



# Secretary of State State of Indiana

**Connie Lawson**  
Indiana Secretary of State

**Alex Glass**  
Securities Commissioner

## COMPLIANCE ALERT

**TO:** All Franchises Registered by Notification with the Securities Division  
**FROM:** Alex Glass, Securities Commissioner  
**DATE:** May 15, 2020  
**RE:** Changes to the Indiana Franchise Laws taking effect on July 1, 2020

The Indiana Secretary of State, Securities Division (“Division”) and Securities Commissioner (“Commissioner”) are issuing this compliance alert regarding changes in the law regarding franchises registered by notification with the Division. For further information, franchises should consult I.C. § 23-2-2.5, *et seq.*, as amended by P.L. 152-2020.

### **Duty to Update Franchise Disclosure Document within Thirty (30) Days of any Material Change:**

Beginning on July 1, 2020, any franchise registered with the Division shall file an amended and accurate disclosure statement within thirty (30) days after franchise undergoes any “material change” as defined by I.C. § 23-2-2.5-13.1(b) (2020). While franchises should consult the complete definition as provided by that statute, “material changes” include:

- Termination, closing, or failure to renew the franchise of either: (1) ten percent (10%) of all franchises regardless of location, or (2) ten percent (10%) of franchises located in Indiana;
- Change in control, corporate name, state of incorporation, or reorganization of the franchisor;
- The introduction of new product, service, model, or line involving, directly or indirectly, an additional investment by franchisees that exceeds twenty percent (20%) of the average investment made by franchisees before the product, service, model, or line’s introduction;
- Any change in the franchise fees charged by the franchisor;
- Significant changes in the franchisee’s obligations to purchase items from the franchisor, limitations on goods or services that a franchisee may offer, obligations to be performed by a franchisor or franchisee; or changes to the franchise contract or agreement or any amendments; and
- Other changes that may be designated as material by the Commissioner.

Pursuant to Administrative Order 19-0055 AO, franchises are directed to file updated disclosure statements electronically via the [Indiana Securities Portal](#).

### **Ability of a Franchise to Select Specific Annual Registration Termination Dates**

While previously a franchise’s registration period was automatically set at one (1) year, I.C. § 23-2-2.5-18 (2020) will permit franchises to request for its registration to expire on an earlier date to allow franchises to coordinate renewal deadlines across multiple states.



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## **Consideration of Franchise Sales for Exemption**

I.C. § 23-2-2.5-3 (2020) makes it clear that the exemption for franchises who sells no more than one (1) franchise within any twenty-four (24) month period considers only franchises sold in Indiana. This is consistent with the Division's interpretation of the statute and so will not have any impact as the prior law was applied in practice.

## **Franchise Fees are Non-Refundable**

Last, I.C. § 23-2-2.5-43 (2020) makes clear that franchise fees are non-refundable. As fee refunds were seldom requested prior to this legislation, the Division anticipates that it will not result in a large number of fees being withheld. It is typical across the other industries regulated by the Division not to allow refunds for withdrawn or abandoned applications for registration.

Questions regarding this alert should be directed to [securities@sos.in.gov](mailto:securities@sos.in.gov).