



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 expedite the review of the franchise registration renewal if the franchisor provides certain information no later than 30 days after the end of the registrant's fiscal year.
2. Extend franchisee rights by allowing them to bring claims under the law within three years of the grant of the franchise or within two years of the franchise being open to the public, whichever is later.
3. Allows Maryland franchisees to join a Franchise Association.
4. Require reporting of the Securities Commissioner on the effectiveness of the pilot.

The legislation passed the House of Delegates on a bipartisan basis 137-0 and had no opposition testimony.