

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division of Securities
1511 Pontiac Avenue
Cranston, Rhode Island 02920

CONCISE EXPLANATORY STATEMENT

Franchise Regulation

The Department of Business Regulation (“Department”) hereby adopts this Franchise Regulation effective December 23, 2011 and makes this statement in accordance with R.I. Gen. Laws § 42-35-2.3. The Department makes these amendments in order to provide that all registrations and exemptions expire one year after issuance and renew on an annual cycle. The regulation also establishes a Fractional Franchise as a new category of exemption.

There are two differences between the text of the proposed rule as published in accordance with R.I. Gen. Laws § 42-35-3 and the rule as adopted. Those differences are:

1. Section 5(1) has been changed as follows:

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). .

2. Section 5(2)(d) has been changed as follows:

The ~~volume of the business generated by the franchised business 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;