

Franchise Due Diligence Checklist

Twenty verify-and-do tasks across five phases, in the order that keeps you from rushing the last one. A checked box means done, not asked.

01 Get the documents in order

BEFORE ANYTHING ELSE

- ☐ Obtain the complete FDD, all 23 Items plus every exhibit. Item 22
- ☐ Record the date you received the FDD, and keep your signed receipt. Item 23
- ☐ Get the most recent FDD, and last year's if you can, to compare. Items 19-20
- ☐ Request any state-specific addenda that apply to you.

02 Verify the franchisor

INDEPENDENTLY, NOT JUST ITS OWN DESCRIPTION

- ☐ Search public litigation records for the franchisor and its key people. Item 3
- ☐ Run an independent background or entity search on the franchisor. Items 1-2
- ☐ Have an accountant review the audited financial statements. Item 21
- ☐ Confirm trademark registration status for the marks you would license. Item 13

03 Model the money

TURN THE TABLES INTO A PLAN YOU CAN RUN

- ☐ Build a full cost-to-open model from the Item 7 table, including working capital. Item 7
- ☐ Total every recurring and situational fee against projected revenue. Items 5-6
- ☐ Confirm your capital covers the Item 7 high end plus living expenses to break-even. Item 7
- ☐ If there is an Item 19, rebuild it from the footnotes with your accountant. Item 19

04 Validate with people

OWNERS, CURRENT AND FORMER

- ☐ Contact current franchisees from the Item 20 list. Item 20
- ☐ Contact former franchisees, not just the references the franchisor offers. Item 20
- ☐ Send the franchisor your questions in writing and keep the answers.
- ☐ Attend Discovery Day, and take your own notes.

05 Get it reviewed, then sign deliberately

THE STEP PEOPLE RUSH

- ☐ Have a franchise attorney review the Franchise Agreement and every contract. Item 22
- ☐ Compare the contract terms against what the Items led you to expect. Items 6, 12, 17
- ☐ Confirm renewal, termination, transfer, and any non-compete terms with your attorney. Item 17
- ☐ Confirm the full waiting period has passed before you sign or pay. Item 23

§ Notes