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BLOGS

State Franchise and Dealer Laws

NASAA Adopts Multi-Unit Commentary

On Sept. 16, 2014, the North American Securities Administrators Association, Inc. adopted the Multi-Unit Commentary prepared by its Franchise and Business Opportunity Project Group. You can access a copy of the Commentary at: <http://www.nasaa.org/wp-content/uploads/2011/08/Franchise-Multi-UnitCommentary-effective-Adopted-Sept.-16-2014.pdf>.

The Commentary represents the culmination of a process that took place over the past few years, and involved three separate public comment periods on various iterations of the document. The final version of the Commentary is essentially the one that the Project Group re-released on June 16, 2014. Its purpose is to define the three most-common multi-unit franchising arrangements, which are described as "area development," "subfranchise rights," and "area representation," and to provide guidance for disclosing information about these arrangements in FDDs.

The Commentary becomes effective the later of March 15, 2015 (180 days after NASAA's adoption of it), or, for franchisors and subfranchisors that already have an effective FDD, 120 days after the franchisor's or subfranchisor's next fiscal year end. Accordingly, a majority of franchisors and subfranchisors filing FDDs in registration states will be required to be in compliance with the guidance in the Commentary by March or April of 2015. While some of the disclosure clarifications may entail relatively minor FDD changes, others will require more substantial revisions. Most notably, franchisors and subfranchisors may not offer unit franchises and area representative franchises in the same FDD, and franchisors may not offer unit franchises and subfranchises in the same FDD.

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