

FDD Alert! Is Your Canadian Disclosure Document Going Stale This Week?

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Oh how time flies! Update season is once again upon us. It is integral that franchisors review their Canadian franchise disclosure document (FDD) to ensure it is updated in relation to a variety of necessary items, which includes making sure it contains the correct, up-to-date compliant financial statements.

While FDDs should be looked at to update all necessary items, the financial statement requirement is the final deadline. Under provincial franchise laws in Canada, franchisors have no more than 180 days from their fiscal year-end to replace the financial statements within their FDDs with financial statements from their most recently completed fiscal year-end. **So, if your franchisor entity has a fiscal year end, like many do, on or around December 31st (i.e., December 31, 2021), then, in addition to the other updates, you must replace the financial statements for the most recently completed fiscal year before the end of June 2022 (i.e., more specifically, within 180 days of the previous fiscal year end), or you cannot use the FDD at all after that date.**

In other words, after **that** date, franchisors with a fiscal year-end of December 31, 2021 are no longer permitted to issue a valid FDD if they have not updated their FDD and do not have the correct financial statements from their most recently completed fiscal year-end in the FDD.

If an FDD is not yet updated or otherwise ready to be used in all six franchise law provinces, a small amount of effort by counsel and the franchisor can provide the franchisor with an up-to-date and legally compliant FDD that can greatly minimize the franchisor's risk of a claim based on non-compliance.

Remember that the provinces now with a franchise law are Alberta, British Columbia, Manitoba, New Brunswick, Ontario and Prince Edward Island.

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.