

551A.9 Fraudulent practices.

1. *Misleading statements.* A person shall not make or cause to be made a misleading statement in a disclosure document required pursuant to section 551A.3 or in a proceeding under this chapter. The statement shall be deemed to be misleading if any of the following apply:

a. At the time and in the light of the circumstances under which it is made, the statement is false or misleading in a material respect.

b. An omission of a material fact is necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading.

2. *Advertising.* A seller shall not, in connection with the offer or sale of a business opportunity in this state, publish, circulate, or use advertising which contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

3. *Misrepresentations, omissions, and misleading conduct.* A seller of a business opportunity shall not do any of the following:

a. Misrepresent, by failure to disclose or otherwise, the known required total investment for such business opportunity.

b. Misrepresent or fail to disclose efforts to sell or establish more business opportunities than it is reasonable to expect the market or market area for the particular business opportunity to sustain.

c. Misrepresent the quantity or the quality of the products to be sold or distributed through the business opportunity.

d. Misrepresent the training and management assistance available to the purchaser.

e. Misrepresent the amount of profits, net or gross, which the purchaser can expect from the operation of the business opportunity.

f. Misrepresent, by failure to disclose or otherwise, the termination, transfer, or renewal provision of a business opportunity contract.

g. Falsely claim or imply that a primary marketer or trademark of products or services sponsors or participates directly or indirectly in the business opportunity.

h. Assign a so-called exclusive territory encompassing the same area to more than one purchaser.

i. Provide vending locations for which written authorizations have not been granted by the property owners or lessees.

j. Provide merchandise, machines, or displays of a brand or kind substantially different from or inferior to those promised by the seller.

k. Fail to provide the purchaser a written contract.

l. Misrepresent the ability of a person or entity providing services to provide locations or assist the purchaser in finding locations expected to have a positive impact on the success of the business opportunity.

m. Misrepresent or omit to state a material fact or create a false or misleading impression in the sale of a business opportunity.

91 Acts, ch 205, §9

CS91, §523B.12

98 Acts, ch 1189, §20; 2004 Acts, ch 1104, §26 – 28, 30

C2005, §551A.9

2005 Acts, ch 19, §116

Referred to in §551A.10