vein, and to assuage the Commission's concern that franchisee consent to electronic disclosure be clearly evidenced, FRANDATA suggests that proposed Rule § 436.7(b)(3) be revised so that the Item 23 Receipt of the summary document varies somewhat from the franchisor's usual "Item 23 Receipt", by explicitly setting forth the franchisee's acknowledgement that it had consented to electronic disclosure and received the summary document itself.

We believe that another way around the "delivery" issue (and to avoid scams) is to disallow the ability to only view the electronic version of the UFOC. If the prospective franchisee is forced to download the document, rather than just view it, then there is an act of delivery, which is verifiable electronically. Of course, a prospect could choose not to open or read the file after downloading it, but the requirement is for the prospect to receive the document, not to read it.

Furthermore, if electronic tracking of the electronic delivery process is not sufficient for the confirmation of receipt process, it would also be possible to send the notice via secure e-mail to the franchisee. Secure e-mail would include an automatic, secure confirmation of delivery of that e-mail. A return e-mail using an electronic signature could suffice as the return receipt.

Finally, while FRANDATA fully understands and agrees with the Commission's concerns regarding the need to provide prospective franchisees with advance notice of the importance of the information being disclosed, we also believe that an electronic delivery system could easily be designed to force the prospective franchisee to acknowledge viewing of the notice summary page before continuing to the document. This could be accomplished using a conspicuous pop-up window that requires acknowledgement of the page before proceeding -- a technique that may be equally or more effective than the current proposed issuance of the cover page.

5. Updating Disclosures

FRANDATA also believes that proposed Rule § 436.8 (c) is an important new provision, but questions how to effectively achieve compliance with this requirement. If a prospect receives an electronic version of a disclosure document on January 1, 2000, and is still in the "sales cycle" on January 1, 2001, would a franchisor be required to have provided this prospect with three separate quarterly updates related to material changes since the prior quarter? More importantly, this provision would seem to require franchisors to keep a "log" of the date of each Acknowledgement of Receipt, and to then forward any necessary future quarterly update to all prospects as of a certain date. If this is the case, how does a franchisor determine that a prospect who has received a version of the disclosure document is no longer a "prospect" for purposes of providing quarterly updates? Furthermore, is there a requirement for franchisors to notify such "deleted prospects" in order to avoid being changed with non-compliance of proposed Rule § 436.8 (c)?

B. Item 1: The Franchisor, Its Parent, Predecessors, and Affiliates

FRANDATA supports the Commission's proposal to improve the disclosure requirements currently found at 16 C.F.R. §§ 436.1(a)(1), (a)(3), and (a)(6). To this end, FRANDATA respectfully suggests two additional revisions to proposed Rule § 436.5(a).

1. Relevant Dates

When potential franchisees review the corporate history of a franchisor, they should be able to easily identify dates relevant to the company's background. The current guidelines do require franchisors to disclose such information in Section F in a summary format. However, we have found that numerous disclosures actually fail to clearly identify the required information, or simply do not include it as part of their UFOC, and therefore, we suggest that the guidelines be modified to require the specific language below. By requiring franchisors to use standard language in addition to the summary data, the information would be more easily identifiable, and eliminate non-disclosure issues. We suggest that Instruction (7) of the Item 1 guidelines be revised to read as follows:

(7) Disclose the prior business experience of the franchisor, its parent, predecessors, and affiliates, by completing the following sentences:

- (i) The year we began conducting a business of the type to be operated by franchisees was_____.*
- (ii) The year we began to offer the sale of franchises of the type to be operated by franchisees was_____.*
- (iii) The year our predecessor began conducting a business of the type to be operated by franchisees was_____. (If applicable, and only for the originator of the type of business to be conducted by franchisees.)*
- (iv) The year our predecessor began to offer the sale of franchises of the type to be operated by franchisees was_____. (If applicable, and only for the originator of the type of business to be conducted by franchisees.)*

In addition, disclose whether each has offered franchises in other lines of business, including:

- (i) A description of each other line of business;*
- (ii) The number of franchises sold in each other line of business; and*
- (iii) The length of time offering each other line of business.*

By including this standard language, the dates relevant to operations can be easily identified. Further details about other affiliates, predecessors, and related business can then be covered by Section F.

2. Ownership Structure

The ownership structure of the company (i.e., publicly or privately held) should also become part of the franchisors mandatory disclosure. This important information allows potential franchisees to better understand the structure of the corporation of which they may become a part. Therefore, we suggest that the guidelines be modified to require the disclosure of ownership structure as documented below:

Disclose the following in summary format:

1. *Whether the parent corporation is publicly or privately owned (if applicable).*
2. *The year the parent became publicly traded (if applicable).*
3. *The symbol the parent is traded under (if applicable).*
4. *The market the parent is traded on (if applicable).*

If the franchisor is not a wholly-owned subsidiary of another entity, then disclose the following information concerning the franchisor:

5. *Whether the franchisor is publicly or privately owned (if applicable).*
6. *The year the franchisor became publicly traded (if applicable).*
7. *The symbol the franchisor is traded under (if applicable).*
8. *The market the franchisor is traded on (if applicable).*

This information gives potential franchisees additional sources to research franchisors, and discloses an important aspect of the ownership structure of the company.

Exhibit 1 contains the following examples of instances in which franchisors either failed to properly disclose the required information, or did so in a manner which can not easily be identified:

- 1.1 No dates. The franchisor discloses no dates.
- 1.2 Unclear dates. Incorporated dates are not always true representations of when a company began conducting a business similar to the one being offered to franchisees. Offering licenses to operate plants may not equate to “years offering franchises”.
- 1.3 Unclear dates. As can happen with a company that has changed ownership numerous times, the key dates can be difficult if not impossible to discern.

C. Item 6: Recurring or Occasional Fees

FRANDATA supports the Commission’s proposal to enhance the current Rule disclosure requirements for Item 6. As the intent of Item 6 is to provide franchisees with

information concerning “other fees,” FRANDATA believes that the failure to list all recurring payments can be both misleading and confusing. Thus, we suggest that franchisors be required to list all “other fees” which are associated with the franchisee’s fulfillment of its contractual obligations under the franchise agreement in this section. Specifically, we suggest the following revisions to the proposed Rule:

1. Replace the introductory paragraph of Item 6 with:

DISCLOSE ALL RECURRING OR ISOLATED FEES OR PAYMENTS THAT THE FRANCHISEE MUST PAY IN ORDER TO COMPLY WITH THE CONTRACTUAL OBLIGATIONS OF THE FRANCHISE AGREEMENT. THESE FEES WILL INCLUDE THOSE PAID TO THE FRANCHISOR, AFFILIATES, THIRD PARTIES AND DIRECT EXPENDITURES BY THE FRANCHISEES THEMSELVES. INCLUDE THE FORMULA USED TO COMPUTE THESE OTHER FEES AND PAYMENTS. IF ANY FEE IS REFUNDABLE, STATE THE CONDITIONS WHEN EACH FEE OR PAYMENT IS REFUNDABLE.

2. Revise Instruction (1) of Item 6 to read as follows:

*(1) In column (1), disclose the type of fee. The following categories **must** be included in the tabular format. If the fee is not currently charged, you must state that no such fee is charged.*

- (i) Royalty Fee*
- (ii) National Advertising Fee (e.g., national fund or fees paid directly to the franchisor for advertising at any level)*
- (iii) Regional Coop Advertising*
- (iv) Local Coop Advertising*
- (v) Local Advertising*
- (vi) Transfer Fee*
- (vii) Renewal Fee (If renewal is for a “successor franchise”, and the franchisee must pay the then-current franchise fee before renewing, that fee must be listed as the “renewal fee.”)*

The inclusion of these categories in the disclosure requirements should make many of the issues surrounding “recurring and isolated payments” more easily identifiable. Exhibit 2 contains the following examples of how disclosure under the current Guidelines can be incomplete, confusing and misleading:

6.1. Item 6 states: “Local Advertising (Amount): 2% of gross sales suggested but not required.” Franchise Agreement states; “Franchisee shall spend a minimum of two percent (2%) of Franchisee’s monthly gross sales on local advertising each month.”

6.2 Item 6 states: "Advertising Fund (Remarks): "Contributions required when Company establishes the Advertising Fund."

Franchise Agreement states; "... Franchise Owner shall pay a non-refundable Advertising Fund Fee equal to two and one-half (2.5%) of Franchise Owner's weekly Gross Sales to Franchisor ..."

6.3 Item 6 states nothing about a renewal fee, but the franchise agreement includes a charge for renewing the franchise.

6.4 Item 6 states nothing about local advertising, but the franchise agreement requires expenditures for local advertising.

D. Item 20: Outlets and Franchisee Information

1. Double-Counting

The Commission's proposal goes a long way toward resolving the double counting problem inherent in Item 20 in an altogether sensible fashion. The elimination of double counting would allow for precise calculation of system turnover rates -- information which can be revealing about the state of franchise systems. A certain amount of confusion would remain under the Commission's proposal, however, because the first table combines two very different types of events -- i.e., those involving ownership of the franchise (changes affecting the franchisee) and those involving discontinuation of the location (changes affecting the franchised unit).

The problems posed by the proposed revision to Item 20 are most apparent when considering the situation where a franchisor, after having notified a franchisee of its unconditional intent to exercise its right to terminate (or, alternatively, to not renew) the franchise, permits the franchisee to transfer the franchise. First, we note that application of the "first-in-time" principle in these circumstances -- which would compel disclosure of the event solely as a termination (or non-renewal) -- may suggest erroneously that the franchisee was unable to recoup any of its investment.

Second, since ownership of the franchise was transferred and operation of the franchised unit -- despite the termination -- was not discontinued, there is no way to properly account for these events under Item 20 such that "[t]he sum of columns (3) and (9) . . . equal[s] the number of outlets at the beginning of the fiscal year (column 2)." Item 20 Instruc. (1)(xi). This instruction presupposes a direct, one-to-one relationship between the events affecting the franchisee and events affecting the franchised unit. However, in this instance, where a franchisee maintains operation of the franchise, the internal consistency required by the instruction cannot be achieved because the events (i.e., termination and transfer) have not affected the number of operational franchised units. For this reason, FRANDATA recommends that the above-quoted instruction be deleted.

While it is possible to obtain internal consistency that would allow for the cross-tabulation contemplated by the proposed instructions, this could only be accomplished by adding new disclosure categories and expanding the tabular presentation of such data. If the Commission is determined to achieve this objective despite the added complexity and compliance burden for franchisors, FRANDATA strongly recommends that the Commission give consideration to the proposal developed by the North American Securities Administrators Association's Franchise and Business Opportunities Project Group.

We also note that the definition of "transfer" (Item 20 Instruc. (1)(vi)), which references "one or more new owners," should be revised to include "one or more new or different owners" to account for a transfer to an existing franchisee in the system.

2. Uniformity

FRANDATA believes that several additional modifications could be made to allow for a more uniform presentation of the data.

a. Year-End Dates

Due to the fact that a franchise system's fiscal year end can be changed, it is currently possible and acceptable to not capture system changes in 12 uniform month intervals. We therefore recommend that the following language be added to Instruction (1) of Item 20:

All dates in Item 20 should be as of the calendar year end, and not fiscal year end. In addition, the most current of the three years of data presented should be from 12/31 of the year preceding the document's registration date (e.g., if the document is a 1999 registration, the data should be from calendar year end for 96, 97, and 98).

Making the calendar year end the required "as of date" for **all disclosures** would allow for comparable system changes over a uniform period of time.

b. Multiple Concepts

If multiple concepts are presented in the same UFOC (e.g., non-traditional locations or co-branded concepts), the breakdown of the number of units should be disclosed in Item 20 as separate charts. In addition, if a franchisor has multiple UFOCs for various concepts, each Item 20 chart should only represent the concept being offered. Currently, some franchisors count units from multiple concepts in each circular. This produces a misrepresentation of the system's true size. Accordingly, we suggest that Instruction (1) of Item 20 also include the following directions:

Create a separate chart for every offering contained in this circular. If different concepts are disclosed in other circulars, do not count them as units in the system described in this circular (they may be represented on other charts in this section, but as separate tables).

c. Franchisee Records

While proposed Rule § 436.5(t) discusses the number of franchisee records to be disclosed, it does not address the required file layout for these records. Over the years, different franchise systems have developed their own interpretation of the requirement to disclose the "name and address" of franchisees in their system. The result has been inconsistent disclosure of relevant contact fields, which has made it difficult for prospective franchisees to perform the level of due diligence desired by the Commission.

FRANDATA has worked with Item 20 franchisee lists for several years, reviewing the file layouts for over 1,500 systems on an annual basis. We believe that most franchise systems collect consistent contact data for their franchisees but, without a suggested field layout in the Franchise Rule, they are left to create their own "sort" of this data.

Our analysis shows that there are currently three main "types" of franchisee lists disclosed. We have provided below an example of each type, with a sample file layout. At the end of this section, we have also provided FRANDATA's suggested layout, which we believe would provide the consistency needed to improve prospective franchisees' ability to perform due diligence from the disclosure document. We also believe that requiring adherence to a proposed format like that suggested below would not impose an unnecessary burden on franchise systems, as the proposed fields are typically captured in most contact management systems.

The three "types" of lists identified by FRANDATA are:

a. Location Lists: The "location list" provides some degree of information about the location of the franchised unit.

Shortcomings of the "location list" include:

- i. Incomplete disclosure of names, addresses, and phone numbers; and
- ii. Lack of a primary contact address for each franchisee.

b. Owner List: The "owner list" provides some degree of information about one contact address for the franchisee.

Shortcomings of the "owner list" include:

- i. Incomplete disclosure of names, addresses, and phone numbers; and
- ii. No way to identify the location addresses of the franchised units.

c. Mixed List: The "mixed list" provides some degree of information about the franchisee's principal contact address as well as the location of the units owned. Shortcomings of the "mixed list" include:

- i. Incomplete disclosure of names, addresses, and phone numbers.

Examples of each of the three types of lists are provided in Exhibit 3. Please note that FRANDATA has many examples of each disclosure type listed above, and would be pleased to provide the Commission with samples from registered documents, or other supporting documentation.

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Once again, FRANDATA appreciates the opportunity to comment on the Commission's proposed changes to the Franchise Rule. Thank you for your consideration of these comments.

Sincerely,

FRANDATA Corporation

By: _____
Jeffrey E. Kolton
President

EXHIBIT 1

Example 1.1

[THE REMAINDER OF THIS PAGE IS LEFT BLANK INTENTIONALLY]

and of good faith and fair dealing and other obligations
imposed upon the parties to the contract and other obligations imposed upon the
parties to the contract to the extent that such obligations are not otherwise
in writing or otherwise established by law or otherwise established by law.

Other provisions of the contract
The Contract does not contain any other provisions that would be inconsistent with

the provisions of the contract and other obligations
imposed upon the parties to the contract and other obligations imposed upon the
parties to the contract to the extent that such obligations are not otherwise
established by law or otherwise established by law.

Execution
The Contract was executed by the parties to the contract and other obligations
imposed upon the parties to the contract and other obligations imposed upon the
parties to the contract to the extent that such obligations are not otherwise
established by law or otherwise established by law.

The Contract is subject to the terms and conditions set forth in Exhibit B

and other provisions. The Contract is subject to the terms and conditions set forth in
Exhibit B and other provisions. The Contract is subject to the terms and conditions set forth in
Exhibit B and other provisions. The Contract is subject to the terms and conditions set forth in
Exhibit B and other provisions.

J. H. EVANS, JR. AND SUCCESSORS AND ASSIGNEES

Example 1.2

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(Franchise Agreement)

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and any other party hereto (1999) of the respective states and laws, including the laws of the state of New York.

Franchise Agreement shall be deemed to be made in New York (1999) of the respective states and laws.

and (2) the laws of the state of New York shall be deemed to be made in New York (1999) of the respective states and laws.

ARTICLE 2: ASSIGNMENT

Notwithstanding to whom the Franchise Agreement is assigned, the assignee shall be deemed to be the Franchise Agreement assignee for all purposes of this Agreement. The Franchise Agreement shall be deemed to be made in New York (1999) of the respective states and laws.

Notwithstanding to whom the Franchise Agreement is assigned, the assignee shall be deemed to be the Franchise Agreement assignee for all purposes of this Agreement.

ARTICLE 3: GOVERNMENT REGULATION

Notwithstanding to whom the Franchise Agreement is assigned, the assignee shall be deemed to be the Franchise Agreement assignee for all purposes of this Agreement.

ARTICLE 4: MISCELLANEOUS PROVISIONS

Notwithstanding to whom the Franchise Agreement is assigned, the assignee shall be deemed to be the Franchise Agreement assignee for all purposes of this Agreement.

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Example 6.3
 (UFOC Exhibit)

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Name of Fee	Amount	Due When	Comments
Application fee	\$100.00	When the application is filed	This fee is non-refundable and is used to cover the cost of processing the application.
Annual fee	\$50.00	Each year on the anniversary of the date of filing	This fee is used to cover the cost of maintaining the application in the file.
Refund fee	\$100.00	When the application is withdrawn or abandoned	This fee is used to cover the cost of processing the application and is non-refundable.
Examination fee	\$200.00	When the application is examined	This fee is used to cover the cost of examining the application and is non-refundable.

**OTHER FEES
 ITEM 6**

EXHIBIT 3

Example A: Location List

ST	City	Restaurant Location	Zip	Rest. No	Telephone	Franchise Group
PA	Mont Alto	123 Main	1111	203	717-111-1111	Jones/Smith
PA	Quincy	24 Locust	12345	504	717-222-2222	Jones/Smith

Example B: Owner List

Craig Pentz	Justin Lee
CP Shines, Inc.	Lee Automotive, Inc.
1381 Acacia Drive	24 Lee Highway
Washington, D.C. 20036	Arlington VA, 22222
Craig Pentz	Justin Lee
CP Shines, Inc.	Lee Automotive, Inc.
1381 Acacia Drive	24 Lee Highway
Washington, D.C. 20036	Arlington VA, 22222
Craig Pentz	Justin Lee
CP Shines, Inc.	Lee Automotive, Inc.
1381 Acacia Drive	24 Lee Highway
Washington, D.C. 20036	Arlington VA, 22222

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Example C: Mixed List

ABC, Inc.	Primary Contact: Jones, Dan
Franchisee	Huntville, MD
Address:	
2222	Baltimore, MD
3221	Baltimore, MD

By adopting uniform disclosure methods for all franchisee lists, the FTC could eliminate confusion on the part of the franchisors by providing the specific fields that franchisors must disclose, and the format for making these disclosures. Additionally, a uniform disclosure method with a set of standard variables would aid potential franchisees in two ways:

1. By requiring franchisors to disclose uniform contact information, the process of contacting existing franchisees becomes easier and less time consuming for potential franchisees, and;
2. Potential franchisees have greater insight into the existing franchisee's history with the franchisor (i.e., how many units the franchisee owns, how many years they have been a franchisee).

The following is a list of the fields that should be included to create a uniform disclosure method for existing franchisees:

Franchisees Name(s)
Franchisees Incorporated Name
Primary Contact Address
Primary Contact Phone
E-Mail Address
Location Address(s)
Location Phone Number (s)
Length Of Time Each Unit Has Been Open

Based on the fields listed above, the following are examples of disclosures for a multi-unit and a single-unit operator:

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Example A:Multi-Unit Operator

Primary Contact Information:

John & Nancy Smith

Smith & Smith, Inc.

123 Main Street St.

Anytown, PA 17777

(P) 717-555-5555

smith.smith@aol.com

Locations (2):

23 State Street, Harrisburg, PA 17233 - (P) 717-555-1111 (2 years)

10 Industrial Way, Mechanicsburg, PA 17114 - (P) 717-555-2222 (5 years)

Example B:Single-Unit Operator

Primary Contact Information:

Rob Jones

1 E. Green St.

Hagerstown, MD 18888

(P) 301-555-5555

rob.jones@erols.com

Locations (1):

1 E. Green St., Hagerstown, MD 18888 - (P) 301-555-5555 (1 year)