

## B.C. FRANCHISES ACT NOW IN EFFECT

01 February 2017

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The Franchises Act in the Province of British Columbia is now in effect. If you are offering franchises in British Columbia, you will have to ensure that your disclosure document now complies with the requirements of the B.C. Franchises Act and its regulation.

The B.C. Franchises Act and its regulation are substantially consistent with the legislation in five other Canadian provinces (Ontario, Alberta, New Brunswick, Manitoba and Prince Edward Island) and include the following provisions:

- The requirement for franchisors to provide a disclosure document to a prospective franchisee at least 14 days before signing a franchise agreement or the franchisee paying any consideration on account of the franchise.
- Risk warnings, the same as those required by the franchise legislation in New Brunswick, Manitoba and PEI, must appear together at the beginning of the disclosure document.
- Financial statements (audit or review engagement) prepared in accordance with International Auditing and Assurance Standards Board, must be included in the disclosure document.
- Electronic delivery, courier, and personal delivery are all acceptable methods of delivery for both the disclosure document and a Statement of Material Change.
- An exemption from disclosure, if a franchisee is making an investment of at least \$5 million.

There are some differences between the B.C. legislation and the franchise legislation in the other five provinces. Like the legislation in the other disclosure provinces (other than Ontario), the B.C. Regulation permits franchisors to use a disclosure document prepared to comply with the disclosure requirements of another jurisdiction. However, if a franchisor chooses to use a "wrap-around" disclosure document, it must include the additional

information required for the disclosure document to comply with the Franchises Act and its Regulation.

These include that franchisors are permitted to take a deposit that does not exceed 20% of the initial franchise fee, provided that the deposit is fully refundable, and the requirement to include a statement where the franchisor does not provide earnings projections or an estimate of operating costs, exclusive territorial rights, initial training or an operations manual.

If you have any questions, please contact [Peter Snell](#), [Debi Sutin](#) or [Pam Vermeersch](#) of our [Franchise and Distribution Law Group](#).

Peter Snell was a special advisor to the Government of British Columbia and advised the Government on drafting the Franchises Act and the Franchises Regulation.

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