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Franchising in Canada: Information Sources

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Franchising in Canada: Information Sources

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Distribution Services Directorate
Distribution and Construction Industries Branch
Industry Canada
March 1994

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© Minister of Supply and Services Canada 1994
Cat. No. C2-127/1994E
ISBN 0-662-21458-7
CG PU 0026-93-01

Aussi disponible en français sous le titre
Le franchisage au Canada : sources d'information.

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INTRODUCTION

Franchising is a system used by businesses to distribute or market their products or services. Within this system, one company (the franchisor) grants another company or individual (the franchisee) the right to sell its products or services in a specified location or area using the franchisor's trademark or product name, business systems and expertise.

Franchising plays an important role in the Canadian economy and continues to grow in importance. It is most widespread in retail trade where it now accounts for about 30 percent of sales. Franchised businesses are also assuming a greater role in the delivery of accommodation, restaurant, personal, household and business services.

Franchising offers many advantages, but it is not a guarantee for success and not everyone is suited for franchising. Proper research and planning are essential to the success of any business, and before investing, you must first take steps to educate yourself about this method of doing business.

This publication is designed to help in the education process and provides a network of information sources on franchising including associations, professional and government services, trade shows and conferences, and publications. It is intended for firms interested in expanding their business through franchising, as well as for individuals who want to buy a franchise.

This publication was prepared with information from many sources. Every effort has been made to ensure the accuracy of the information contained herein as of March 1994. Because changes may be made at any time without notice, Industry Canada is not responsible for any errors. Suggestions for future editions of this publication would be most appreciated.

For additional copies in English or French, or should you require further assistance or wish to make comments, please contact:

Distribution Services Directorate
Distribution and Construction Industries Branch
Industry Canada
235 Queen Street
OTTAWA, Ont.
K1A 0H5
Tel.: (613) 954-2987
Fax: (613) 952-9054

I. ASSOCIATIONS

Associations are an important resource for anyone interested in franchising. For example, they provide new and prospective franchisors with networking opportunities with established franchisors and franchise professionals. Prospective franchisees can also obtain information on evaluating a franchise offering, association membership and franchises that have a record of complaints.

Buying from a franchisor that has membership in a franchise association does not guarantee success, but it may increase your chances of selecting an ethical franchise. Franchise associations have Codes of Ethics that members must follow in their dealings with franchisees or have their memberships cancelled.

Franchise Associations

Canadian Franchise Association

The Canadian Franchise Association (CFA) is a national body of franchisors and related businesses committed to the growth, enhancement and development of ethical franchising. The CFA restricts membership to only those who meet the standards and practices of the association and members must abide by a Code of Ethics. The association has also recently developed a disclosure policy outlining the type of information members should provide to enable prospective investors to make an informed business decision. Currently, compliance with the disclosure policy is not mandatory as a condition of membership.

A copy of the "Voluntary Disclosure Document" and the "Canadian Franchise Association Code of Ethics" are contained in Appendixes I and II.

Contact:

Canadian Franchise Association
Building 12
Suite 201, 5045 Orbitor Drive
MISSISSAUGA, Ont.
L4W 4Y4

Tel.: (905) 625-2896

1-800-665-4232

Fax: (905) 625-9076

The following outlines some of the services of the CFA:

Automated Information Service

By calling 1-800-665-4232, callers can access a broad menu of recorded information about franchising including information on:

- investigating the purchase of a franchise
- CFA's office address and business hours
- franchising your business
- membership in the CFA
- registering a complaint about a franchise system
- determining if a company is a member of the CFA
- seminars and special events.

Publications

CFA Information Kit

The CFA Information Kit offers a step-by-step set of procedures for a prospective franchisee to follow in evaluating a franchise. Along with newspaper articles, the kit contains the following information:

- ***Affiliate Member List***
This list identifies law firms, banks, consultants and other service suppliers that offer advice and services in franchising.
- ***Canadian Franchise Association Code of Ethics***
This sheet identifies the acceptable and responsible conduct of CFA members (see Appendix II on page 33).
- ***CFA National Membership Directory and Franchise Guide***
This directory contains the names, addresses and company information of franchisors that are members of the CFA, and affiliate members who provide products or services to franchisors in Canada.
- ***Franchise Information Check List***
This one-page checklist provides the individual with a tool for evaluating a franchise.
- ***Guidelines for Retaining a Franchise Consultant***
This guideline advises readers on selecting a franchise consultant.

- ***Investigate before Investing: Guidance for Prospective Franchisees***
This booklet is aimed at individuals interested in purchasing a franchise. It contains the CFA's Code of Ethics and Ethical Advertising Code, a description of franchising and methods for evaluating a franchised business.

The Franchise Voice

This newsletter, published every two months, features up-to-date information on franchising, profiles of CFA members and a calendar of current Canadian and international franchising events. It also periodically features *Issues*, which provides information on professional topics such as legal, accounting, banking and tax matters related to franchising.

Franchising in the Canadian Economy — 1990-1992

This publication contains the results of a statistical survey of franchisors conducted by Price Waterhouse in conjunction with the CFA.

Other Publications

Other publications that are available include material from recent seminars, conferences and legal symposiums.

Resource Library

The resource library offers a variety of books on franchising and other related topics. Space has also been set aside for CFA members to display information about their franchises.

Seminars/Conferences

The CFA promotes the sharing of knowledge through meetings, seminars, workshops, symposiums, trade shows and other networking opportunities. Each fall, the CFA holds a conference on the latest trends and developments in franchising. The conference also includes a one-day legal symposium featuring the latest developments in the legal framework of franchising.

Buddy System

New members are paired with an established member to help acquaint them with the association and to provide a business resource.

Regional Associations

Alberta Franchisors Institute

The purpose of the Alberta Franchisors Institute is to encourage, develop and publicize franchising in Alberta through seminars, meetings and symposiums. The institute was formed by Alberta franchisors and support affiliates, and has a Code of Ethics to which members must subscribe.

Contact:

Alberta Franchisors Institute
Suite 440, 10816 Macleod Trail South
P.O. Box 121
CALGARY, Alta.
T2J 5N8
Tel.: (403) 278-1919
Fax: (403) 278-4655

Association québécoise de la franchise

The Association québécoise de la franchise (AQF) serves to promote franchising in Quebec and has outlined its own Code of Ethics to which members must subscribe. It publishes a journal titled *EN TOUTE FRANCHISE* and other publications and books on franchising are available through their office. The AQF also organizes seminars and other events, and pairs new franchisors with experienced franchisors so they can benefit from their experience.

Contact:

Association québécoise de la franchise
Suite 450
2550 Daniel-Johnson Boulevard
LAVAL, Que.
H7T 2L1
Tel.: (514) 973-8459
Fax: (514) 973-9015

Pacific Franchise Association

The Pacific Franchise Association promotes the development of franchising. Its activities include seminars and education, special events, breakfast meetings, a newsletter titled *PFA Advisor* and government liaison.

Contact:

Pacific Franchise Association
Suite 523
409 Granville Street
VANCOUVER, B.C.
V6C 1T2
Tel.: (604) 669-3177
Fax: (604) 669-5343

Industry-Specific Associations

Franchisors or franchisees interested in learning more about the business sector in which they operate may wish to contact the trade association for their sector. Trade associations can be identified by consulting the Yellow Pages of phonebooks or by contacting a local library, which likely has a directory of associations. The *Directory of Associations in Canada*, published annually, is a useful reference guide, and is available from:

Micromedia Limited
20 Victoria Street
TORONTO, Ont.
M5C 2N8
Tel.: (416) 362-5211
1-800-387-2689
Fax: (416) 362-6161

Since franchising is widespread in the automotive, food/grocery, restaurant and retail industries, the major associations for these industries are identified below:

Automotive Industries Association
of Canada
1272 Wellington Street
OTTAWA, Ont.
K1Y 3A7
Tel.: (613) 728-5821
Fax: (613) 728-6021

Canadian Council of Grocery Distributors
Suite 1100, 300 Léo-Pariseau Street
P.O. Box 1082
Place du Parc
MONTREAL, Que.
H2W 2P4
Tel.: (514) 982-0267
Fax: (514) 849-3021

Canadian Federation of Independent
Grocers
Suite 902, 2235 Sheppard Avenue East
WILLOWDALE, Ont.
M2J 5B5
Tel.: (416) 492-2311
Fax: (416) 492-2347

Canadian Restaurant and Foodservices
Association
316 Bloor Street West
TORONTO, Ont.
M5S 1W5
Tel.: (416) 923-8416
Fax: (416) 923-1450

Retail Council of Canada
Suite 600, 210 Dundas Street West
TORONTO, Ont.
M5G 2E8
Tel.: (416) 598-4684
Fax: (416) 598-3707

International Association

International Franchise Association

The International Franchise Association (IFA) distributes a variety of publications for franchisors and those interested in franchising a business. The association also holds seminars and an annual conference.

Contact:
International Franchise Association
Suite 900, 1350 New York Avenue N.W.
WASHINGTON, D.C.
U.S.A. 20005-4709
Tel.: (202) 628-8000
Fax: (202) 628-0812

II. LEGISLATION AFFECTING FRANCHISING

Federal

In Canada, there is no federal legislation directed specifically at franchising.

However, other legislation exists that may affect the structuring and operation of a franchised business. Examples include the *Income Tax Act*, the *Competition Act*, the *Investment Canada Act*, the *Food and Drugs Act*, the *Trade Marks Act* and the *Consumer Packaging and Labelling Act*.

Contact:

- **Bureau of Competition Policy:** call (819) 994-0798 for complaint referrals and publications information, or the Marketing Practices Branch at (819) 997-3333 to determine if a company has a history of proceedings against it for misleading advertising under the advertising provisions of the *Competition Act*.
- **Canadian Intellectual Property Office:** for information on registering patents, trademarks, copyrights and industrial designs, call (819) 997-1936.
- **Corporations Directorate:** for information on federal incorporation of a company, call (819) 997-1142.
- **Office of the Superintendent of Bankruptcy:** call (819) 997-1280 for information on bankruptcies such as whether a company has previously been involved in bankruptcy proceedings.

Or contact:

Industry Canada
Place du Portage, Phase 1
50 Victoria Street
HULL, Que.

Mailing Address:

Industry Canada
OTTAWA, Ont.
K1A 0C9

Provincial

Alberta is the only province to have enacted legislation directly regulating the sale of franchises. Under the *Franchises Act*, companies marketing franchises in Alberta must register with the Alberta Securities Commission and file a prospectus containing full, plain and true disclosure of all material facts relating to the franchise being offered.

In Alberta, a prospective franchisee is entitled to a copy of this prospectus to assist them in making an informed investment decision. Individuals in other provinces who are considering the purchase of a franchise that also has operations in Alberta, should request a copy of the prospectus from the franchisor or the Alberta Securities Commission.

For information on Alberta's *Franchises Act* and the filing requirements and procedures of the Alberta Securities Commission:

Contact:

Alberta Securities Commission
Franchise Section
21st Floor
10025 Jasper Avenue
EDMONTON, Alta.
T5J 3Z5
Tel.: (403) 427-5201
Fax: (403) 422-0777

The *Act Respecting Market Intermediaries* affects franchising in insurance matters in Quebec. Chapter XIII of the By-law of the Damage Insurance Council (Conseil des assurances de dommages) spells out the terms and conditions for the franchising of insurance brokers in Quebec.

Examples of other provincial laws that may impact on a franchised business include provincial corporation and tax statutes, employment standards legislation, workers' compensation legislation, consumer protection legislation, provincial human rights codes, personal property security legislation, provincial securities acts and, in the province of Quebec, the Charter of the French Language and the new Civil code of the province of Quebec.

U.S.-Based Franchises

In the United States, franchisors are required by the Federal Trade Commission in Washington, D.C., to provide prospective franchisees with a disclosure document to aid them in making an informed investment decision. There are many U.S.-based franchisors with operations in Canada, and obtaining from them a copy of their U.S. disclosure document can assist prospective Canadian franchisees in evaluating their system.

III. FRANCHISE EXPERTS

Franchise agreements and systems are constantly changing and it is important to seek the advice of professionals who are knowledgeable about franchising and who keep up with the latest developments. Firms that provide financial, legal, consulting and other services to franchisors and franchisees are identified in the *CFA National Membership Directory and Franchise Guide* and *Affiliate Member List*.

Financial Services

Major Banks

The major Canadian chartered banks are active in providing financial services to franchisors and franchisees. In addition, they usually have franchise specialists in their head office and/or regional offices to support the franchise-lending activities of their branches.

Most banks distribute publications that provide advice on buying a franchise. These publications and information kits describing their financial services can be obtained from local bank branches or commercial lending centres. Please see pages 16-18 for a description of the franchise publications available from banks.

The major banks also assist established franchisors in developing comprehensive financing packages for franchisees. Thus, as franchisees are selected, a prearranged financing program can be made available to them.

Information on business improvement loans provided for under the terms and conditions of the *Small Businesses Loans Act*, and available from chartered banks and other financial organizations, is provided on page 22.

Venture Capital

Venture Capital in Canada: A Guide and Sources

This guide, published in 1992, provides readers with a better understanding of venture capital and how it can help them. It includes an examination of venture capital past and present, tips for raising venture capital, and a list of sources.

Contact:

Association of Canadian Venture Capital
Companies
Suite 1000
120 Eglinton Avenue East
TORONTO, Ont.
M4P 1E2
Tel.: (416) 487-0519
Fax: (416) 322-6371

Legal Services

Franchising is based on a contractual agreement, and the laws affecting such agreements are constantly changing. Therefore, it is essential that franchisors and franchisees obtain the advice of a lawyer with expertise in franchise agreements. A lawyer experienced in franchise law can help spot potential problems and avoid them.

If you are based in a community where there are no legal firms with expertise in franchise agreements, identify firms in your region with this expertise and establish contact. Or, if you already have an established relationship with a local legal firm, they can seek the advice of a lawyer who specializes in franchise-related matters on your behalf.

Lawyers prepare the franchise agreement and other legal documentation for the franchisor. A prospective franchisee should review the agreement with their own lawyer to ensure they understand it and wish to proceed with the purchase. Some major legal firms also may make available, to established firms, selected legal articles, newsletters and papers related to franchising.

Consulting Services

An accountant is a vital part of any franchise. Accountants can assist prospective franchisors and franchisees in preparing financial statements, analysing business plans and forecasts, tax planning, finance sourcing, and establishing systems and procedures.

There are also consultants that specialize in franchising ranging from individuals in large management consulting firms to those in smaller more specialized firms.

A franchise consultant can assist a prospective franchisor in establishing their franchise including the systems and procedures, royalty and fee structure, operating manuals, market studies, selecting franchisees, training, site selection, etc. They can also help prospective franchisees evaluate a franchise offering.

With the growth of franchising, many firms have entered the field of franchise consulting. Franchisors and franchisees are advised to conduct a careful review of each firm's experience before making any commitments. *How to Retain a Franchise Consultant*, available from the CFA, is a useful reference.

IV. EXHIBITIONS, TRADE SHOWS, CONFERENCES AND SEMINARS

Exhibitions and Trade Shows

There are a number of exhibitions and trade shows in Canada that feature franchises. Information on upcoming shows is found in the newsletters of franchise associations as well as in trade magazines and business newspapers (see "Publications" on pages 13-15).

These events provide a forum for franchisors to meet with individuals who want to buy a franchised business. They also enable prospective franchisees to meet many different franchisors and to compare what each has to offer. Frequently, these events include seminars and panel discussions on topics such as evaluating, purchasing, financing and operating a franchise.

Individuals considering the purchase of a franchise should always conduct a thorough investigation of the business and the franchisor, and consult with a franchise lawyer and accountant before making any commitments.

Blenheim Group Franchise & Business Opportunity Expos

The Blenheim Group is a major producer of franchise and business opportunity expos in Europe and North America. They have recently announced a series of Canadian trade shows to take place as follows:

- Vancouver, British Columbia – at the Vancouver Trade and Convention Centre and sponsored by the Pacific Franchise Association (June)
- Calgary, Alberta – at the Calgary Convention Centre and sponsored by the Pacific Franchise Association (June)
- Toronto, Ontario – at the Metro Convention Centre and sponsored by the Canadian Franchise Association (October).

Contact the appropriate franchise association, or:

Blenheim Expositions Inc.
Suite 210
1133 Louisiana Avenue
P.O. Box 107
WINTER PARK, Florida
U.S.A. 32789
Tel.: (407) 647-8521
Fax: (407) 628-2042

or

Spectrum Blenheim Shows
7578 Calle Real
SANTA BARBARA, California
U.S.A. 93117
Tel.: (805) 685-1212
Fax: (805) 685-1171

The Business Opportunities and Franchise Show

Plans are in the making for this trade show. It will be held on the West Coast of Canada in the spring or fall.

Contact:

Evergreen Exhibitions Ltd.
Unit D, 830 Pembroke Street
VICTORIA, B.C.
V8T 1H9
Tel.: (604) 386-7469
Fax: (604) 386-1431

The Canadian Business Opportunities Expos

Held throughout the year, these expos take place across Canada (e.g. Toronto, Sault Ste. Marie, London, Kitchener, Ottawa and Winnipeg) and joins buyers and sellers of both franchises and dealerships.

The Canadian National Franchising Expo

This trade show is co-sponsored by *Opportunities Canada* magazine, and attracts franchisors and would-be entrepreneurs from across Canada. It is usually held in February at the Queen Elizabeth Building of Exhibition Place in Toronto.

These above two shows are sponsored and organized by:

The Prestige Group
P.O. Box 135
ETOBICOKE, Ont.
M9C 4V2
Tel.: (416) 277-5600
Fax: (416) 277-3397

Edmonton Business Expo

This three-day event is sponsored by the Edmonton Chamber of Commerce and includes franchises among its exhibitors. It takes place in October.

Contact:

The CanaGlobe Group Inc.
15016 - 77th Avenue
EDMONTON, Alta.
T5R 3B3
Tel.: (403) 487-8102
Fax: (403) 487-2417

Entrepreneur and Franchise Expo

This one-day expo is held during Small Business Week in October in Halifax. The show attracts potential entrepreneurs who are actively seeking business opportunities, existing entrepreneurs who are looking to expand, diversify or contact new suppliers, and individuals interested in learning more about franchising. Exhibitors include franchisors and entrepreneurs, as well as government departments and agencies serving the small business sector.

Contact:

Federal Business Development Bank
P.O. Box 1656
HALIFAX, N.S.
B3J 2Z7
Tel.: (902) 426-7850
Fax: (902) 426-6783

The International Franchising and Business Network Show

Held in Montreal, this three-day show includes exhibitors such as franchisors, entrepreneurs, government departments and agencies serving the small business sector, as well as representatives from the supporting services. It occurs annually, usually in October.

Contact:

Groupe Promexpo Inc.
10th Floor
801 Sherbrooke Street East
MONTREAL, Que.
H2L 1K7
Tel.: (514) 527-9221
Fax: (514) 527-8449

Conferences and Seminars

The CFA and the various regional franchise associations hold conferences and seminars on various aspects of franchising on a regular basis.

The Franchising Conference

This conference was held in the spring in Toronto for many years, and plans are under way to revive it. It is aimed at existing franchisors, companies considering franchising as an alternative for growth, business and legal advisers, bankers and investors.

Contact:

Carswell Conferences
Thomson Professional Publishing
One Corporate Plaza
2075 Kennedy Road
SCARBOROUGH, Ont.
M1T 3V4
Tel.: (416) 298-5073
Fax: (416) 298-5063

National Institute on Franchising

The mission of the National Institute on Franchising is to provide training and information on franchising in Quebec. Its activities include three one-day seminars on purchasing a franchise, developing a franchised business, and promoting a franchise network. These seminars are conducted in collaboration with the Quebec Department of Industry, Commerce and Technology. The institute also organizes conferences designed to encourage closer contact between franchisors and educational and training institutes.

Contact:

National Institute on Franchising
Suite 500, 407 Saint-Laurent Boulevard
MONTREAL, Que.
H2Y 2Y5
Tel.: (514) 874-3708
Fax: (514) 866-4020

V. PUBLICATIONS

In addition to business newspapers, there are newsletters, trade magazines, directories, bank publications, books and reports that cover franchising. These sources provide valuable information for franchisors and franchisees.

Newsletters and Trade Magazines

Canadian Business

Canadian Business is a monthly national magazine written, edited and designed specifically for managers. In every issue, the "Marketplace" section features classified franchise listings.

Profit

Like the *Canadian Business* magazine, this quarterly magazine for Canadian entrepreneurs includes classified franchise ads in its "Franchise Marketplace" section.

For more information on the above two magazines, contact:

CB Media Limited
5th Floor
777 Bay Street
TORONTO, Ont.
M5W 1A7
Tel.: (416) 596-5100
Fax: (416) 596-5152

Canadian Hotel and Restaurant (CH&R)

Each year, the October issue of this magazine contains the "Hospitality Market Report," a comprehensive analysis of Canada's foodservice and lodging industries. Information on franchise trends is also usually included in this report.

Foodservice and Hospitality

This monthly magazine is of interest to restaurant and hotel operators, including those managing franchises. Each year, the February issue contains "The Franchise Report," which provides a listing of the top restaurant franchises as well as related information on franchise trends and legislation.

For more information on the above two magazines, contact:

Kostuch Publications Limited
Suite 400
980 Yonge Street
TORONTO, Ont.
M4W 2J8
Tel.: (416) 923-8888
Fax: (416) 923-6114

The Info Franchise Newsletter

This monthly publication reports on developments taking place in franchising in Canada, the United States and abroad. It covers a variety of subjects related to franchising, including trends, regulatory and legal issues, book reviews, forthcoming seminars, conferences and trade shows, and new franchise listings.

Contact:

Info Franchise News Inc.
9 Duke Street
P.O. Box 670
ST. CATHARINES, Ont.
L2R 6W8
Tel.: (905) 688-2665
Fax: (905) 688-7728

Monday Report on Retailers

This weekly newsletter reports on the expansion activities of retail chains in Canada, including retail stores, restaurants and service businesses. Companies involved in franchising are identified together with the name of the person to contact for franchise enquiries.

Contact:

Maclean Hunter Limited
5th Floor, 777 Bay Street
TORONTO, Ont.
M5W 1A7
Tel.: (416) 596-5939
Fax: (416) 593-3166

Business Newspapers

Major business newspapers regularly provide information on franchises available for sale and forthcoming franchise

seminars and trade shows. Special annual reports on franchising are usually published in the spring. Such reports cover trends in franchising, regulatory and legal issues, and the activities of leading firms. Local and regional newspapers have also increased their coverage of franchising.

Les Affaires

(Available in French only.)

This weekly paper publishes classified franchise offerings in its "Franchises" section. Once a year, it issues a special report, "Les Franchises," on franchising in Quebec.

Contact:

Transcontinental Publications Inc.
24th Floor
1100 René-Lévesque Boulevard West
MONTREAL, Que.
H3B 4X9
Tel.: (514) 392-9000
Fax: (514) 392-4723

The Financial Post

The Financial Post publishes classified franchise offerings in its "Franchise Marketplace: Business & Investment Ventures" section. A special "Focus on Franchising" report appears annually (usually in March).

Contact:

The Financial Post
333 King Street East
TORONTO, Ont.
M5A 4N2
Tel.: (416) 350-6000
1-800-387-9011
Fax: (416) 350-6601

Financial Times

The *Financial Times* publishes classified franchise offerings in its "Business Opportunities" and "Businesses for Sale" sections. A special report on franchising appears annually in March.

Contact:

Financial Times of Canada
440 Front Street West
TORONTO, Ont.
M5V 3E6
Tel.: (416) 585-5555
Fax: (416) 585-5275

The Globe and Mail

Every Tuesday, in its "Report on Business" section, *The Globe and Mail* publishes classified franchise offerings.

Contact:

The Globe and Mail
444 Front Street West
TORONTO, Ont.
M5V 2S9
Tel.: (416) 585-5000
1-800-661-6610
Fax: (416) 585-5085

La Presse

(Available in French only.)

Every Wednesday and Saturday, in its "Économie" section, *La Presse* publishes classified offerings under "\$Propositions d'affaires" to help interested businesses find franchising opportunities.

Contact:

La Presse
Classified Advertising
4th Floor, 7 Saint-Jacques Street
MONTREAL, Que.
H2Y 1K9
Tel.: (514) 285-7000
Fax: (514) 848-6287

Directories

Directory of Restaurant and Fast Food Chains in Canada

This annual directory contains the names and addresses of restaurant and hotel chains in Canada as well as information on their management teams, number of outlets, expansion plans and whether the outlets are franchised or company-owned.

Directory of Retail Chains in Canada

This annual directory contains the names and addresses of retail chains in Canada, including both retail stores and other types of service businesses (e.g. dry cleaners). Information is also provided on their management teams, number of outlets, expansion plans, and whether the outlets are franchised or company-owned.

For more information on the above two directories, contact:

Maclean Hunter Limited
5th Floor
777 Bay Street
TORONTO, Ont.
M5W 1A7
Tel.: (416) 596-5913
Fax: (416) 593-3166

Franchise Annual Handbook and Directory

This annual publication provides names, addresses and descriptions of franchises in Canada, the United States and abroad. Businesses providing consulting, legal, financial and other services to the franchise community are identified. In addition, the "Handbook" section contains detailed questions to help the prospective franchisee investigate the franchisor, the product or service, the territory and the contract.

Contact:

Info Franchise News Inc.
9 Duke Street
P.O. Box 670
ST. CATHARINES, Ont.
L2R 6W8
Tel.: (905) 688-2665
Fax: (905) 688-7728

Le guide des franchises du Québec (Available in French only.)

This directory contains the names and addresses of franchises in Quebec and suggestions for evaluating one.

Contact:

National Institute on Franchising
Suite 500
407 Saint-Laurent Boulevard
MONTREAL, Que.
H2Y 2Y5
Tel.: (514) 874-3708
Fax: (514) 866-4020

Opportunities Canada: Franchise and Dealership Guide

This publication is a twice-yearly directory and magazine which lists over 1 500 franchises and dealerships available to the Canadian market. It also contains a franchise support section identifying franchise consultants, legal counsel, financial services and government agencies, among others.

Contact:

The Prestige Group
P.O. Box 135
ETOBICOKE, Ont.
M9C 4V2
Tel.: (416) 277-5600
Fax: (416) 277-3397

Bank Publications

The following publications, along with the CFA Information Kit (see page 2) and those listed in the section "Government Assistance" (see page 21), provide information and advice for individuals interested in the franchise industry.

Bank publications on franchising can be obtained from your nearest commercial banking centre or from the addresses indicated under this category.

Buying a Franchise

This booklet provides an overview of franchising, how franchising and franchise agreements work, suggestions for evaluating a franchise including a checklist, and information on financing the start-up phase of the business.

Contact:

Royal Bank of Canada
4th Floor
20 King Street West
TORONTO, Ont.
M5H 1C4
Tel.: (416) 974-8312
1-800-268-3726
Fax: (416) 974-8320

***CIBC Guide to Franchising
and its Financing***

This booklet outlines some of the advantages and pitfalls of operating a franchise, and suggests questions that a prospective franchisee should ask before making any commitments. The financial services offered by the Canadian Imperial Bank of Commerce to franchisees are also described.

Contact:

Canadian Imperial Bank of Commerce
General Manager, National Franchising
Commerce Court Postal Station
TORONTO, Ont.
M5L 1A2
Tel.: (416) 784-6825
Fax: (416) 785-0236

The Franchise Commitment

The Franchise Commitment is a booklet which outlines methods for the evaluation of the franchisor, the franchise agreement, and the choice of product or service.

Contact:

Bank of Nova Scotia
Suite 602
100 Yonge Street
TORONTO, Ont.
M5H 1H1
Tel.: (416) 866-4377
Fax: (416) 866-4839

Franchise Services

This franchise information kit includes eight pamphlets:

- *Introduction to Franchising*
- *Leaders in Franchise Finance*
- *Franchisees 10 Key Questions*
- *Franchisors 10 Key Questions*
- *Franchising from Small Beginnings through to 1979*
- *Franchising: The 1980s through to the 21st Century*
- *How to Select a Franchise*
- *The Canadian Banks and Franchise Financing*

Franchisees should consult their local Bank of Montreal Commercial Banking Office.

Contact:

Bank of Montreal
15th Floor
55 Bloor Street West
TORONTO, Ont.
M4W 3N5
Tel.: (416) 927-5286
Fax: (416) 927-3006

Planning our Franchise

This pamphlet outlines the services the National Bank of Canada offers clients to help start-up a franchise.

Contact:

National Bank of Canada
9th Floor
600 de la Gauchetière Street West
MONTREAL, Que.
H3B 4L2
Tel.: (514) 394-8121
Fax: (514) 394-8012

Buying a Franchise

The following publications are primarily designed for prospective franchisees.

The Complete Guide to Franchising in Canada

Published in 1992, *The Complete Guide to Franchising in Canada* examines the franchising world from both the franchisor's and the franchisee's points of view. The book addresses how franchising works, elements of good franchising, managing growth, key legal and tax considerations, and the franchisor/franchisee relationship.

Contact:

Macmillan Canada
29 Birch Avenue
TORONTO, Ont.
M4V 1E2
Tel.: (416) 963-8830
Fax: (416) 923-4821

Franchising in Canada — Pros and Cons

This book, published in 1982, is directed at people interested in buying a franchise or in learning more about franchising. It contains checklists and worksheets as well as practical advice for finding the right type of franchise. Terms of royalties, franchise sites, unethical pyramid schemes, etc., are explained. A sample franchise contract is also provided.

Contact:

International Self-Counsel Press Ltd.
1481 Charlotte Road
NORTH VANCOUVER, B.C.
V7J 1H1
Tel.: (604) 986-3366
1-800-663-3007
Fax: (604) 986-3947

or

International Self-Counsel Press Ltd.
Number 8, 2283 Argentia Road
MISSISSAUGA, Ont.
L5N 5Z2
Tel.: (905) 821-7353
1-800-387-3362
Fax: (905) 821-7357

Low-Risk Franchising: The Canadian Guide to Buying and Running a Successful Franchise Business

This book, published in 1991, was written to provide assistance to anyone interested in purchasing a franchised business. In addition to information on buying and starting a franchise, the book addresses such specifics as the franchise agreement, the lease agreement, financing concepts and proposals, accounting, income tax and

legal considerations, and also includes sample questionnaires.

Contact:

McGraw-Hill Ryerson Limited
300 Water Street
WHITBY, Ont.
L1N 9B6
Tel.: (905) 428-2222
Fax: (905) 430-5020

Les pièges du franchisage : comment les éviter

(Available in French only.)

This book, published in 1989, is full of useful information for the prospective franchisee. It discusses pitfalls and potential problems that franchisees must be aware of even before any contracts are signed.

Contact:

Transcontinental Publications Inc.
24th Floor
1100 René-Lévesque Boulevard West
MONTREAL, Que.
H3B 4X9
Tel.: (514) 392-9000
Fax: (514) 392-4723

Developing a Franchise

The following publications are primarily for existing and prospective franchisors.

Canadian Franchise Guide

The *Canadian Franchise Guide* consists of three loose-leaf binders. A yearly subscription provides for 10 updated inserts to the guide. Designed for franchisors and professional advisers,

it provides information on legal and tax considerations, current and future trends, marketing and financial strategies, and a comprehensive section that includes forms, documents, agreements and precedents.

Contact:

Carswell Conferences
Thomson Professional Publishing
One Corporate Plaza
2075 Kennedy Road
SCARBOROUGH, Ont.
M1T 3V4
Tel.: (416) 609-3800
Fax: (416) 298-5094

La franchise au Québec

(Available in French only.)

This loose-leaf publication covers the legal, managerial, accounting and financial issues related to franchising in Quebec. It is updated twice a year.

Contact:

Wilson et Lafleur Ltée
40 Notre-Dame Street East
MONTREAL, Que.
H2Y 1B9
Tel.: (514) 875-6326
Fax: (514) 875-8356

Franchising — Doing It Right Franchisor

This booklet has been developed for the prospective franchisor. It describes the basic elements of a business format franchise, the advantages/disadvantages of franchising, the feasibility of franchising a business, critical success elements, steps to building a franchise plan, what franchise experts (e.g. consultants, accountants,

lawyers and bankers) can do for you, and also includes worksheets and checklists.

Contact:

Royal Bank of Canada
4th Floor
20 King Street West
TORONTO, Ont.
M5H 1C4
Tel.: (416) 974-8312
1-800-268-3726
Fax: (416) 974-8320

Franchising in Canada

This book, published in 1992, was prepared by chartered accountants of Peat Marwick Thorne. It describes the benefits and pitfalls of franchising from both the franchisor's and franchisee's standpoints, the franchise opportunity, questions to be answered before investing, income tax considerations and accounting for franchise fee revenue.

Contact:

CCH Canadian Limited
6 Garamond Court
NORTH YORK, Ont.
M3C 1Z5
Tel.: (416) 441-2992
1-800-268-4522
Fax: (416) 444-9011

Franchising in Canada — An Accounting, Auditing and Tax Analysis

Published in 1991, this book deals with accounting considerations such as fee revenue recognition, program development costs, cooperative advertising, franchise repurchase accounting, franchise termination, contingency issues and

revenue issues; disclosure/presentation matters, etc.; auditing considerations, such as auditing franchisee books and the royalty stream; income tax considerations relating to franchise fee revenue; and legal issues such as appropriate wording for franchise contracts.

Contact:

Butterworths Canada Ltd.
75 Clegg Road
MARKHAM, Ont.
L6G 1A1
Tel.: (905) 479-2665
Fax: (905) 479-2826

The Franchisor Programs Series

This information booklet has been developed for the prospective franchisor. It describes 12 programs specifically designed to assist new franchisors in evaluating, developing and implementing a fully integrated franchise system. Some of the programs include: franchise feasibility assessment; franchise business plan; franchise market strategy; franchisee recruitment strategy; site selection criteria and methodology; and policy formalization/documentation.

Contact:

Franchise Business Services
Price Waterhouse
Suite 3300
1 First Canadian Place
P.O. Box 190
TORONTO, Ont.
M5X 1H7
Tel.: (416) 863-1133
Fax: (416) 365-8215

VI. GOVERNMENT ASSISTANCE

The federal and provincial governments provide financial and counselling services to small and medium-sized businesses in Canada. Although no one program has been structured specifically for franchising, franchisors and franchisees may be eligible for some of these services. This section highlights some of the programs, services and publications of potential interest to companies involved in franchising. Some of the provincial government departments identified in this section also sponsor seminars on franchising.

Federal Programs

Federal Business Development Bank

The Federal Business Development Bank (FBDB) is a Crown corporation whose purpose is to promote and assist most types of businesses in Canada. It has offices located in cities across Canada.

The FBDB's services include:

- customized business counselling and training programs
- preparation of franchise packages including operating manuals, brochure design, etc.
- preparation of marketing plans, business plans and strategic plans
- financial advice, site evaluation and leasing advice.

Contact:

For information, contact the nearest FBDB branch, or call 1-800-361-2126.

Program for Export Market Development

The Program for Export Market Development (PEMD) of the Department of Foreign Affairs and International Trade (DFAIT) offers financial assistance to Canadian businesses to undertake or participate in various types of export promotion activities. PEMD shares the risks of international market development by sharing the cost of eligible activities such as participation in trade shows. PEMD is jointly implemented by DFAIT and Industry Canada. Additional information and application forms can be obtained by contacting the International Trade Centre in the nearest regional office of Industry Canada.

International Trade Centres

| | |
|--------------------------------|----------------|
| Calgary, Alta. | (403) 292-6660 |
| Charlottetown, P.E.I. | (902) 566-7400 |
| Edmonton, Alta., and N.W.T. | (403) 495-2944 |
| Halifax, N.S. | (902) 426-7540 |
| Moncton, N.B. | (506) 851-6452 |
| Montreal, Que. | (514) 283-8185 |
| Regina, Sask. | (306) 780-6325 |
| St. John's, Nfld. | (709) 772-5511 |
| Saskatoon, Sask. | (306) 975-5315 |
| Toronto, Ont. | (416) 973-5053 |
| Vancouver, B.C., and Yukon | (604) 666-0434 |
| Winnipeg, Man. | (204) 983-8036 |

Trade information assistance can also be obtained by calling the InfoEx hotline at 1-800-267-8376 (toll-free).

Small Business Improvement Loans

The *Small Businesses Loans Act (SBLA)* is a federal program designed to help new and existing small business enterprises obtain term loans from chartered banks and other lenders toward financing the purchase and improvement of fixed assets. These business improvement loans are made directly by approved lenders to small business enterprises. The *SBLA* provides for the sharing of loan losses, if any, between the lenders and the federal government.

A small business enterprise is defined as one with an estimated gross revenue not exceeding \$5 million. The loans that are available for financing cover such items as the purchase of land necessary for the operation of a business enterprise (land loans); the renovation, improvement, modernization, extension, construction, and/or purchase of premises (premise loans); and, the purchase, installation, renovation, improvement and/or modernization of new or used equipment (equipment loans).

The maximum amount of loans a borrower may have outstanding under the *SBLA* may not exceed \$250 000. For floating-rate loans, the rate of interest cannot exceed 1.75 percent over the prime lending rate. For fixed-rate loans, the rate of interest may be fixed at not more than 1.75 percent over the residential mortgage rate for the applicable term. Borrowers must pay a one-time, up-front fee of 2 percent of the loan which may be added to the amount of the loan.

Contact:

Small Business Loans Administration
Industry Canada
235 Queen Street
OTTAWA, Ont.
K1A 0H5
Tel.: (613) 954-5540
Fax: (613) 952-0290

or any authorized financial institution.

Provincial Programs

Provincial programs and services are too numerous to identify in this publication. For further information, franchisors and franchisees should contact their provincial industry department. Also, the FBDB can be of assistance in identifying provincial programs and services.

Provincial departments regulating business practices or consumer protection, as well as the Better Business Bureau, are additional sources to contact when evaluating a franchise offering. They can advise if complaints have been filed about a particular franchise system.

Government Publications

Some provincial governments have issued or sponsored publications on franchising.

ALBERTA

Buying a Franchise in Alberta

This 17-page booklet, published in 1993, gives tips on what to look for and where to get help when investigating a franchise, information on franchise agreements, and names of publications and government departments for further research.

Franchise Starter's Kit

The franchise starter's kit includes the booklet titled *Buying a Franchise in Alberta*, information on various Alberta regulations and policies related to franchising, application forms, as well as a selected list of publications on franchising.

For more information on the above two publications, contact:

Alberta Securities Commission
Franchise Section
21st Floor
10025 Jasper Avenue
EDMONTON, Alta.
T5J 3Z5
Tel.: (403) 427-5201
Fax: (403) 422-0777

Buying a Franchise

This pamphlet lists questions that a prospective franchisee should ask before investing.

Starting a Small Business

This handbook, published in 1993, provides a concise description of how to establish a business in Alberta. Chapter 8, titled "Franchises," deals specifically with franchising, the franchise agreement and the evaluation of a franchise.

For more information on the above two publications, contact:

Small Business Development Branch
Alberta Economic Development
and Tourism
6th Floor
9940 - 106 Street
EDMONTON, Alta.
T5K 2P6
Tel.: (403) 427-3685
Fax: (403) 427-5926

BRITISH COLUMBIA

Exploring Business Opportunities: An Innovative Guide for B.C. Entrepreneurs

This booklet, published by the B.C. Ministry of Regional Development in 1992, describes how to identify and evaluate business venture opportunities, including franchising.

Independent Business Handbook

This handbook, published by the B.C. Ministry of Economic Development, Small

Business and Trade in 1991, is aimed at individuals starting or operating a small to medium-sized business. It provides information on setting up a new business, buying an existing one, planning a business strategy and preparing loan submissions to financial institutions. It also provides a checklist for evaluating a franchise.

Contact:

Canada/British Columbia Business
Service Centre
Ministry of Small Business, Tourism
and Culture
601 West Cordova Street
VANCOUVER, B.C.
V6B 1G1
Tel.: (604) 775-5525
Fax: (604) 775-5565

MANITOBA

Manitoba Franchise Guide

This 19-page booklet contains an overview of franchising, its history and evolution. It also covers the practical aspects of franchising, from types of franchises to legal and financial requirements. A checklist for evaluating a franchise is also provided.

Contact:

Small Business and Entrepreneurial
Development
Manitoba Industry, Trade and Tourism
5th Floor
155 Carlton Street
WINNIPEG, Man.
R3C 3H8
Tel.: (204) 945-7738
Fax: (204) 945-2804

ONTARIO

Facts about Franchising

This pamphlet provides a definition of franchising, addresses methods of operation, and describes advantages and disadvantages. It also provides a list of questions for evaluating a franchise.

Contact:

Consumer Information Centre
Ontario Ministry of Consumer and
Commercial Relations
555 Yonge Street
TORONTO, Ont.
M7A 2H6
Tel.: (416) 326-8555
1-800-268-1142
Fax: (416) 326-8543

***Starting a Small Business in Ontario:
A Sound Business Approach to Setting
Up Your Own Company***

This book, published in 1993, contains a section titled "Purchasing a Franchise — Checking Out the Franchise Opportunity," which outlines some helpful advice and key factors to consider before buying a franchise.

Contact:

Ministry of Economic Development
and Trade
Hearst Block
7th Floor
900 Bay Street
TORONTO, Ont.
M7A 2E1
Tel.: 1-800-567-2345
Fax: (416) 325-6538

QUEBEC

Le franchisage : l'entrepreneuriat encadré (Available in French only.)

This booklet serves as a guide to prospective franchisees and franchisors and describes the evolution of franchising, franchise terminology, advantages and disadvantages of franchising, establishing a franchise, avoiding problems, and the franchise agreement. A list of questions for evaluating a franchise and a short bibliography are included.

Contact:

Direction du développement des marchés
et des activités commerciales
Ministère de l'Industrie, du Commerce
et de la Technologie du Québec
Mercantile Building
770 Sherbrooke Street West
MONTREAL, Que.
H3A 1G1
Tel.: (514) 982-3007
Fax: (514) 873-9912

VII. STATISTICS CANADA PUBLICATIONS

There are no regular government surveys on franchising in Canada. Selected data and statistics on franchising are available through periodic surveys and reports published by associations, banks, consultants, business newspapers and trade magazines. However, Statistics Canada produces a vast array of publications on Canadian economic and social affairs of interest to firms involved in franchising. These can be purchased from local authorized agents, community bookstores, through local Statistics Canada offices or by mail order to the address given below. Your local library may also have copies of these publications. Some Statistics Canada publications that may be of particular interest to franchisors and franchisees are described below:

Business Services Catalogue No. 63-232

This annual publication presents data on service industries that mainly provide services to business. Included are the number of firms, revenue, expenses and other industry characteristics.

Leisure and Personal Services Catalogue No. 63-233

This annual publication presents data on amusement, recreational, personal and household service industries. Included are the number of firms, revenue, expenses and other industry characteristics.

Market Research Handbook Catalogue No. 63-224

This annual, nearly 700-page publication provides information on consumers, the economy, business and cities. It also features projections of social, economic and demographic trends including consumer spending, incomes and prices.

Restaurant, Caterer and Tavern Statistics Catalogue No. 63-011

This monthly publication presents data on chain and independent restaurant, caterer and tavern sales for the provinces and Canada.

Retail Trade Catalogue No. 63-005

This monthly publication presents data on chain and independent retail sales for the provinces, Canada and major cities by kind of business.

Contact:
Publication Sales
Statistics Canada
Main Building
Tunney's Pasture
OTTAWA, Ont.
K1A 0T6
Tel.: 1-800-267-6677
Fax: (613) 951-1584

APPENDIX I

INFORMATION CIRCULAR

**(in accordance with the voluntary disclosure policy of the Canadian Franchise Association, adopted
October 27, 1993)**

1. CORPORATE NAME OF FRANCHISOR AND AFFILIATES:

The franchisor need only name affiliates which deal with franchisees in the system and should provide a brief description of the nature of such dealings, i.e., that the affiliate is an equipment or inventory supplier, premises lessor, trade mark owner, etc.

2. TRADE MARKS:

List all trade marks used in the operation of the franchise system, together with the owner and status of the trade marks, i.e., unregistered, registered or registration applied for, with application or registration numbers as appropriate.

3. BUSINESS EXPERIENCE OF THE FRANCHISOR:

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

4. MAJOR SHAREHOLDERS AND DIRECTORS:

The names of the major shareholders (more than 10% of the voting shares) and the directors, together with their city of residence should be listed. A brief history of the business experience of the major shareholders and directors should also be set out, together with a statement as to their involvement, if any, with previous franchise operations and a statement as to whether or not they have been involved with a franchise system, which has failed in the past. Further, a statement that no conviction for an indictable offense under the Criminal Code of Canada, arising within the last seven (7) years, remains outstanding against any of the major shareholders or directors of the franchisor or details of any such conviction.

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

5. FRANCHISE EXPERIENCE OF THE FRANCHISOR:

In this section, the franchisor should set out the date it commenced selling franchises, and the year by year total of franchises operating within the system since that date. The franchisor should also describe any previous franchise systems operated by it or any other franchise systems it is currently operating under different trade marks and trade names.

6. EXISTING FRANCHISEES:

A list of existing franchise locations should be set out, with their addresses, and with the date the franchisee joined the system. The franchisor should describe the existence or not of any franchisee associations or advisory counsels operating in the system.

7. CORPORATE OUTLETS:

A list of existing franchisor-owned outlets should be set out with their addresses and with the date opened.

8. REQUIRED INVESTMENT BY THE FRANCHISEE:

To the extent possible, the franchisor should set out the investment required of the franchisee broken down into the various categories such as front-end franchise fee, initial capital package, initial inventory, leasehold improvements, and working capital requirements. The franchisor should outline the terms of any available financing given or arranged by the franchisor and the timing of all payments to the franchisor.

9. THE FRANCHISE DOCUMENTS:

The salient provisions of the franchise should be summarized briefly, i.e. the length of the term and any renewals, who holds the head lease, the amount of the initial fee and when payable, the amount of the royalty payable, the amount of advertising contributions, who will construct the unit, any restrictions on the purchase of ongoing inventory, supplies and equipment, restrictions on competition after termination, the terms and conditions for renewal on assignment, whether and to what extent the franchisee receives an exclusive territory, etc.

10. OPPORTUNITY TO REVIEW DOCUMENTS AND OBTAIN INDEPENDENT ADVICE:

The franchisee will be given sufficient time to investigate the franchise, to review the franchise documentation and to obtain independent legal, financial and business advice.

11. BANKRUPTCY AND INSOLVENCY:

A statement should be made to the effect that during the ten (10) year period immediately preceding the date of this Information Circular, neither the franchisor nor any predecessor, director, officer, controlling shareholder(s) or general partner of the franchisor has been adjudged bankrupt or reorganized due to insolvency or is subject to any pending bankruptcy or reorganization proceeding. Or the particulars of such bankruptcy or reorganization should be summarized.

12. EXISTING LITIGATION:

The franchisor should describe, in reasonable detail, the existence of any material litigation with present or former franchisees.

13. CERTIFICATE OF DISCLOSURE:

The foregoing information is provided in accordance with the disclosure policy of the Canadian Franchise Association and is current to (date). The franchisor is a member in good standing of the Canadian Franchise Association and abides by its Code of Ethics, a copy of which is attached. The franchisee should examine the franchise investment carefully and obtain independent legal, financial, and business advice before making a decision to purchase the franchise.

DATED this day of , 199_ .

APPENDIX II

CANADIAN FRANCHISE ASSOCIATION CODE OF ETHICS

Each member of the Canadian Franchise Association agrees to be bound by the following Code of Ethics. Compliance with the letter and spirit of this Code of Ethics helps to ensure a healthy franchise marketplace, which benefits both franchisors and franchisees alike and everyone who deals with them.

1. Full and accurate written disclosure of all information considered material to the franchise relationship shall be given to the prospective franchisees a reasonable time (at least (14) days prior to the execution of any binding unconditional document pursuant to which financial consideration is payable but not refundable) and members shall otherwise fully comply with federal and provincial laws requiring advance disclosure of information to prospective franchisees.
2. All matters material to the franchise relationship shall be contained in one or more written agreements, which shall clearly set forth the terms of the relationship and the respective rights and obligations of the parties. An example of a material matter is the use by the franchisor of advertising and other pooled funds which are administered by the franchisor for the benefit of the system, and whether or not the franchisor is obligated to disclose the receipts and disbursements of such funds.
3. A franchisor shall select and accept only those franchisees who, upon reasonable investigation, appear to possess the basic skills, education, personal qualities and financial resources adequate to perform and fulfil the needs and requirements of the franchise. There shall be no discrimination based on race, colour, religion, national origin, disability, age or sex.
4. A franchisor shall provide reasonable guidance, training and supervision over the business activities of franchisees for the purpose of safeguarding the public interest and of maintaining the integrity of the entire franchise system for the benefit of all parties having an interest in it.
5. Fairness shall characterize all dealings between a franchisor and its franchisees. Where reasonably appropriate under the circumstances, a franchisor shall give notice to its franchisees of any contractual default and grant the franchisee reasonable opportunity to remedy the default.

6. A franchisor shall make every effort to resolve complaints, grievances and disputes with its franchisees through fair and reasonable direct communication and negotiation and to resort to court proceedings only after alternative dispute resolution mechanisms have proven unworkable or unavailable in the circumstances.
7. A franchisor shall encourage prospective franchisees to seek legal, financial and business advice prior to signing the franchise agreement.
8. A franchisor shall encourage prospective franchisees to contact existing franchisees to gain a better understanding of the requirements and benefits of the franchise.
9. A franchisor shall encourage open dialogue with franchisees through franchisee advisory councils and other communication mechanisms. A franchisor shall not prohibit a franchisee from forming, joining or participating in any franchisee association or penalize a franchisee who does so.

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