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Legislation and Rulemaking

Federal Trade Commission Adjusts Monetary Thresholds for Three Exemptions in Franchise Rule

As part of its periodic adjustment for inflation, the Federal Trade Commission has announced in a press release the new monetary thresholds for certain exemptions from disclosure under the FTC's Franchise Rule. Although the Franchise Rule generally requires a franchisor to disclose key information to a prospective buyer before selling a franchise, 16 C.F.R. § 436.8 contains various exemptions, including three based on monetary thresholds for the sale. As of July 1, 2020, disclosure to a prospective buyer is not required under the Franchise Rule if:

- The buyer pays less than \$615 for the franchise (the previous threshold was \$570);
- The sale requires a large investment where the franchisee pays at least \$1,233,000, excluding the cost of unimproved land and any franchisor (or affiliate) financing (the previous threshold was \$1,143,100); or
- The sale is to a large entity (such as multi-unit franchisees, airports, hospitals) that has been in business at least five years and has a net value of at least \$6,165,500 (the previous threshold was \$5,715,500).

The Rule requires that the FTC adjust these thresholds every four years based on the Consumer Price Index.

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