In December 1968, Herman Petty became the first Black owner and operator of a McDonald's franchise, opening his restaurant on Chicago's South Side. A year later, there were twelve Black-owned McDonald's restaurants nationwide. Petty entered business through an arrangement that allowed him to operate under an established company's name rather than create a restaurant brand from the beginning (Obama Foundation The Obama Foundation). Customers recognized the sign outside, but behind that sign stood an individual business owner with expenses, employees, and contractual obligations. Understanding that arrangement begins with recognizing that owning a franchise location does not mean owning the company whose name appears on the building.

A franchise allows an independent operator to conduct business using another company's brand and business system under agreed terms. The company granting those rights is the franchisor. The person or business purchasing them is the franchisee. The operator may receive training, operating procedures, and access to established products and suppliers. In exchange, the operator pays fees and follows the agreement's requirements (Investopedia investopedia.com). Think of a restaurant whose customers expect the same menu and experience across locations. That consistency requires rules. The local owner may manage employees and daily operations while having limited freedom to change products, choose suppliers, or alter the appearance of the premises. The business opportunity and those restrictions arrive together (Federal Trade Commission Federal Trade Commission).

The first price a prospective buyer notices is often the initial franchise fee, the upfront charge for joining the franchise system. That fee is only one part of getting the business open. Depending on the arrangement, the buyer may also need premises, construction work, equipment, inventory, insurance, permits, and money to cover early operating expenses. A franchise advertised with a $35,000 initial fee could therefore require substantially more than $35,000 to establish and operate. That figure is an illustration, not a quote for McDonald's or any other brand. The relevant document's estimate of the total initial investment brings the separate startup expenses together. Even that estimate needs examination because actual costs depend on circumstances such as location and the condition of the building (Federal Trade Commission, *Franchise Rule Compliance Guide* ftc.gov).

Payments can continue long after opening day. A franchise agreement may require an ongoing royalty, a payment for continued use of the brand and system, calculated from sales. It may also require contributions to an advertising fund. Because these charges can be based on sales rather than profit, an operator may owe them during a month when the location loses money (Federal Trade Commission Federal Trade Commission). For a simple illustration, imagine a location with $100,000 in monthly sales and an agreement requiring a 6 percent royalty plus a 2 percent advertising contribution. Those two charges total $8,000. If all its other expenses total $94,000, the business has spent $102,000 against $100,000 in sales. A busy location has produced a $2,000 loss. The

percentages here are invented to show the calculation; actual fees and the definition of sales come from the agreement.

The document that helps a buyer investigate these obligations is the Franchise Disclosure Document, usually shortened to FDD. It contains required information about the offering. Under the federal Franchise Rule, prospective buyers generally must receive it at least fourteen calendar days before signing a binding agreement with, or paying money to, the franchisor or its affiliate (Federal Trade Commission Federal Trade Commission). Its numbered sections make particular information easier to locate. Item 5 addresses initial fees, Item 6 other fees, and Item 7 estimated initial investment. Reading them together helps prevent a buyer from focusing on an attractive entry price while overlooking the continuing charges or the money needed to begin operating. The document also identifies obligations concerning suppliers, training, territory, and other parts of running the business (Federal Trade Commission, *Franchise Rule Compliance Guide* ftc.gov).

Earnings claims require their own examination. A salesperson might describe impressive sales at successful locations, but sales do not reveal what owners keep. Item 19 is the FDD section for financial performance representations—claims about the sales, income, or profits a franchise may produce. Franchisors are not required to provide earnings information. When they do make covered claims, they must follow disclosure requirements and have supporting evidence. Prospective buyers can request that evidence (Federal Trade Commission Consumer Advice). Then the comparison becomes specific. A mature restaurant beside a busy highway may offer little guidance for a new location in a quiet shopping center. An average drawn from selected successful outlets may describe a different experience from that of the whole system. The buyer needs to examine which businesses were counted, how long they had operated, and whether the figures include expenses.

Petty's original location also offers a reminder that an established business can require fresh investment. Yolanda Travis became its owner and operator in 2007. According to McDonald's account, the restaurant needed substantial remodeling, and Travis used the work to incorporate photographs and displays recognizing Petty's history (McDonald's corporate.mcdonalds.com). A familiar name and an operating location do not eliminate future spending. Equipment wears out, buildings need attention, and franchise systems can require updates. When examining a purchase, the buyer needs to identify upcoming improvements and who must pay for them. Otherwise, a business that appears affordable at purchase can demand additional money before the owner has recovered the initial investment.

The experiences of other operators can expose costs that promotional material does not make obvious. Item 20 provides information about outlets and contacts for current and former franchisees. Speaking with both groups helps a prospective buyer investigate opening delays, support, required purchases, and reasons for leaving. Former operators may describe difficulties that a seller's preferred references do not mention. Item 17

summarizes provisions concerning renewal, termination, transfer, and disputes. These provisions affect whether an owner can continue operating when the agreement expires, sell the business to another buyer, or lose the right to use the brand after a contractual breach. Renewal should not be assumed to occur automatically or on unchanged terms (Federal Trade Commission Federal Trade Commission).

For Black business owners, Petty's achievement represents entry into an established commercial system—and the responsibilities of ownership within it. Evaluating a franchise means following the money through an ordinary month, a disappointing month, and a year that requires major repairs. The calculation needs to cover continuing fees, employees, premises, supplies, borrowing costs, and any compensation the owner expects to receive. An accountant can test the financial assumptions, while a lawyer experienced in franchising can explain the contractual commitments. The brand may help attract customers. Whether the location can support its owner depends on the expenses, sales, financing, and terms attached to that particular business.