

## **STATE LAWS GOVERNING FRANCHISE RELATIONSHIPS**

About half of the states have franchise laws which govern franchises and business opportunities. These laws supplement the federal laws. So in addition to compliance with Federal Laws, you must also comply with these specific state laws if you are offering franchises in those states or to residents of those states.

State franchise laws generally fall into 3 categories: (i) disclosure laws, (ii) registration laws, and (iii) relationship laws.

*Disclosure laws* - basically govern what information has to be provided to the prospective franchisee and in what form prior to the sale. These laws also govern things such as mandatory cooling off periods prior to closing the sale.

*Registration laws* - require the registration of the offering documents with the state. They may also require franchise salespersons and brokers to be registered with the state. There is usually a fee associated with registration ranging from \$100 - \$750.

*Relationship laws* - govern the relationship between the franchisee and franchisor. These laws usually restrict the franchisor's right to terminate or refuse to renew an agreement with franchisee. They may also promote equal treatment among franchisees.

**Note - Colorado does not have state laws governing franchises, so if you are a Colorado based Franchisor offering franchises only to residents of Colorado (and the franchise location will be in Colorado) then only federal laws must be satisfied.**

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