

Ohio Revised Code

Section 1334.02 Written disclosure document.

Effective: September 10, 1991

Legislation: House Bill 151 - 119th General Assembly

In connection with the sale or lease of a business opportunity plan, no seller or broker shall fail to provide to a prospective purchaser, at least ten business days prior to the execution of an agreement selling or leasing a business opportunity plan, a written disclosure document.

(A) The disclosure document shall carry a cover sheet showing only the name of the seller, the date the disclosure statement was prepared, and the following notice in at least sixteen-point boldface type:

"READ THIS CAREFULLY

The state of Ohio has not reviewed and does not approve, recommend, endorse, or sponsor this or any other business opportunity plan. If you have any questions about this plan, the information contained in this disclosure document should be reviewed with an attorney or financial advisor before you sign any agreement."

(B) Immediately after, on a sheet which shall immediately follow the cover sheet, the disclosure document shall be captioned in at least sixteen-point boldface type "disclosures required by Ohio law" and contain at least the following information:

(1) A statement disclosing:

- (a) The name, address, and principal place of business of the seller and the parent firm or holding company of the seller, if any.
- (b) The name under which the seller is doing or intends to do business.
- (c) The trademark, trade name, service mark, advertising, or other commercial symbol, if any, under which the prospective purchaser will be operating, or which identifies the goods or services to be

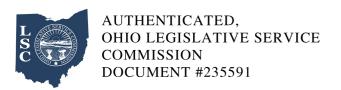


offered, sold, or distributed by the purchaser.

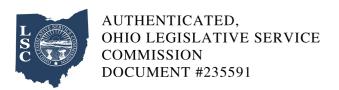
- (d) All initial payments or a promissory note which must be made by the purchaser to any person in order to begin operation of the business opportunity plan, including, but not limited to, fees, deposits, down payments, prepaid rent, and equipment or inventory purchases.
- (e) The conditions under which all or part of any initial payment is refundable or a promissory note is returnable, and if the initial payment is not refundable, that fact shall be clearly disclosed.
- (f) The nature of the business opportunity plan offered by the seller, including, but not limited to, a full description of the services, training, and assistance to be provided by the seller.
- (g) All material terms and conditions of any financing arrangement offered by the seller or an affiliated person to the purchaser, and a statement indicating whether the seller will receive any payments from any person for arranging such financing.
- (h) The precise nature and all material terms of any buy-back or security arrangement if the seller represents that there is a buy-back arrangement or that the purchaser's initial payment or promissory note is secured in any manner.
- (i) The length of time the seller has:
- (i) Offered business opportunity plans;
- (ii) Offered the specific business opportunity plan which is offered to the purchaser.
- (j) The number of business opportunity plans sold or leased by the seller, involving the goods or services offered to the purchaser, which:
- (i) Were operating in this state at the end of the previous year;
- (ii) Were operating in all other states at the end of the previous year.



- (k) Whether the purchaser is limited in the goods or services that may be offered for sale or distribution, the persons to whom such goods or services may be sold or distributed, and whether the purchaser is to be provided an exclusive or protected geographical territory in which the goods or services may be sold or distributed.
- (l) Whether and under what conditions the purchaser may transfer the business opportunity plan or any interest in it, and the amount of consideration, if any, which the purchaser must pay to the seller for the transfer.
- (m) The conditions under which the business opportunity plan may be terminated or renewed, and whether the business opportunity plan may be repurchased at the seller's option.
- (n) The number of business opportunity plans, involving the goods or services offered to the purchaser, which were terminated, refused renewal, or repurchased by the seller during the previous year.
- (o) The conditions under which the business opportunity plan may be terminated by the purchaser and the number of business opportunity plans voluntarily terminated by other purchasers during the previous year.
- (p) Either of the following disclosures, if the seller is required to secure a bond or establish a trust account pursuant to division (H) of section 1334.03 of the Revised Code:
- (i) "The seller has secured a bond issued by (enter name and address of company), a company admitted to do business in this state. Before signing an agreement you should check with this company to determine the current status of the bond."
- (ii) "The seller has established a trust account with (enter name and address of trustee). Before signing an agreement you should check with the trustee to determine the current status of the trust account."
- (2) A listing of: (a) The name and address of each affiliated person with whom the purchaser is required or advised to do business.



- (b) The name and office held by each of the seller's officers, directors, trustees, and general or limited partners, if any, and the name and position of any additional individuals who have management responsibilities in connection with the activities of the seller.
- (c) Whether or not the seller or any other person required to be listed by divisions (B)(2)(a) and (b) of this section:
- (i) Has been convicted or pleaded nolo contendere in a criminal action involving allegations of fraud, embezzlement, fraudulent conversion, misappropriation of property, violation of a franchise law or law prohibiting unfair or deceptive practices, during the previous seven years;
- (ii) Has been held liable in a civil action, resulting in a final judgment, involving allegations of fraud, embezzlement, fraudulent conversion, misappropriation of property, violation of a franchise law or law prohibiting unfair or deceptive practices, during the previous seven years;
- (iii) Is currently subject to an injunction or restrictive order, of any court or state or federal agency, relating to or affecting the sale or lease of business opportunity plans or the terms of any agreement between the seller and a purchaser;
- (iv) Has filed a petition in bankruptcy, been adjudged a bankrupt, or has been an officer or director of a business entity that has filed a petition in bankruptcy or been adjudged a bankrupt in the last seven years;
- (d) The identity and location of each court or agency, the date of conviction, judgment, or decision, the penalty imposed, the damages assessed, and the terms of any order against a person required to be identified by division (B)(2)(c) of this section.
- (e) The name and address of each business opportunity plan, sold or leased by the seller, which is located in this state.
- (3) The following attachments:



- (a) A copy of the seller's financial statement, not more than twelve months old, together with a statement of any material changes in the financial condition of the seller since the date of the statement. The financial statement shall either be audited or be accompanied by a sworn statement signed by one of the seller's officers, directors, trustees, or general or limited partners, attesting to the truthfulness and accuracy of the financial statement to the best of the signatory's knowledge and belief.
- (b) An unexecuted copy of the entire agreement selling or leasing the business opportunity plan.