



Guiding You Through the Legal Maze.SM

STATE FRANCHISE DISCLOSURE

AND

REGISTRATION LAWS

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STATE FRANCHISE DISCLOSURE AND REGISTRATION LAWS

If you intend to sell franchises anywhere in the United States and its Territories, you have to comply with the FTC Franchise Rule promulgated by the Federal Trade Commission including the preparation of a Franchise Disclosure Document. Since the FTC Franchise Rule does not preempt (overrule) state franchise laws, you will also have to comply with state franchise laws. There are a number of states requiring that before a franchisor advertising the sale of a franchise, offers to sell a franchise or sells a franchise, the franchisor must first register its franchise offering with the state and obtain approval of the state.

Compliance with state laws concerning franchising and business opportunities is necessary to your franchise operations so you do not inadvertently violate state regulations. Therefore, we have prepared for you a list of the franchise and business opportunity disclosure and registration laws in all 50 states. We have also set forth our estimates of the legal fees for compliance with the applicable franchise and business opportunity laws in these states. These fees are based on the assumption that we prepared the FDD and franchise agreement since many of the state-specific addenda amend specific portions of the FDD and franchise agreement. These fees do not include responses to comment letters relating to the franchisor's financial condition (e.g. impound order) or unrelated to our drafting.

Business opportunity laws generally will not apply to you. In specifying exceptions for compliance with various business opportunity laws, we have assumed you will have a federally registered or state registered trademark and will be complying with federal and state rules for providing a Franchise Offering Circular or FTC Disclosure Statement to prospective franchisees. Should you offer franchises in certain states before obtaining a federally registered trademark (Connecticut, Maine and North Carolina), you will have to comply with the business opportunity laws of these states.

BUSINESS OPPORTUNITY LAW EXEMPTIONS FOR FRANCHISORS

Some state business opportunity laws specifically exempt franchisors who are in compliance with the FTC Franchise Rule. Still other state business opportunity laws exempt franchisors because the franchisor's sales or marketing program (Type 4) is associated with a licensed registered trademark. The type of "registration" required varies from state to state. Most states will accept either a state registered or a federally registered trademark. If the trademark is not registered but the application is pending in the U.S. Patent and Trademark Office it is not "federally registered." Certain states have more particular requirements:

Alaska	Expressly exempts franchisors under the FTC Franchise Rule.
California	Expressly exempts franchisors under the FTC Franchise Rule.
Connecticut	Must be federally registered, a copy of which is filed with the Commissioner of Banking. A state registered mark is not sufficient and a franchisor must register as a business opportunity.
Florida	Expressly exempts franchisors under the FTC Franchise Rule with the filing of Notice of Exemption and payment of \$100 filing fee.

Georgia	Must be a state registered trademark or a federally registered trademark.
Illinois	Expressly exempts franchisors under the Illinois Franchise Disclosure Act of 1987 and/or registered as a franchisor in Illinois.
Indiana	Expressly exempts franchisors under the Indiana Franchise Act.
Iowa	Expressly exempts franchisors as defined under Iowa law provided a FTC Disclosure Statement or FDD is given.
Kentucky	Expressly exempts franchisors under the FTC Franchise Rule
Maine	Must be federally registered. A state registered mark is not sufficient and a franchisor must register as a business opportunity.
Maryland	Expressly exempts franchise registered in Maryland or exempt under the Maryland Franchise Law.
Nebraska	Must be a state registered trademark or a federally registered trademark. Franchisors are also exempted if they comply with the FTC Franchise Rule, file a Notice of Exemption and pay a \$100 filing fee.
North Carolina	Must be federally registered. A state registered mark is not sufficient and a franchisor must register as a business opportunity.

If the franchise offering meets the requirements of the additional definitions of a business opportunity under state law, Types 1, 2, 3, or 5, (*e.g.*, buy-back, guarantee) and a franchise is not specifically exempted from registration, prudence dictates that the franchisor register as a business opportunity.

LARGE FRANCHISOR EXEMPTION

Certain high net worth business opportunity sellers are exempt from registration under state business opportunity laws:

California - at least \$10,000,000 net worth

Illinois – at least \$1,000,000 net worth.

Georgia – at least \$15,000,000 net worth.

Indiana – at least \$5,000,000

For your information, 19 of the states require franchise registration (12) or filing a notice of exemption (7) before selling franchises in these states or to residents of these states. Attorneys' fees tend to vary depending on the comments and inquiries of various state regulators in reviewing the

registration materials. Also, for your information, in the registration states, a registration fee is charged ranging from \$25 to \$750, as well as fees for amending registrations and renewing registrations. Of course, these fees and costs will not be incurred immediately but over time, depending on when and where your franchise marketing program takes you.

ALABAMA

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

ALASKA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity registration law is enacted. No business opportunity registration is required.

ARIZONA

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

ARKANSAS

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

CALIFORNIA

California is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 90 days. The registration fee is \$675. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, Authorization of Disclosure of Financial Records, Notice of Exemption for Interstate Advertisements if you have a web site), advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Future advertising materials must be filed 3 days before use.

Business opportunity law is enacted. Contracts for Seller-Assisted Marketing Plan Act provides an exemption for franchisors who are effectively registered under the franchise registration law.

COLORADO

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

CONNECTICUT

No franchise registration law is enacted. No franchise registration is required. Must file a copy of the federal trademark registration and, if the trademark is owned by third party, a copy of the license agreement between the trademark owner and the franchisor.

Business opportunity law is enacted. Business opportunity law provides exemption from registration for franchisors that have a federally registered trademark. If you do not have a federally registered trademark, you must file your FDD with the state along with Connecticut's CT BOIA-1 Application to Register a Business Opportunity Investment and Consent to Service of Process CT BOIA-2. The filing fee is \$400.

DELAWARE

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

FLORIDA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors who have a federally or state registered trademark. A safe-harbor exemption for franchisors is obtained by filing a Florida Franchise Exemption Application and payment of a \$100 fee.

GEORGIA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors who have a federally or state registered trademark.

HAWAII

Hawaii is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 30 business days. The registration fee is \$250. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

No business opportunity registration law is enacted. No business opportunity registration is required.

IDAHO

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

ILLINOIS

Illinois is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 90 days. The registration fee is \$500. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Business opportunity law enacted. Franchisors who register under the Illinois Franchise Act do not also have to register under the Illinois Business Opportunity Act.

INDIANA

Indiana is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 30 days. The registration fee is \$500. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Uniform Consent to Service of Process, Franchise Seller Disclosure

Form. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors.

IOWA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides an exemption to franchisors that are in compliance with the FTC Rule.

KANSAS

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

KENTUCKY

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors that are in compliance with the FTC Franchise Rule and for which a Notice of Exemption Affidavit and copy of FDD has been filed. There is no registration filing fee.

LOUISIANA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors having a federally or state registered trademark.

MAINE

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors having a federally registered trademark. If you do not have a federally registered trademark, you must file your FDD with the state. You are required to obtain a \$30,000 surety bond or escrow account. The filing fee is \$25.

MARYLAND

Maryland is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a

recommended filing time of 90 days. The registration fee is \$500. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Advertising materials must be filed 5 days before use.

Business opportunity law is enacted. Business opportunity law provides exemption for effectively registered franchisors.

MASSACHUSETTS

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

MICHIGAN

Franchise registration law is enacted. Registration of an annual Notice of Franchise Offering, with a recommended filing time of 10 business days. The registration fee is \$250. A state specific cover page must be prepared and included in all Michigan FDDs.

Business opportunity law is enacted. Business opportunity law does not apply to franchisors who meet the franchise laws definition of a franchise.

MINNESOTA

Minnesota is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 90 days. The registration fee is \$400. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Advertising materials must be filed 5 days before use.

No separate business opportunity law is enacted. Business opportunities are included in the definition of a franchise.

MISSISSIPPI

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

MISSOURI

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

MONTANA

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

NEBRASKA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. "Seller-Assisted Marketing Plan" law provides an exemption for franchisors who are in compliance with the FTC Rule if the sale does not involve the use of phrases such as "buy back," "secured investment" or the like. Franchisors must file Notice of Exemption and pay a \$100 annual fee.

NEVADA

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

NEW HAMPSHIRE

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

If your franchise involves vending machines, racks, display cases or similar devices, you may be required to register under New Hampshire Distributorship Disclosure Act.

NEW JERSEY

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

NEW MEXICO

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

NEW YORK

New York is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 90 days. The registration fee is \$750. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Advertising materials must be filed 7 days before use.

No business opportunity registration law is enacted. No business opportunity registration is required.

NORTH CAROLINA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption from registration for franchisors with a federally registered trademark. If you do not have a federally registered trademark, you must file your FDD with the state. The filing fee is \$10.

NORTH DAKOTA

North Dakota is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 30 days. The registration fee is \$250. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service

of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Advertising materials must be filed 5 days before use.

No business opportunity registration law is enacted. No business opportunity registration is required.

OHIO

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides an exemption to franchisors who are in "full" compliance with the FTC Rule.

OKLAHOMA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors that are in compliance with the FTC Rule.

OREGON

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

PENNSYLVANIA

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

RHODE ISLAND

Rhode Island is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 60 days. The registration fee is \$250. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and

state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Advertising materials must be filed 5 days before use.

No business opportunity registration law is enacted. No business opportunity registration is required.

SOUTH CAROLINA

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors with a federally or state registered trademark. Need to file Affidavit of Business Opportunity Exemption. There is no filing fee.

SOUTH DAKOTA

South Dakota is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 30 days. The registration fee is \$250. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Franchise Notice Filing Application, Consent to Service of Process and any advertising materials.

Business opportunity law is enacted. Business opportunity law provides exemption for effectively registered franchisors.

TENNESSEE

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

TEXAS

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors that are in material compliance with FTC Rule. Notice of Exemption is required, with a recommended filing time of 10 business days. The filing fee is \$25. This is a one-time filing, except if address changes.

UTAH

No franchise registration law is enacted. No franchise registration is required.

Business opportunity law is enacted. Business opportunity law provides exemption from registration as a business opportunity for franchisors with a federally or state registered trademark. All franchisors must file a Notice of Exemption form along with the payment of a \$100 annual fee. Our fee is \$300.

VERMONT

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

VIRGINIA

Virginia is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 60 days. The registration fee is \$500. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors.

WASHINGTON

Washington is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 90 days. The registration fee is \$600. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application, Franchisor's Costs and Sources of Funds, Uniform Consent to Service of Process, Franchise Seller Disclosure Form, Guarantee of Performance (if required) Consent of Accountants, advertising or promotional materials directed to prospective franchisees, and state specific addenda. You must also include a copy of the complete registration, including the FDD, on CD-ROM in .pdf format.

Advertising materials must be filed 7 days before use.

Business opportunity law is enacted. Business opportunity law provides exemption for franchisors subject to franchise registration law.

WEST VIRGINIA

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

WISCONSIN

Wisconsin is one of the 15 states considered a Franchise Filing State that has adopted NASAA's 2008 Franchise Registration and Disclosure Guidelines. Registration is required, with a recommended filing time of 90 days. The registration fee is \$500. Registration can be accomplished electronically. The registration requirements are:

Must file a FDD and related documents. Related documents consist of: Uniform Franchise Registration Application and Uniform Consent to Service of Process.

No business opportunity registration law is enacted. No business opportunity registration is required.

WYOMING

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

DISTRICT OF COLUMBIA

No franchise registration law is enacted. No franchise registration is required.

No business opportunity registration law is enacted. No business opportunity registration is required.

PUERTO RICO AND U.S. VIRGIN ISLANDS

No franchise registration law is enacted. No franchise registration is required. Franchisors are subject to FTC Franchise Rule.

No business opportunity registration law is enacted. No business opportunity registration is required.

BROKERS

If you are contracting with brokers, separate broker registration documents must be filed in New York and Washington at additional state and legal fees.

Keith J. Kanouse, Esq,