



# FRANCHISE SALES IN THE UNITED STATES

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# Entering The U.S. Markets

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- Don't be deterred by our laws and regulations
- But it's easier to do it using a U.S. subsidiary

# The Federal System And Laws a Franchisor Must Deal With

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- Amended FTC Franchise Rule
- 15 state franchise registration and disclosure laws
- Business opportunity laws or rules: FTC and 25 states
- Relationship laws: 24 states and 2 territories
- Special industry laws

# Definitions of “Franchise” Vary

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- FTC definition
- State definitions
- Key: need all the elements to have a franchise

# The Amended FTC Franchise Rule

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- Disclosure in 23 categories in an FDD
- No filing or registration
- Financial Performance Representations must be in FDD
- Audited Financial Statements prepared in accordance with GAAP
- Disclosure time: 14 calendar-days before signing an agreement or paying any consideration

# The State Registration and Disclosure Laws

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- 15 States
- All but one require registration or a notice filing
- Many require additional FDD disclosures and some require amendments to the franchise agreement
- Some states have different disclosure timing requirements

# The Business Opportunity Laws

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- Can cover most franchises
- Many exemptions available, including selling a marketing plan issued in conjunction with federally registered mark
- Still need to file exemption in 5 or 6 states

# Updating the FDD

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- Material change amendments
- Annual updating requirements
  - FTC requires within 120 days of the franchisor's fiscal year end
  - States require either (i) within one year of registration or (ii) within 90 to 120 days after fiscal year end



# Tips on Entering the U.S. Market

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- Register your trademark first
- Set up an adequately capitalized U.S. subsidiary
- Don't grant a master franchise, but if you do, not just one
- Don't use your European franchise agreement
- Don't make financial performance representations not in your FDD
- Use knowledgeable U.S. local counsel