

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

CASE NO. SEC-2024-00032

Ex Parte: In the matter of
Adopting Revisions to the Rules
Governing the Virginia Retail Franchising Act

ORDER ADOPTING REGULATIONS

On September 3, 2024, the State Corporation Commission ("Commission") entered an Order Establishing Proceeding regarding a proposal by the Division of Securities and Retail Franchising ("Division") to revise Title 21, Chapter 110 of the Virginia Administrative Code ("Chapter 110"), which comprises the Commission's rules governing the Virginia Retail Franchising Act, § 13.1-557 *et seq.* of the Code of Virginia ("Franchising Act").

The Division recommended revisions to Chapter 110 that: (i) require the use of a new form titled "Certification of Deferred Franchise Fee" ("Form L"); (ii) require that the submission of registration, amendment and renewal applications shall only be tendered to the Commission by the electronic delivery method provided by the Division, unless in the case of hardship or other good cause, in which case the Commission may, at its discretion, allow for the submission of a registration, amendment or renewal application by a method other than electronic filing; (iii) provide clarification that an opening balance sheet provided by a start-up franchisor as part of its financial statements must be prepared in accordance with generally accepted accounting principles; and (iv) in lieu of escrow or deferral of initial franchising fees, allow acceptance of a surety bond as a form of financial assurance for franchisors that are insolvent as defined in

§ 13.1-562 A 2 of the Franchising Act. Collectively, these revisions are referred to in the Order Establishing Proceeding as the "Proposed Revisions."

The Order Establishing Proceeding, Proposed Revisions, and Form L were posted on the Commission's website and sent to interested persons, and the Order Establishing Proceeding and Proposed Revisions were published in the *Virginia Register of Regulations* on September 23, 2024.¹ The Order Establishing Proceeding invited any interested persons to participate and required that any comments or requests for a hearing on the Proposed Revisions or Form L be submitted in writing on or before October 15, 2024.

Comments on the Proposed Revisions were timely filed by Jonathan N. Barber, Esq. The Commission did not receive any requests for a hearing.

On November 12, 2024, the Division timely filed its Response to Comments ("Response"). In its Response, the Division responded to the filed comments and also recommended that the Commission further amend Rule 21 VAC 5-110-65 H (1) and H (2) (a) of the Proposed Revisions.

NOW THE COMMISSION, having considered this matter, finds that the Proposed Revisions should be amended to incorporate the specific changes the Division recommended in its Response. The Commission finds that the modified proposed regulations should be adopted effective January 1, 2025.

¹ Although the Virginia Registrar of Regulations does not publish forms in the *Virginia Register of Regulations*, Form L was available: (1) via an online link; (2) from the Division; and (3) at the Office of the Registrar of Regulations. See Division letter demonstrating compliance with the Order Establishing Proceeding, filed in this matter at Doc. Con. Cen. No. 241070051 (attachment at 476, relevant portion of the *Virginia Register of Regulations* - Volume 41, Issue 3, published September 23, 2024).

Accordingly, IT IS ORDERED THAT:

(1) The revisions to Chapter 110 and to Form L, as modified herein and attached hereto and made a part hereof, are adopted effective January 1, 2025.

(2) The Division shall provide notice of this Order Adopting Regulations ("Order"), and the adopted revisions to Chapter 110 and Form L, to every person who filed comments in this matter, and to such other interested persons as the Division's Director may designate.

(3) The Commission's Office of General Counsel shall provide a copy of this Order and the adopted revisions to Chapter 110 and Form L to the Virginia Registrar of Regulations for appropriate publication in the *Virginia Register of Regulations*.

(4) Interested persons may download unofficial copies of this Order and the adopted revisions to Chapter 110 and Form L from the Commission's website:
scc.virginia.gov/pages/Case-Information.

(5) This case is dismissed.

A COPY hereof, along with the attached regulations and Form L, shall be sent by the Clerk of the Commission to: C. Meade Browder, Jr., Senior Assistant Attorney General, at MBrowder@oag.state.va.us, Office of the Attorney General, Division of Consumer Counsel, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219-3424; and the Commission's Office of General Counsel and the Director of the Division of Securities and Retail Franchising.

State Corporation Commission, Division of Securities And Retail Franchising**2024 Franchise Rules Update****21VAC5-110-20. Preliminary statement.**

Follow these rules for each item in franchise applications and disclosures in the FDD.

The following rules shall be adhered to with respect to applications for registration or exemption of a franchise, and applications for renewal or amendment of a franchise registration or exemption, filed pursuant to Chapter 8 (§ 13.1-557 et seq.) of Title 13.1 of the Code of Virginia. These applications shall be submitted to Virginia's state administrator either electronically or at the following address: State Corporation Commission, Division of Securities and Retail Franchising, ~~P.O. Box 1197~~, 1300 East Main Street, ~~9th~~ Ninth Floor, Richmond, Virginia ~~23248~~ 23219.

21VAC5-110-30. Registration application; documents to file; interim financial statements.

A. An application for registration of a franchise is made by filing with the commission the following completed forms and other material:

1. Uniform Franchise Registration Application page, Form A;
2. Total Costs and Sources of Funds for Establishing New Franchises, Form B;
3. Uniform Consent to Service of Process, Form C;
4. If the applicant is a corporation or partnership, an authorizing resolution if the application is verified by a person other than the applicant's officer or general partner;
5. Franchise Disclosure Document;
6. Application fee (payable to the "Treasurer of Virginia"); ~~and~~

7. Auditor's consent (or a photocopy of the consent) to the use of the latest audited financial statements in the Franchise Disclosure Document; and

8. Certification of Deferred Franchise Fee, Form L, if applicable.

B. An application for registration shall contain: ~~1. One copy of a complete franchise registration application, including the Franchise Disclosure Document, on paper; 2. One copy of a complete franchise registration application, including the Franchise Disclosure Document, on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising; and 3. A cover letter containing a representation that all of the information contained in the electronic file is identical to the paper documents~~ be submitted either electronically using a method specified by the commission, or by delivering a copy of the application on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising. Electronic versions of the application, including the Franchise Disclosure Document, shall be text searchable.

C. For good cause shown and at its discretion, the commission may allow for submission of an application for registration by a method of communication other than electronic filing or on electronic media as required in subsection B of this section. Such delivery may only occur after the applicant has received prior approval from the commission. The commission will determine the policy and procedure used to accept and process an application under such a request.

D. If the commission's review of the application results in any revision to the documents submitted, the franchisor shall file a complete clean copy of the revised Franchise Disclosure Document and any other revised documents; and a black-lined copy of all revised pages, unless the commission directs otherwise. ~~In addition to filing the complete clean Franchise Disclosure Document and black-lined pages on paper, a franchisor shall include copies on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising. The revised electronic file shall be accompanied by a transmittal letter as described~~

~~in subdivision B 3 of this section~~ The filing shall be submitted in a manner as required by subsection B of this section.

D. ~~The electronic version of the Franchise Disclosure Document shall be text searchable.~~

E. If the date of the most recent audited financial statements in the Franchise Disclosure Document precedes the date of the application by more than 120 days, the Franchise Disclosure Document shall also include the following financial statements prepared in accordance with generally accepted accounting principles:

1. An unaudited interim balance sheet as of a date within 120 days of the date of the application; and
2. An unaudited interim statement of income or operations for the period from the most recent audited financial statements to the date of the interim balance sheet.

F. The certifications made by or on behalf of the franchisor in Form A shall extend and apply to all documents and materials filed in connection with the registration application, including any documents or materials submitted to the commission subsequent to the initial filing that may be required to complete the registration application.

21VAC5-110-40. Pre-effective and post-effective amendments to the registration.

A. Within 30 days after the occurrence of a material change, the franchisor shall amend the effective registration filed at the commission. An amendment to an application filed either before or after the effective date of registration may include only the pages containing the information being amended if pagination is not disturbed. The amended pages must be black-lined to show all additions, deletions, and other changes from the franchisor's previous submission. The franchisor may not use margin balloons or color highlights to show changes.

B. An application to amend a franchise registration is made by submitting the following completed forms and other material:

1. Uniform Franchise Registration Application page, Form A;
2. One complete clean copy of the amended Franchise Disclosure Document;
3. One complete copy of the amended Franchise Disclosure Document black-lined to show all additions, deletions, and other changes; and
4. Application fee (payable to the "Treasurer of Virginia_"). The fee shall accompany all post-effective amendments unless submitted in connection with an application for renewal.

C. An application to amend a registration shall contain: ~~1. One copy of a complete franchise amendment application, including the amended Franchise Disclosure Document, on paper; 2. One copy of a complete franchise amendment application, including the amended Franchise Disclosure Document, on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising; and 3. A cover letter containing a representation that all of the information contained in the electronic file is identical to the paper documents~~ be submitted either electronically using a method specified by the commission or by delivering a copy of the application on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising. Electronic versions of the franchise amendment application, including the amended Franchise Disclosure Document, shall be text searchable.

D. For good cause shown and at its discretion, the commission may allow for submission of an application to amend a registration by a method of communication other than electronic filing or on electronic media as required in subsection C of this section. Such delivery may only occur after the applicant has received prior approval from the commission. The commission will determine the policy and procedure used to accept and process an application under such a request.

~~E. If the commission's review of the application results in any revision to the documents submitted, the franchisor shall file a complete clean copy of the revised Franchise Disclosure Document and any other revised documents, and a black-lined copy of all revised pages, unless the commission directs otherwise. In addition to filing the complete clean Franchise Disclosure Document and black-lined pages on paper, a franchisor shall include copies on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising. The revised electronic file shall be accompanied by a transmittal letter as described in subdivision C 3 of this section. The filing shall be submitted in a manner as required by subsection C of this section.~~

~~E. The electronic version of the Franchise Disclosure Document shall be text searchable.~~

F. The certifications made by or on behalf of the franchisor in Form A shall extend and apply to all documents and materials filed in connection with the amendment application, including any documents or materials submitted to the commission subsequent to the initial filing that may be required to complete the amendment application.

21VAC5-110-50. Expiration; application to renew the registration; interim financial statements.

A. A franchise registration expires at midnight on the annual date of the registration's effectiveness. An application to renew the franchise registration should be filed 30 days prior to the expiration date in order to prevent a lapse of registration under the Virginia statute.

B. An application for renewal of a franchise registration is made by submitting the following completed forms and other material:

1. Uniform Franchise Registration Application page, Form A;
2. Updated Franchise Disclosure Document;

3. One complete copy of the amended Franchise Disclosure Document black-lined to show all additions, deletions, and other changes, using no margin balloons or color highlights; and
4. Application fee (payable to the "Treasurer of Virginia"); and
5. Certification of Deferred Franchise Fee, Form L, if applicable.

C. An application for renewal of a franchise registration shall contain: ~~1. One copy of a complete franchise renewal application, including the updated Franchise Disclosure Document, on paper; 2. One copy of a complete franchise renewal application, including the updated Franchise Disclosure Document, on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising; and 3. A cover letter containing a representation that all of the information contained in the electronic file is identical to the paper documents~~ be submitted either electronically using a method specified by the commission or by delivering a copy of the application on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising. Electronic versions of the application for renewal, including the updated Franchise Disclosure Document, shall be text searchable.

D. For good cause shown and at its discretion, the commission may allow for submission of an application for renewal by a method of communication other than electronic filing or on electronic media as required in subsection C of this section. Such delivery may only occur after the applicant has received prior approval from the commission. The commission will determine the policy and procedure used to accept and process an application under such a request.

E. If the commission's review of the application results in any revision to the documents submitted, the franchisor shall file a complete clean copy of the revised Franchise Disclosure Document and any other revised documents, and a black-lined copy of all revised pages, unless

~~the commission directs otherwise. In addition to filing the complete clean Franchise Disclosure Document and black-lined pages on paper, a franchisor shall include copies on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising. The revised electronic file shall be accompanied by a transmittal letter as described in subdivision C 3 of this section~~ The filing shall be submitted in a manner as required by subsection C of this section.

~~E. The electronic version of the Franchise Disclosure Document shall be text searchable.~~

F. If the date of the most recent audited financial statements in the Franchise Disclosure Document precedes the date of the application by more than 120 days, the Franchise Disclosure Document shall also include the following financial statements prepared in accordance with generally accepted accounting principles:

1. An unaudited interim balance sheet as of a date within 120 days of the date of the application; and
2. An unaudited interim statement of income or operations for the period from the most recent audited financial statements to the date of the interim balance sheet.

G. The certifications made by or on behalf of the franchisor in Form A shall extend and apply to all documents and materials filed in connection with the renewal application, including any documents or materials submitted to the commission subsequent to the initial filing that may be required to complete the renewal application.

21VAC5-110-55. The Franchise Disclosure Document.

A. Format. The Franchise Disclosure Document must be prepared in accordance with §§ 436.3 through 436.5 of the Federal Trade Commission Franchise Rule (16 CFR 436.3 through 436.5), subject to the modifications set forth in subsections B and C of this section.

B. Financial statements. Notwithstanding § 436.5(u)(2) of the Federal Trade Commission Franchise Rule (16 CFR 436.5), a start-up franchisor in its first partial or full fiscal year selling franchises shall provide an opening balance sheet, prepared in accordance with generally accepted accounting principles, that has been audited by an independent certified public accountant using generally accepted United States auditing standards.

C. State cover sheets and effective dates page. The Franchise Disclosure Document shall include the state cover sheets and state effective dates page prepared in accordance with the requirements set forth in Part III B of the 2008 Franchise Registration and Disclosure Guidelines, as adopted May 19, 2019, by the North American Securities Administrators Association, Inc.

21VAC5-110-65. Escrow and, deferral, and surety bond.

A. Escrow requirement. The commission may require a franchisor to escrow franchise fees and other payments made by a franchisee to the franchisor until the franchisor's pre-opening obligations under the franchise agreement have been satisfied. The commission may require escrow at any time after the submission of a registration or renewal application and upon a finding that the grounds enumerated in clause (i) of subdivision A 2 of § 13.1-562 of the Virginia Retail Franchising Act as provided in Chapter 668 of the 2007 Acts of Assembly exist.

B. Depository. Funds subject to an escrow condition shall be placed in a separate trust account with a national bank or a ~~state-chartered~~ state-chartered bank or trust company transacting business in the Commonwealth of Virginia.

C. Compliance with escrow requirement. The franchisor shall file with the commission the following to comply with the commission's escrow requirement:

1. An original, fully executed copy of the Escrow Agreement, Form K;

2. A written consent from the depository agreeing to operate the escrow account under this ~~regulation~~ chapter;
3. The name and address of the depository and the account number of the escrow account;
4. The name, address, telephone number, and email address of an individual ~~or individuals~~ at the depository who may be contacted by the commission regarding the escrow account; and
5. An amended franchise application reflecting, in Item 5 of the Franchise Disclosure Document or in a Virginia Addendum to the Franchise Disclosure Document, that the commission has imposed the escrow requirement and the material terms of that escrow condition, including the name of the depository.

D. Operation of escrow account. After the commission imposes an escrow requirement upon the franchisor, the franchisor shall:

1. Make franchisee checks for franchise fees or other payments for the franchisor payable to the depository; and
2. Deposit with the depository, within two business days of the receipt, the funds described in subdivision 1 of this subsection.

Deposits made to the depository shall remain escrowed until the commission authorizes the release of the funds.

E. Release of escrowed funds.

1. A franchisor may apply to the commission for the release of escrowed funds together with any interest earned.

2. A franchisor's application to the commission to authorize the release of escrowed funds to the franchisor shall be in writing, verified by an authorized officer of the franchisor, and shall contain:

- a. The franchisor's statement that all proceeds from the sale of franchises have been placed with the depository in accordance with the terms and conditions of the escrow requirement;
 - b. The depository's statement, signed by an appropriate officer, setting forth the aggregate amount of escrowed funds deposited with the depository and the franchisor's account number with the depository;
 - c. A list of the names and addresses of each franchisee and the amount held in the escrow account for the account of each franchisee;
 - d. The amount of funds sought to be released;
 - e. A written certification from the franchisee stating the amount of funds to be released that acknowledges that the franchisor has completely performed its pre-opening obligations under the franchise agreement, including providing real estate, improvements, equipment, inventory, training, or other items as required by the franchise agreement; and
 - f. Other information the commission may reasonably require.
3. If the commission finds that the franchisor has fulfilled its obligations under the franchise agreement for a specified franchisee, the commission shall authorize the depository to release to the franchisor the amount held in escrow for the account of the applicable franchisee.

F. Removal of escrow requirement. The commission may remove the escrow requirement at any time, if:

1. The franchisor agrees to defer franchise fees and other initial payments; or
2. Based upon new information, the commission finds that the escrow requirement is no longer necessary and appropriate for the protection of prospective franchisees.

G. Deferral of fees in place of escrow requirement.

1. In lieu of an escrow requirement, the commission may, under appropriate circumstances, accept a franchisor's agreement to defer franchise fees and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.
2. The franchisor's agreement to defer franchise fees shall be reflected in Item 5 of the Franchise Disclosure Document or in a Virginia Addendum to the Franchise Disclosure Document.
3. For any deferral of franchise fees, the applicant must submit the Certification of Deferred Franchise Fee, Form L.

H. Surety bond.

1. In lieu of escrow or deferral of initial franchise fees, a franchisor may post, upon approval by the commission, a surety bond as required by this subsection.
2. The surety bond shall be:
 - a. Effective as of the date of the initial registration and in an amount not less than the initial franchise fee, as listed in Item 5 of the Franchise Disclosure Document (FDD) filed with the commission, of one franchise unit. During the registration period, the franchisor must maintain a surety bond in an amount not less than the franchise fee multiplied by the number of franchises in the Commonwealth the franchisor has signed but the franchisee has not yet opened. Provided the existence of a surety

bond is disclosed in the Franchise Disclosure Document, the franchisor may increase the amount of the surety bond during the registration period without filing an application to amend a registration by submitting a copy of a rider to the surety bond increasing its amount to the commission either electronically using a method specified by the commission, or by delivering a copy of the surety bond rider on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising, prior to the franchisor collecting any additional franchise fees;

b. Issued by a surety company authorized to transact business in Virginia;

c. Conditioned upon the completion by the franchisor of its obligations under the franchise agreement to provide real estate, improvements, equipment, inventory training, and other items; and

d. As of the date of a franchise registration renewal period, the amount of a surety bond must be at the greater amount of that imposed under subdivision 2 a of this subsection.

3. The franchisor's agreement to a surety bond and its conditions shall be disclosed in Item 5 of the Franchise Disclosure Document or in a Virginia Addendum to the Franchise Disclosure Document.

4. A copy of the effective surety bond shall be submitted to the commission.

21VAC5-110-75. Exemptions.

Any offer or sale of a franchise in a transaction that meets the requirements of this section is exempt from the registration requirement of § 13.1-560 of the Virginia Retail Franchising Act.

1. Sale or transfer by existing franchisee. The sale or transfer of a franchise located in the Commonwealth of Virginia by a franchisee who is not an affiliate of the franchisor for the franchisee's own account is exempt if:

a. The franchisee's entire franchise is sold or transferred, and the sale or transfer is not effected by or through the franchisor.

b. The sale or transfer is not effected by or through a franchisor merely because a franchisor has a right to approve or disapprove the sale or transfer or requires payment of a reasonable transfer fee.

2. Renewal or extension of existing franchise. The offer or sale of a franchise involving a renewal or extension of an existing franchise where there is no interruption in the operation of the franchised business, and there is no material change in the franchise relationship, is exempt. For purposes of this subdivision, an interruption in the franchised business solely for the purpose of renovating or relocating that business is not a material change in the franchise relationship or an interruption in the operation of the franchised business.

3. Offers and sales to existing franchisees. The offer or sale of an additional franchise to an existing franchisee of the franchisor for the franchisee's own account is exempt if the franchise being sold is substantially the same as the franchise that the franchisee has operated for at least two years at the time of the offer or sale of the franchise, provided the prior sale to the franchisee was pursuant to a franchise offering that was registered or exempt pursuant to the requirements of the Virginia Retail Franchising Act and is located in the Commonwealth of Virginia.

4. Seasoned franchisor.

a. The offer or sale of a franchise by a franchisor is exempt if:

(1) The franchisor has a net equity, according to its most recently audited financial statements, of not less than \$15 million on a consolidated basis, or \$1 million on an unaudited basis and is at least 80% owned by a corporation or entity that has a net equity, on a consolidated basis, according to its most recently audited financial statements, of not less than \$15 million, and the 80% owner guarantees the performance of the franchisor's obligations;

(2) The auditor's report accompanying the audited financial statements described in subdivision 4 a (1) of this section does not contain an explanatory paragraph expressing doubt as to the entity's ability to continue as a going concern; and

(3) The franchisor or any 80% owner of the franchisor or the franchisor's predecessor, or any combination thereof, has had at least 25 franchisees conducting substantially the same franchise business to be offered or sold for the entire five-year period immediately preceding the offer or sale.

b. The exemption set forth in this subdivision 4 may be claimed only if the franchisor:

(1) Files a Form H Notice of Claim of Exemption and other material as set forth in subdivision 8 of this section no later than 10 business days before the offer or sale of any franchise; and

(2) Submits financial statements demonstrating compliance with the conditions set forth in subdivision 4 a (1) of this section.

c. An initial exemption filing and any renewal filing shall expire after a period of one year. The franchisor shall file for a renewal by making an exemption filing if it intends to offer or sell franchises for any additional period annually, at least 10 business days before the expiration of the previously filed Notice of Claim of Exemption.

5. Institutional franchisee.

a. The offer or sale of a franchise to a bank, savings bank, savings and loan association, trust company, insurance company, investment company, or other financial institution, or to a broker-dealer is exempt when the:

(1) ~~Purchaser~~ The purchaser is acting for itself or in a fiduciary capacity; and

(2) ~~Franchise~~ The franchise is not being purchased for the purpose of resale to an individual not exempt under this regulation.

b. The exemption set forth in subdivision 5 a of this section may be claimed only if the franchisor files an initial filing Form H, Notice of Claim of Exemption, and other material as set forth in subdivision 8 a of this section, at least 10 business days before each offer or sale of each franchise.

6. Substantial investment.

a. The offer or sale of a franchise by a franchisor is exempt if:

(1) The offer or sale is of a single unit franchise in which the actual minimum initial investment is in excess of \$3 million. This amount will be based on the Item 7 requirements of the Franchise Disclosure Document;

(2) The prospective franchisee is represented by legal counsel in the transaction; and

(3) The franchisor reasonably believes immediately before making the offer or sale that the prospective franchisee, either alone or with the prospective franchisee's representative or affiliates, has sufficient knowledge and experience such that the prospective franchisee is capable of evaluating the merits and risks of the prospective franchise investment.

- b. The exemption set forth in subdivision 6 a of this section may be claimed only if the franchisor:
- (1) Files a Form H, Notice of Claim of Exemption, and other materials as set forth in subdivision 8 of this section no later than 10 business days before the offer or sale of any franchise; and
 - (2) Obtains from the prospective franchisee a signed certification verifying the grounds for the exemption.
- c. The exemption set forth in subdivision 6 a of this section applies only to the registration provisions, and not the disclosure provisions, of the Virginia Retail Franchising Act.
- d. An initial exemption filing and any renewal filing shall expire after a period of one year. The franchisor shall file for a renewal by making an exemption filing if it intends to offer or sell franchises for any additional period annually at least 10 business days before the expiration of the previously filed Form H, Notice of Claim of Exemption.
7. Disclosure requirements. If a franchisor relies upon any of the exemptions set forth in subdivision 3, 4, 5, or 6 of this section, the franchisor shall provide a disclosure document complying with 21VAC5-110-55 and 21VAC5-110-95 together with all proposed agreements relating to the sale of the franchise to a prospective franchisee 14 calendar days before the signing of the agreement or the payment of any consideration.
8. Filing requirements for exemptions set forth in subdivisions 4, 5, and 6 of this section.
- a. Initial exemption filing.
 - (1) The initial exemption period shall expire after a period of one year.

(2) The franchisor files shall file an application for exemption of a franchise by filing with the commission no later than 10 business days before the offer or sale of any franchise, the following completed forms and other material:

(a) Notice of Claim of Exemption, Form H;

(b) Uniform Consent to Service of Process, Form C;

(c) If the applicant is a corporation or partnership, an authorizing resolution is required if the application is verified by a person other than applicant's officer or general partner;

(d) Franchise Disclosure Document on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising;

(e) An undertaking by which ~~the~~ the franchisor agrees to supply any additional information the commission may reasonably request; and

(f) Application fee of \$500 (payable to the Treasurer of Virginia).

b. Amendment to exemption filing.

(1) Upon the occurrence of a material change, the franchisor shall amend the effective exemption filed at the commission.

(2) An application to amend a franchise exemption is made by submitting the following completed forms and other material:

(a) Notice of Claim of Exemption, Form H;

(b) One clean copy of the amended Franchise Disclosure Document on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising; and

(c) Application fee of \$100 (payable to the Treasurer of Virginia).

c. Renewal exemption filing.

(1) A franchise exemption expires at midnight on the annual exemption effective date. An application to renew the franchise exemption shall be filed 10 days prior to the expiration date in order to prevent a lapse of exemption under the Virginia Retail Franchising Act.

(2) An application for renewal of a franchise exemption is made by submitting the following completed forms and other material:

(a) Notice of Claim of Exemption, Form H;

(b) One clean copy of the Franchise Disclosure Document on a CD-ROM in PDF format or on other electronic media approved by the Division of Securities and Retail Franchising; and

(c) Application fee of \$250 (payable to the Treasurer of Virginia).

FORMS (21VAC5-110)

[FORM A, Uniform Franchise Registration Application \(rev. 7/2008\)](#)

[FORM B, Franchisor's Costs and Sources of Funds \(rev. 7/2008\)](#)

[FORM C, Uniform Consent to Service of Process \(rev. 7/2008\)](#)

[FORM E, Affidavit of Compliance -- Franchise Amendment/Renewal Amendment or Renewal \(rev. 7/2008\)](#)

[FORM F, Guarantee of Performance \(rev. 3/2013\)](#)

[FORM G, Franchisor's Surety Bond \(rev. 7/1999\)](#)

[FORM H, Notice of Claim of Exemption \(rev. 3/2018\)](#)

[FORM K, Escrow Agreement \(eff. 7/2007\)](#)

FORM L, Certification of Deferred Franchise Fee (eff. 1/2025)

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
Division of Securities and Retail Franchising

Certification of Deferred Franchise Fee – Franchise Registration/Renewal

1. This certification is submitted in connection with an application to register/renew the effective franchise registration of _____ in accordance with 21 VAC 5-110-30 or 21 VAC 5-110-50. (Name of Franchisor)

2. To the best of my knowledge, the franchisor on whose behalf the application to amend/renew is made:

a. During the period of registration from _____ to _____, _____, as a condition of that registration period, did defer the franchise fee of location(s) to be operated in the Commonwealth of Virginia. (Name of Franchisor)

b. During the period listed in (a) above the following is a list of those, if any, franchise(s) sold

- Name of Franchisee: _____
- Location (Address and City): _____
- Phone number: _____
- Date Pre-opening obligations met: _____
- Date Franchise Fee was received: _____

(Use additional pages(s) to account for all locations sold during time period identified in 2.a. above)

Signed at _____, _____, 20____.

Franchisor: _____

By: _____

Name: _____

Title: _____