

Article - Business Regulation

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§14–114.

(a) A person may not sell or offer to sell a business opportunity unless a written disclosure document, filed under § 14–113.1(a) of this subtitle, is delivered to the buyer at least 10 full business days before the buyer executes a contract or an agreement that imposes a binding legal obligation on the buyer or the payment by a buyer of any consideration in connection with the sale or offer to sell a business opportunity.

(b) The disclosure statement shall include a cover sheet that contains only:

(1) a heading, in boldface capital letters in 10–point or larger type, that states “disclosure required by Maryland law”;

(2) under the heading, in 10–point or larger type, the following statement: “The State of Maryland has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information in this disclosure statement has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or contact the Division of Securities in the Office of the Attorney General. You are to be given 10 business days to review this document before signing any contract or agreement or making any payment to the seller or the seller’s representative.”; and

(3) the current address and telephone number of the Division of Securities.

(c) After the cover sheet, the disclosure statement shall include the following information:

(1) the name and address of the seller;

(2) whether the seller is doing business as an individual, partnership, or corporation;

(3) the names under which the seller has done, is doing, or intends to do business;

(4) the name of any parent or affiliated company that will engage in business transactions with buyers or that takes responsibility for statements of the seller;

(5) the name, address, and title of each of the seller’s officers, directors, trustees, general partners, general managers, principal executives, and others responsible for the seller’s activities that relate to the sale of business opportunities;

(6) the names and residential addresses of the salespersons who engage in the sale or offer to sell a business opportunity in the State;

(7) prior business experience of the seller relating to business opportunities, including:

(i) the name, address, and a description of any business opportunity previously offered by the seller;

(ii) the length of time the seller has offered each business opportunity; and

(iii) the length of time the seller has conducted the business opportunity currently being offered to the buyer;

(8) a full and detailed description of the acts and services that the seller agrees to perform for the buyer;

(9) (i) whether the seller or any person described in item (5) of this subsection has been convicted of a felony, has pleaded nolo contendere to a felony charge, or has been adjudged liable in a civil action, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; and

(ii) if so, the court, date of the conviction or the judgment, and any penalty imposed or damages assessed;

(10) (i) whether the seller or any person described in item (5) of this subsection is subject to:

1. a currently effective order of the Federal Trade Commission; or

2. a currently effective order that enjoins or restricts business activity as a result of an action brought by a public agency, including an action that affects a license as a real estate broker, associate real estate broker, or real estate salesperson; and

(ii) if so, the date, nature, and issuer of the order and any penalty imposed;

(11) whether the seller or any person identified in item (5) of this subsection has filed for bankruptcy, been adjudged bankrupt, been reorganized due to insolvency, or was an owner, principal officer, or general partner of any other person that has filed bankruptcy, been adjudged bankrupt, or was reorganized due to insolvency during or within the last 7 years;

(12) a copy of the form of agreement proposed;

(13) the conditions of any financing arrangement offered directly or indirectly by the seller or an agent or affiliate of the seller;

(14) whether the buyer receives an exclusive territory;

(15) a complete description of any training that the seller promises, including the length of the training;

(16) a complete description of:

(i) any services that the seller promises will be performed in connection with the placement of the buyer's products, equipment, or supplies at various locations; and

(ii) the kind of agreement to be made with the owner or manager of each location;

(17) a complete description of any licenses or permits that are necessary in order for the buyer to operate or engage in the business opportunity;

(18) if the seller gets a surety bond under § 14–115 of this subtitle, the following statement, or a similar statement required by the Commissioner: “As required by Maryland law, the seller has secured a bond issued by _____ (name and address of surety company), a surety company authorized to do business in the State. Before signing a contract to buy this business opportunity, you should ask the surety company about the current status of the bond.”;

(19) if the seller establishes a trust account under § 14–115 of this subtitle, the following statement, or a similar statement required by the Commissioner: “As required by Maryland law, the seller has established a trust account _____ (account number) with _____ (name and address of bank or savings institution). Before signing a contract to buy this business opportunity, you should ask the bank or savings institution about the current status of the trust account.”;

(20) the following statement: “If the seller fails to deliver the products, equipment, or supplies necessary to begin substantial operation of the business within 45 days after the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be canceled.”;

(21) if the seller makes a statement about sales, earnings, or range of sales or earnings that may be made through the business opportunity, a statement of:

(i) the total number of buyers who have bought from the seller, within 3 years before the date of the disclosure statement, business opportunities that involve the products, equipment, supplies, or services being offered; and

(ii) to the seller's knowledge, the total number of those buyers who have actually received earnings in the amount or range specified;

(22) a statement of:

(i) the total number of business opportunities that are the same or similar in nature to those that have been sold or organized by the seller;

(ii) the names and addresses of buyers who have requested a refund or rescission from the seller within the last 12 months and the number of those buyers who have received the refund or rescission; and

(iii) the total number of business opportunities that the seller intends to sell in the State within the next 12 months;

(23) a copy of the most recent audited financial statement of the seller, prepared within 13 months after the date of the first offer in the State, together with a statement of any material changes in the financial condition of the seller from the date of the most recent audited financial statement;

(24) a list of states in which this business opportunity is registered;

(25) a list of states in which the disclosure statement is on file;

(26) a list of states that have denied, suspended, or revoked the registration of this business opportunity;

(27) a section entitled “Risk Factors” containing a series of concise statements summarizing the principal factors that make this business opportunity a high risk or of a speculative nature, each statement including a cross-reference to the page on which further information regarding that risk factor may be found in the disclosure document; and

(28) any other information that the Commissioner requires by regulation or order.

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