

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 3, 2024

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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 ESTABLISHING PROCEEDING

Section 12.1-13 of the Code of Virginia ("Code") provides, in relevant part, that "[i]n the administration and enforcement of all laws within its jurisdiction, the [State Corporation Commission ("Commission")] shall have the power to promulgate rules and regulations[.]"

Section 13.1-572 of the Virginia Retail Franchising Act ("Franchising Act"), § 13.1-557 *et seq.* of the Code, provides that the Commission shall have authority to make, amend and rescind such rules and forms as may be necessary to carry out the provisions of Chapter 8 of Title 13.1 of the Code. The rules issued by the Commission pursuant to § 13.1-572 of the Code ("Rules") are set forth in Title 21, Chapter 110 of the Virginia Administrative Code ("Chapter 110").¹

The Division of Securities and Retail Franchising ("Division") has submitted to the Commission proposed revisions to Chapter 110 to: (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)

¹ 21 VAC 5-110-10 *et seq.* Retail Franchising Act Rules.

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 are referred to as the "Proposed Revisions."

The Division has recommended to the Commission that the Proposed Revisions should be considered for adoption, and Form L should be approved for use, with an effective date of January 1, 2025.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that a proceeding should be established to consider revising the Rules. To initiate this proceeding, the Division has prepared the Proposed Revisions and Form L, which are appended to this Order Establishing Proceeding ("Order"). The Commission finds that notice of the Proposed Revisions and Form L should be given to the public, and that interested persons should be provided an opportunity to file written comments on, propose modifications or supplements to, or request a hearing on the Proposed Revisions and Form L for adoption with a proposed effective date of January 1, 2025.

Accordingly, IT IS ORDERED THAT:

(1) This case is docketed and assigned Case No. SEC-2024-00032.

(2) All comments and other documents and pleadings filed in this matter shall be submitted electronically to the extent authorized by Rule 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice and Procedure.² Confidential and Extraordinarily Sensitive

² 5 VAC 5-20-10 *et seq.* State Corporation Commission Rules of Practice and Procedure ("Rules of Practice").

Information shall not be submitted electronically and shall comply with Rule 5 VAC 5-20-170, *Confidential information*, of the Rules of Practice. Any person seeking to hand deliver and physically file or submit any pleading or other document shall contact the Clerk's Office Document Control Center at (804) 371-9838 to arrange the delivery.

(3) On or before October 15, 2024, any interested person may comment on, propose modifications or supplements to, or request a hearing on the Proposed Revisions and/or Form L by following the instructions on the Commission's website:

scc.virginia.gov/casecomments/Submit-Public-Comments. Those unable, as a practical matter, to submit such documents electronically may file such comments by U.S. mail to the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, 23218-2118. All documents shall refer to Case No. SEC-2024-00032. Any request for hearing shall state why a hearing is necessary and why the issues raised in the request for hearing cannot be addressed adequately in written comments.

(4) The Division shall file its response to any comments filed pursuant to Ordering Paragraph 3 on or before November 12, 2024.

(5) If a sufficient request for hearing is not received, the Commission may consider the matter and enter an order based upon the comments, documents or other pleadings filed in this proceeding.

(6) The Division shall provide notice of this Order to any interested persons as the Division may designate.

(7) The Commission's Office of General Counsel shall provide a copy of this Order, together with the Proposed Revisions and Form L, to the Virginia Registrar of Regulations for publication in the *Virginia Register of Regulations*.

(8) Interested persons may download unofficial copies of the Order, the Proposed Revisions and Form L, from the Commission's website:

scc.virginia.gov/pages/Case-Information.

(9) This matter is continued.

A COPY hereof 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 Securities and Retail Franchising.

Project 7836 - Proposed

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 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 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~~ 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.

~~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.~~

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. 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.

~~C.~~ 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. The filing shall be submitted in a manner as required by

~~subsection B. 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.~~

~~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:~~ 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.

- ~~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.~~

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. 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. 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. The filing shall be submitted in a manner as required by subsection C. 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.~~

~~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:~~ 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.

- ~~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.~~

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. 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. 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. The filing shall be submitted in a manner as required by subsection C. ~~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.~~

~~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 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 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;
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;

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 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 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 is acting for itself or in a fiduciary capacity; and

(2) 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 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 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 it 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 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 (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: _____