

**No Material/Nonsubstantive Change to a Currently Approved Collection  
Trade Regulation Rule on Disclosure Requirements and  
Prohibitions Concerning Franchising and  
Business Opportunity Ventures  
16 C.F.R. Part 436  
(OMB Control Number: 3084-0107)**

As explained in the Notice of Proposed Rulemaking (“NPRM”), the Federal Trade Commission (“FTC” or “Commission”), has proposed to revise its Trade Regulation Rule on Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures (“Franchise Rule” or “Rule”), 16 C.F.R. Part 436. 64 FR 57294 (Oct. 22, 1999). Specifically, the Commission has proposed a revised disclosure rule that would, among other things, reduce many inconsistencies between federal and state disclosure laws, permit the use of electronic disclosure, and increase exemptions to the Rule. At the same time, the Commission has also proposed several additional disclosure requirements (mostly to give more material information about the state of the franchise relationship) and minor recordkeeping requirements. In accordance with the Paperwork Reduction Act (“PRA”), as amended, 44 U.S.C. 3501, *et seq.*, the Commission submitted the proposed Rule to the Office of Management and Budget (“OMB”) for review. As a result of Commission staff’s most recent efforts to seek renewal of the clearance for the Rule, OMB approved the Rule’s information collection requirements through October 31, 2008 (OMB Control No. 3084-0107).<sup>1</sup>

The Commission issued a Final Rule on January 23, 2007.<sup>2</sup> As OMB approval was received at the NPRM stage and the Rule’s information collection requirements have not been substantially or materially modified by the Final Rule, no further action is required by the PRA at this time. See 5 CFR 1320.11(h). Nonetheless, Commission staff has identified several inadvertent errors with respect to the PRA analysis contained in the FTC’s 2005 submission to OMB for the Rule and, therefore, seeks the following adjustments to the FTC’s previous burden estimates:

1. The total annual burden hours estimate for the Rule should be adjusted to 36,250

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<sup>1</sup> The Commission most recently sought and obtained OMB approval for the information collection requirements contained in both the proposed Rule and the existing Rule in 2005. Unless otherwise specified, references herein to the “Rule” pertain to both the existing Rule and the proposed amendments.

<sup>2</sup> The amended Rule has a phased-in effective date: as of July 1, 2007, franchisors may follow the amended Rule, or they may continue their current practice of complying with the original Rule or individual state franchise disclosure laws that require an Uniform Franchise Offering Circular (“UFOC”); but by July 1, 2008, they will be required to follow the amended Rule only. Although the Final Rule Notice has not yet published in the Federal Register, the Final Rule is currently available on the FTC’s website at <http://www.ftc.gov/os/2007/01/R511003FranchiseRuleFRNotice.pdf>.

hours (a decrease of 750 hours);<sup>3</sup> and

2. The total annual non-labor cost estimate for the Rule should be adjusted to \$11,887,500 (a decrease of \$139,500).<sup>4</sup>

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<sup>3</sup> The burden hour estimates set forth in the FTC's 2005 Supporting Statement for the Rule appropriately reflect a total of 36,250 hours. However, the FTC's corresponding 83-I form erroneously contained a request of approval for 37,000 hours.

<sup>4</sup> Section 13 of the FTC's 2005 Supporting Statement contained a mathematical error, resulting in an additional \$2,000 in non-labor costs (5000 franchisors completing and disseminating 100 cover sheets per year at a cost of approximately \$0.55 per cover sheet results in a total non-labor cost of approximately \$275,000 as opposed to \$277,000). Commission staff intended the \$35 printing and mailing cost estimate for disclosure documents (as set forth in the FTC's 2005 Supporting Statement) to capture all of the non-labor costs incurred by business format franchisors when printing and mailing disclosure documents under the proposed Rule. Indeed, the cost associated with printing and mailing cover sheets was folded into staff's overall estimate for printing and mailing disclosure documents because the proposed Rule would no longer require business format franchisors to have a separate and distinct cover sheet in addition to a state required cover sheet. See 64 FR 57294, 57301-02 (Oct. 22, 1999). Accordingly, under the proposed Rule, 2,500 business opportunity sellers (as opposed to all 5,000 franchise entities covered by the Rule) would continue to incur a separate cost for printing and mailing cover sheets on top of other costs associated with printing and mailing disclosure documents. Thus, \$137,500 in non-labor costs would be incurred for printing and mailing cover sheets under the proposed Rule as opposed to \$275,000 (2,500 business opportunity sellers x 100 cover sheets x \$0.55 per cover sheet = \$137,500). Accordingly, a reduction of \$139,500 in non-labor costs is warranted (\$2,000 reduction due to math error + \$137,500 reduction due to erroneous inclusion of 2,500 business format franchisors in cover sheet burden analysis). This reduction results in a total non-labor cost estimate of \$11,887,500 (\$12,027,000- \$139,500 = \$11,887,500).