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## THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

### **Fact Sheet-Franchise Reform Act (HB 992)**

#### **Summary:**

Maryland is considered one of the toughest states for Franchisors in the country with a lengthy review process for franchise applications and renewals by the Securities Commissioner in the Office of the Attorney General. Maryland is one of just ten Franchise Registration States (along with California, Hawaii, Illinois, Minnesota, New York, North Dakota, Rhode Island, Virginia, and Washington) that require a Franchisor to file a federal Franchise Disclosure Document, pay a state fee, and obtain state approval through a state registration process, and annual renew the registration.

While a renewal is pending, franchisors cannot sign new franchisees. These protections were put in place to ensure franchisees are being protected but a balance between protecting our franchisees and encouraging our franchisors is required. The Franchise Reform Act proposes several reforms to ease the burden on franchisors while still ensuring adequate protection for franchisees.

#### **Potential Changes to Process:**

1. Establish a Pilot Program to waive the franchise registration renewal fee if franchisors submit updates at least 60 days before expiration. With earlier submissions, the Securities Commissioner will be able to approve renewals more timely.
2. Adjust the net equity calculation for exempt franchisors to account for inflation.
3. Clarifies—with a sponsor amendment—that certain claims can only be brought in Maryland by a Maryland franchisee. An out-of-state franchisee could still bring common law or contractual claims but not use Maryland's statutory franchise law.
4. Extend franchisee rights by allowing Maryland state franchises to bring claims under the law within five years of the grant or within two years of the start of franchise operations, whichever is later.
5. Allows Maryland franchisees to join a Franchise Association.