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Section 1 Authority


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  \textit{Fractional Franchise}


2. 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:
   \begin{enumerate}
   \item The franchisee has two or more years’ experience in an established business of which the franchisee will become a component;
   \item The franchised business will be operated from the same business location as the franchisee’s established existing business;
   \item The products or services offered by the franchised business will be substantially similar to the existing products or services offered by the franchise;
   \item 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
   \item The franchisee is not controlled by the franchisor.
   \end{enumerate}

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  \textit{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  \textit{Effective Date}

This regulation is effective as indicated below.

EFFECTIVE DATE: December 23, 2011