

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division of Securities
1511 Pontiac Avenue, Bldg. 69-1
Cranston, Rhode Island 02920

PUBLIC NOTICE OF PROPOSED FRANCHISE INVESTMENT ACT RULE

Pursuant to the provisions of R.I. Gen. Laws §§ 19-28.1-6, 19-28.1-9; 19-28.1-27 and 42-14-17, and in accordance with the Administrative Procedures Act Chapter 42-35 of the General Laws, the Department of Business Regulation hereby gives notice of its intent to adopt a Franchise Regulation under the Rhode Island Franchise Investment Act (the "Franchise Act"), R.I. Gen Laws §19-28.1-1 *et seq.*

The proposed regulation provides that all registrations and exemptions expire one year after issuance and renew on an annual cycle. The proposed regulation also establishes a Fractional Franchise as a new category of exemption.

The proposed regulation is available for public inspection at www.dbr.ri.gov, in person at Department of Business Regulation, 1511 Pontiac Avenue, Cranston, Rhode Island 02920, or requested by electronic mail (e-mail) at gwesolow@dbr.ri.gov or by calling George Wesolowski at (401) 462-9588.

In the development of the proposed rule consideration was given to: (1) alternative approaches; (2) overlap or duplication with other statutory and regulatory provisions; and (3) significant economic impact on small business. No alternative approach, duplication, or overlap was identified based upon available information.

All interested parties are invited to submit written or oral comments concerning the proposed amendment by November 8, 2011 to George Wesolowski, Department of Business Regulation, Securities Division, 1151 Pontiac Avenue, Cranston, Rhode Island 02920 – telephone 401-462-9588. A public hearing to consider the proposed rule shall be held on November 8, 2011 at 10:00 am at 1511 Pontiac Avenue, Cranston, Rhode Island 02920 at which time and place all persons interested therein will be heard. The room is accessible to the disabled, and interpreter services for the hearing impaired will be provided, if requested, 48 hours prior to the hearing. Requests for this service can be made in writing or by calling (401) 462 9520 or TDD 711.

Paul McGreevy
Director, Department of Business Regulation

**State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION**

Division of Securities
**1511 Pontiac Avenue, Bldg. 69-2
Cranston, RI 02920**

FRANCHISE REGULATION

Table of Contents

Section 1.	Authority
Section 2.	Scope
Section 3.	Purpose
Section 4.	Expiration and Renewal
Section 5	Fractional Franchise
Section 6.	Severability
Section 7.	Effective Date

Section 1 *Authority*

This regulation is promulgated in accordance with R.I. Gen. Laws §§ 19-28.1-6, 19-28.1-9, 19-28.1-27, 42-35-3 and 42-14-17.

Section 2 *Scope*

This regulation applies to franchises offered or sold in Rhode Island pursuant to R.I. Gen. Laws § 19-28.1-4.

Section 3 *Purpose*

The purpose of this Regulation is to regulate franchise sales in Rhode Island.

Section 4 *Expiration and Renewal*

1. Exemption of a franchise under the Franchise Investment Act shall expire three hundred and sixty five (365) calendar days after the notice is received by the Department and the notice of exemption may be renewed annually thereafter.
2. Registration of a franchise under the Franchise Investment Act shall expire three hundred and sixty five (365) calendar days from the initial effective date and may be renewed annually thereafter.

Section 5 **Fractional Franchise**

1. Any franchise that meets all of the following criteria shall be referred to as a fractional franchise and shall be exempt from registration pursuant to the authority granted in R.I. Gen. Laws § 19-28.1-6(10).
2. A fraction franchise is a business or other commercial entity purchased by a franchisee that has executed a licensing agreement with a franchisor to conduct the business of the franchisor on the premises of the franchisee subject to the following conditions:
 - a. The franchisee has two or more years' experience in an established business of which the franchisee will become a component;
 - b. The franchised business will be operated from the same business location as the franchisee's established existing business;
 - c. The products or services offered by the franchised business will be substantially similar to the existing products or services offered by the franchise;
 - d. The volume of the business generated by the franchised business will not exceed twenty percent (20%) of the total revenues of the franchisee's primary business operation; and
 - e. The franchisee is not controlled by the franchisor.
3. A fractional franchisor that registers under this rule shall register with the Department and pay the same registration fee as paid by an exempt franchise pursuant to R.I. Gen. Laws § 19-28.1-29(c).

Section 6 **Severability**

If any provision of this regulation or the application thereof to any person or circumstance is held invalid or unconstitutional, the invalidity or unconstitutionality shall not affect other provisions or applications of this Regulation which can be given effect without the invalid or unconstitutional provision or application, and to this end the provisions of this Regulation are severable.

Section 7 **Effective Date**

This regulation is effective as indicated below.

EFFECTIVE DATE: November ____, 2011