

TITLE 230 - DEPARTMENT OF BUSINESS REGULATION

CHAPTER 50 - SECURITIES, FRANCHISES AND CHARITIES

SUBCHAPTER 10 - FRANCHISES

PART 1 - Franchise Regulation

1.1 Authority

This Part is promulgated pursuant to R.I. Gen. Laws §§ 19-28.1-6, 19-28.1-9, 19-28.1-27, 42-35-3 and 42-14-17.

1.2 Scope

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

1.3 Purpose

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

1.4 Expiration and Renewal

- A. 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.
- B. 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.

1.5 Fractional Franchise

- A. Any franchise that meets all of the following criteria shall be referred to as a fractional franchise and shall be exempt from registration requirements of R.I. Gen. Laws § 19-28.1-5 and the delivery requirements of R.I. Gen. Laws § 19-28.1-8 pursuant to the authority granted in R.I. Gen. Laws § 19-28.1-6(10).
- B. A fractional 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:

1. The franchisee has two or more years' experience in an established business of which the franchisee will become a component;
 2. The franchised business will be operated from the same business location as the franchisee's established existing business;
 3. The products or services offered by the franchised business will be substantially similar to the existing products or services offered by the franchise;
 4. The parties anticipate that the revenue from the franchise will not exceed twenty percent (20%) of the franchisee's primary business operation in the first year; and
 5. The franchisee is not controlled by the franchisor.
- C. 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).

1.6 Severability

If any provision of this Part 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 Part which can be given effect without the invalid or unconstitutional provision or application, and to this end the provisions of this Part are severable.

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**TITLE 230 - DEPARTMENT OF BUSINESS REGULATION
(INCLUDES THE OFFICE OF THE HEALTH INSURANCE
COMMISSIONER)**

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