

# Franchise Registration Guide



FRANCHISE**NOW**

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# How to File Your Own Uniform Franchise Disclosure Document with the Registration and Exemption States

## Before we Begin

This manual has been constructed to help and assist in the filing of your Franchise Disclosure Document in the states of the US which require it. The Fifteen Registration States alone account for about 1/3 of the population of the US. That's right, they total just about 100 million people. Additionally probably half of the wealth of the country resides in these states. So, if you are a franchisor, eventually you are going to want to sell your franchise in them. You may think that all of these "Registration States" all want the same information. While this is true at many levels and many of the filing documents are the same, there can exist some significant differences in what each state requires. Franchise examiners can vary significantly from state to state. Surprisingly they can vary quite a bit from person to person within the state as you will come to find out.

## About this Manual

As franchise development professionals, we have systems to handle just about everything. What we are putting forth here is a system to file your Disclosure Documents with the states that require it. Our goal in writing this manual is to give you everything you need to file your franchise offering in these "Registration States" also known as "Disclosure States". As you probably are aware, you cannot legally offer a Franchise in these states until you file according to the mandatory requirements set forth by each of them.

All the instructions and forms are here in this guide or linked to locations on the web where you can find them with a click of the mouse. When in doubt you can always refer to the individual state franchise laws for which we provide links as well. The franchise laws are for the most part plainly written, One can find what they are looking for in them if they have the time and patience to do so.

This manual assumes that you have already prepared a Uniform Franchise Disclosure Document either using the templates available on the Franchise Prep Website or have come up with another way to prepare, or have them prepared for you. It is also assumed that your Franchise Disclosure Document is of "sufficient quality" and meets the requirements of the FTC and/or guidelines of the NASAA ([www.NASAA.org](http://www.NASAA.org))

You can find and download a complete copy of the NASAA Franchising Guidelines at [http://www.nasaa.org/industry\\_regulatory\\_resources/Franchise](http://www.nasaa.org/industry_regulatory_resources/Franchise)

What does “sufficient quality” mean? Well that depends on who you ask. As we mentioned previously, the state examiner in California may be just fine with the way you define the territory for your franchise where the examiner in Illinois may not. These are the kinds of challenges that you should be prepared to encounter. Just because you think something is a clear as day does not mean the franchise examiner of a particular Registration State will agree. Again, please be prepared for this eventuality.

## Registration States and Exemption States, the Difference

There are four Exemption States and fifteen Registration States. The four **Exemption States** are Utah, Texas, Florida, and Kentucky. The filing requirements in these States consist mostly of a one or two page form and a filing fee. It is very simple, and for the most part, one is paying a fee to notify these States that you will be offering a Franchise for sale in them. States that have elected to use Exemptions rather than the Franchise Disclosure Document (FDD) filing will recognize your federally registered trademark for franchising use in their state, so long as you complete an exemption form and submit it to them with the required fee. Exemption forms or links to them are provided as Exhibit C of this document.

The fifteen franchise **Registration States** are listed below. These States require a filing fee as well. The difference between them and the Exemption States is the number of forms and the amount of scrutiny your franchise documents will be subjected to prior to them granting approval to begin offering your franchise for sale there. Suffice to say that the difference is “SIGNIFICANT” in terms of time, money, and probably frustration.

While many of the forms used for the filing of a franchise in these Registration States are similar or substantially the same, the detailed review of your Franchise Disclosure Document which includes the Franchise License Agreement can and will vary markedly from state to state. We mention this repeatedly as it cannot be over emphasized.

To reiterate, Maryland and California may be perfectly happy with certain Items in your document whereas Illinois and New York may not and vice versa. It is expected that over time these differences will become less of a factor, as the Registration States do communicate amongst themselves. The general consensus among those in the franchise industry is that a uniform standard for what is expected from these States will emerge over time once everyone has time to live and adjust to the new franchise law.

## The 15 Registration States:

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

A list of the regulatory entities in each state, physical address, and contract information and filing requirements are provided in Exhibit A of this document. Each state listed above has a set of requirements for the documentation they expect; the order in which it must be submitted and the filing fee that will vary by state. Most of the franchise forms are required to be notarized and are included in Exhibit B. We have included these documents in MS WORD format. Most of the registration states have these forms on their websites in PDF format which makes them difficult to edit and or amend, even if you have Adobe Acrobat or another PDF Editor. More on the necessity of having a PDF editor later.

## To Audit, Review, or Internally Prepare Financial Statements

As you are probably aware of by now, it is required for a franchisor to disclose their financial position. This is done to ensure the general public of the ongoing survivability and stability of the franchisor and their ability to meet