

## WHAT YOU NEED TO KNOW ABOUT FRANCHISING YOUR BUSINESS

### *Who is Considered a Franchisor?*

The federal government says that any business that is being offered to the general public that requires the potential buyer to sign a written contract and that contract contains their three (3) elements:

- The “Marks”, tradename, service marks, or trademark
- Significant controls or assistance
- Remuneration of \$500 or more within a time period of 6 months

### *What the FTC Rule Requires*

FTC Rule 436 requires that the franchisor comply with several basic things. All have to do with the actual offering of the franchise to a potential buyers and the manner in which it is offered. They are:

Provide the potential buyer with full disclosure in a required format which identifies various items of disclosure (when using the Uniform Franchise Offering Circular, 23 items with numerous sub items are required).

Provide the full disclosure document 10 business days before you the buyer is required to pay any money or sign any agreement with the franchisor.

The franchisor is prohibited from giving “earning claims” or “projections” of earnings unless certain requirements are met by the franchisor.

### ***Regulation States***

In addition to the FTC Rule, there are 15 States that require separate registration to allow a franchisor to market the franchise within their jurisdiction. Those states are:

Hawaii  
California  
Oregon  
Washington  
North Dakota  
South Dakota  
Minnesota  
Wisconsin  
Illinois  
Indiana  
Michigan  
Virginia  
New York  
Maryland  
Rhode Island